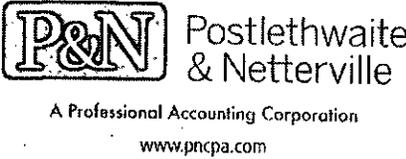


CITY OF NEW ORLEANS, LOUISIANA
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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

Release Date 12/8/10



CITY OF NEW ORLEANS, LOUISIANA

Basic Financial Statements

December 31, 2009

(With Independent Auditors' Report Thereon)

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CITY OF NEW ORLEANS, LOUISIANA

Table of Contents

| | Page |
|--|-------------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements: | |
| Statement of Net Assets | 15 |
| Statement of Activities | 16 |
| Balance Sheet – Governmental Funds | 17 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets | 18 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 19 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 20 |
| Statement of Fiduciary Net Assets | 21 |
| Statement of Changes in Fiduciary Net Assets | 22 |
| Component Units – Combining Statement of Net Assets | 23 |
| Component Units – Combining Statement of Activities | 25 |
| Notes to Basic Financial Statements | 26 |
| Required Supplementary Information | |
| Notes to Required Supplementary Information | 68 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund | 70 |
| Budget to GAAP Reconciliation | 71 |
| Schedules of Funding Progress | 72 |



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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, 2009, 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 Canal Street Development Corporation, the New Orleans Building Corporation, and the New Orleans Traffic Court, which represent 9% and 19% 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 85% of the assets and 62% of the additions and revenues of the aggregate remaining fund information; and the Board of Liquidation, City Debt, which is a major fund and 15% and 8% 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 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 New Orleans Building Corporation, the New Orleans Traffic Court, 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.

Based on the report of other auditors, the financial statements of a 99% owned subsidiary of the Firefighters' Pension and Relief Fund of the City of New Orleans, have not been audited. The assets and changes in net assets of the subsidiary are \$25,500,000 and \$12,184,517, respectively, in the pension trust funds as of and for the year ended December 31, 2009.

In our opinion, based on the report of other auditors, except for the financial statements of the subsidiary of the Firefighters' Pension and Relief Fund of the City of New Orleans as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Firefighters' Pension and Relief Fund of the City of New Orleans, as of December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In addition, 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, 2009, 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, except as described in the preceding paragraph.

In accordance with *Government Auditing Standards*, we have issued our report dated July 30, 2010 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of funding progress on pages 3 through 14 and 68 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Metairie, Louisiana
July 30, 2010

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

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, 2009. 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.

Financial Highlights

- The City's net assets balance on the government-wide basis was a deficit of \$164.5 million at December 31, 2009.
- The Government-wide Statement of Activities reported a decrease in net assets of \$107.1 million.
- 2009 General Fund tax revenues increased by \$3.7 million compared to 2008.
- The General Fund reported an excess of expenses over revenues and other financing sources of \$51.6 million for a total ending fund balance at December 31, 2009 of \$7.9 million. The General Fund's undesignated fund balance at December 31, 2009 is a deficit of \$8.7 million.
- Total Governmental Funds reported an excess of expenses over revenues and other financing sources (deficiency) of \$133.0 million.
- Total cash and investments of Governmental Funds amounted to \$237.4 million at December 31, 2009, a decrease of \$142.0 million over the beginning of the year total.
- Total bonded debt amounted to \$672.7 million, a decrease of \$23.9 million over the beginning of the year total. The State of Louisiana authorized the City to borrow through the Gulf Opportunity Zone Program \$79.9 million to defray the cost of debt service in the General Fund. \$8.5 million was used in 2009 to pay part of the City's debt service.

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.

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

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, 2009. 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 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 77 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 eight 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 Louisiana Office of Community Development (LCD) grant fund, the debt

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

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.

Net Assets

December 31, 2009 and 2008

(In thousands)

| | Governmental Activities | |
|--|--------------------------------|-------------|
| | 2009 | 2008 |
| Current and other assets | \$ 348,449 | 504,936 |
| Capital assets | 1,327,058 | 1,249,860 |
| Total assets | 1,675,507 | 1,754,796 |
| Long-term liabilities | 1,685,395 | 1,631,663 |
| Other liabilities | 154,576 | 180,468 |
| Total liabilities | 1,839,971 | 1,812,131 |
| Net assets: | | |
| Invested of capital assets, net of related debt | 641,513 | 641,132 |
| Restricted | 85,692 | 92,584 |
| Unrestricted (deficit) | (891,669) | (791,051) |
| Total net assets | \$ (164,464) | (57,335) |

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

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 \$164.5 million at December 31, 2009.

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 \$641.5 million at December 31, 2009. 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 \$85.7 million at December 31, 2009 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 \$891.7 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 \$100.6 million, which is primarily due to the change in net assets described below.

Governmental Activities

Governmental activities decreased the City's net assets by \$107.1 million. Total revenue increased overall by \$78.8 million or 12.1% from \$653.3 million in 2008 to \$732.9 million in 2009. Operating grants and contributions increased by \$38.4 million and capital grants and contributions increased by \$13.9 million compared to 2008. Property tax revenue decreased from \$155.8 million in 2008 to \$146.0 million in 2009, a decrease of \$9.8 million or 6.3%. Real estate property taxes were assessed and the majority collected in the beginning of the fiscal year. Sales tax revenues decreased by \$3.7 million or 2.7%.

Total expenses were \$839.2 million in 2009, an increase of \$53.6 million, or 6.8%, compared to \$785.6 million in 2008. General government expense increased \$32.5 million or 12.3% from \$263.9 million in 2008 to \$296.4 million in 2009 primarily due to increases in pay and payroll benefits. Public safety expense increased \$10.2 million or 5.0% from \$204.7 million in 2008 to \$214.9 million in 2009 due to the retirement of a number of long-term personnel who were not subject to limits on terminal pay. Public works expense increased \$837 thousand or less than 1.0% from \$135.5 in 2008 to \$136.3 million in 2009. Urban development and housing expense decreased \$2.0 million or 4.0% from \$49.5 million in 2008 to \$47.5 million in 2009. Economic development expense increased \$7.2 million or 42.2% from \$17.1 million in 2008 to \$24.3 million in 2009 primarily due to two additional grants from the Department of Labor which increased labor by \$4.2 million and a \$5.0 million dollar increase in the Urban Development Action Grant.

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

A comparison of 2008 to 2009 is as follows (amounts are reported in thousands):

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|-----------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 134,248 | 124,831 |
| Operating grants and contributions | 143,482 | 105,041 |
| Capital grants and contributions | 51,230 | 37,301 |
| General revenues: | | |
| Property taxes | 145,956 | 155,767 |
| Sales taxes | 133,868 | 137,581 |
| Other taxes | 45,332 | 42,191 |
| Investment earnings | 11,783 | 18,251 |
| Insurance proceeds | — | 5,866 |
| Miscellaneous | 66,185 | 51,115 |
| Loss on disposal of assets | — | (24,651) |
| Total revenues | <u>732,084</u> | <u>653,293</u> |
| Expenses: | | |
| General government | 296,441 | 263,924 |
| Public safety | 214,899 | 204,749 |
| Public works | 136,344 | 135,507 |
| Health and human services | 20,682 | 19,973 |
| Culture and recreation | 25,392 | 21,710 |
| Urban development and housing | 47,544 | 49,507 |
| Economic development | 24,321 | 17,102 |
| Interest and fiscal changes | 73,590 | 73,152 |
| Total expenses | <u>839,213</u> | <u>785,624</u> |
| Decrease in net assets | (107,129) | (132,331) |
| Net assets, beginning of year as restated | (57,335) | 74,996 |
| Net assets, ending | <u>\$ (164,464)</u> | <u>(57,335)</u> |

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, 2009, the City's governmental funds reported a combined ending fund balance of \$171.2 million, a decrease of \$133.0 million when compared to the prior year. Unreserved-undesignated fund balance, as of December 31, 2009, was \$32.4 million and is available for spending at the government's discretion. The unreserved-designated fund balance in the amount of \$6.8 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 \$132.1 million is primarily reserved to pay debt service (\$64.0 million), for grantee loans (\$4.2 million), and to liquidate contracts and purchase orders of the prior period (\$63.9 million).

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

General Fund

The General Fund is the chief operating fund of the City. At December 31, 2009, total fund balance was \$7.9 million. The City's General Fund decreased by \$51.6 million in 2009. Key factors relative to this change are as follows:

- Expenditures increased in 2009 to \$500.8 million compared to \$462.5 in 2008, which represents an 8.3% increase. This \$38.3 million increase is due largely to increased general government, public safety expenditures and the rebuilding effort.
- Total Revenues and Other Financing Sources (Uses), net, for the General Fund increased by \$15.4 million or 3.5% compared to 2008.
- Other financing sources (uses), net, totaled \$38.2 million in 2009 representing a \$13.5 million or a 54.7% increase in comparison to 2008. The City's General Fund received an \$8.5 million debt service assistance loan from the State and a \$7.0 million loan for the purchase of equipment. In addition transfers from other funds totaled \$22.4 million. Community Disaster Loan proceeds were recorded in a separate CDL Fund in 2006, 2007, 2008 and 2009.
- Charges for services increased by \$3.4 million or 7.7% compared to 2008.
- Taxes increased by \$3.7 million or 1.5% as compared to 2008.
- Licenses and Permits revenues decreased by \$9.7 million or 15.2% primarily due to the decrease in Entergy franchise payments which decreased by \$5.5 million due to mild weather conditions in 2009.
- Fines and Fees increased by \$8.5 million or 52.1% primarily due to the increase in red light camera violation collections which increased by \$6.3 million during the first full year of camera operations.

The accompanying table shows the amount (in thousands) of general fund revenues by source for 2009 and 2008.

| Revenues and Other Financing Sources | 2009 | % of | Increase | 2008 | % of |
|---|-------------------|---------------|-------------------------|-------------------|---------------|
| | Actual | Total | (Decrease) Over 2008 | Actual | Total |
| Taxes | \$ 244,864 | 54.52% | \$ 3,702 | \$ 241,162 | 55.60% |
| Licenses and permits | 54,136 | 12.05 | (9,678) | 63,814 | 14.71 |
| Intergovernmental | 19,379 | 4.31 | (747) | 20,126 | 4.64 |
| Charges for services | 48,189 | 10.73 | 3,438 | 44,751 | 10.32 |
| Fines and forfeits | 24,796 | 5.52 | 8,496 | 16,300 | 3.76 |
| Interest income | 2,072 | 0.46 | (7,416) | 9,488 | 2.19 |
| Contributions, gifts, and donations | 1,185 | 0.26 | 334 | 851 | 0.20 |
| Miscellaneous | 16,276 | 3.62 | 3,748 | 12,528 | 2.89 |
| Other financing sources (uses) net | 38,242 | 8.51 | 13,519 | 24,723 | 5.70 |
| | <u>\$ 449,139</u> | <u>100.0%</u> | <u>\$ 15,396</u> | <u>\$ 433,743</u> | <u>100.0%</u> |

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

The accompanying table shows the amount (in thousands) of general fund expenditures by source for 2009 and 2008.

| Expenditures | 2009 Actual | % of Total | Increase (Decrease) Over 2008 | 2008 Actual | % of Total |
|---------------------------|------------------------|-----------------------|--|------------------------|-----------------------|
| General Government | \$ 175,310 | 35.01% | \$ 28,524 | \$ 146,786 | 31.74% |
| Public Safety | 161,623 | 32.27 | (4,062) | 165,685 | 35.83 |
| Public Works | 74,262 | 14.83 | 2,835 | 71,427 | 15.44 |
| Health and Human Services | 14,391 | 2.87 | 881 | 13,510 | 2.92 |
| Other | 26,719 | 5.34 | 9,334 | 17,385 | 3.76 |
| Debt Service | 48,477 | 9.68 | 797 | 47,680 | 10.31 |
| | <u>\$ 500,782</u> | <u>100.0%</u> | <u>\$ 38,309</u> | <u>\$ 462,473</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 increased \$17.9 million from \$22.1 million in 2008 to \$40.0 million in 2009, and expenditures increased \$17.7 million from \$22.4 million in 2008 to \$40.1 million in 2009. The increase in revenues and expenditures in the HUD fund are due to an increase in CDBG and HOME programs activities.

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 \$2.5 million from \$3.5 million in 2008 to \$6.0 million in 2009. Revenues were \$2.3 million in 2009 compared to no revenues in 2008.

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, 2009 of \$49.9 million is primarily attributable to revenue that has been deferred and will be collected by the City in 2010. Revenue amounted to \$24.7 million in 2009 while expenditures totaled \$40.5 million.

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

Louisiana Office of Community Development Fund

The Louisiana Office of Community Development (LCD) fund is a major fund, which primarily accounts for grants received from the Louisiana Office of Community Development. The primary purpose of this fund is to purchase properties for the site of the new Veterans Administration (VA) Hospital. Revenues increased \$12.4 million from \$104 thousand in 2008 to \$12.5 million in 2009, and expenditures increased \$9.7 million from \$2.3 million in 2008 to \$11.9 million in 2009. The increase in revenues and expenditures in the LCD fund are due to funding received for the new VA hospital.

Community Disaster Loan Fund

The Community Disaster Loan (CDL) fund accounted for \$35.3 of disaster loan proceeds, an increase of \$896 thousand, all of which was used to assist in paying public safety expenses in 2009.

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 \$64.0 million at December 31, 2009, which was a \$3.9 million decrease compared to the prior year balance of \$67.9 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 repair and maintenance projects other than those accounted for in the component units. Expenditures for capital projects in 2009 totaled \$145.5 million, an increase of \$18.9 million compared to 2008. 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 a downturn in the national and local economies.

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

| | 2009 | | Variance Favorable (Unfavorable) |
|--|----------------|-----------------|---|
| | Budget | Actual | |
| Revenues | | | |
| Taxes | \$ 265,281 | 241,306 | (23,975) |
| Licenses and Permits | 60,751 | 54,090 | (6,661) |
| Intergovernmental | 12,093 | 19,970 | 7,877 |
| Charges for Services | 52,602 | 48,200 | (4,402) |
| Fines and Forfeits | 28,261 | 24,796 | (3,465) |
| Interest Income | 6,364 | 1,907 | (4,457) |
| Contributions gifts and Donations | 4,589 | 1,186 | (3,403) |
| Miscellaneous | 7,423 | 16,599 | 9,176 |
| Total Revenues | 437,364 | 408,054 | (29,310) |
| Expenditures | 501,546 | 504,626 | (3,080) |
| Other Financing Sources (Uses), net | 64,182 | 56,409 | (7,773) |
| Net Change in Assets | \$ — | (40,163) | (40,163) |

Capital Assets

Capital assets at December 31, 2009 and 2008 are as follows (net of depreciation):

| | 2009 | 2008 |
|--|---------------------|------------------|
| Land | \$ 101,467 | 99,663 |
| Construction in progress | 149,629 | 148,116 |
| Buildings, improvements, and equipment | 213,569 | 130,802 |
| Other | 16,202 | 17,810 |
| Infrastructure assets | 846,191 | 853,469 |
| | \$ 1,327,058 | 1,249,860 |

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 an increase in the category buildings, improvements, and equipment.

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

Debt Administration

Outstanding general obligation bonds at December 31, 2009 totaled \$508.0 million, all of which are considered to be net, direct-tax supported debt. There are no special assessment bonds outstanding.

During 2009, the City issued the following bonds or certificates of indebtedness:

- \$8.5 million of State of Louisiana Go Zone Notes were obtained to pay 2009 general obligation bond debt service payments.
- \$35.3 million of CDL proceeds, used to assist in paying public safety expenses in 2009, were received.
- \$7.0 million of loan proceeds, used to purchase equipment.

| Outstanding Debt | | |
|----------------------------------|---------------------|------------------|
| | <u>2009</u> | <u>2008</u> |
| General obligation bonds | \$ 508,019 | 523,955 |
| Accreted GO 1991 refunding bonds | 120,914 | 126,553 |
| Limited tax bonds | 26,845 | 28,480 |
| Revenue bonds | <u>137,800</u> | <u>144,130</u> |
| | 793,578 | 823,118 |
| | | |
| Certificates of indebtedness | 75,305 | 93,415 |
| Notes payable (CDL loan) | 240,000 | 204,731 |
| Note payable (equipment loan) | 7,000 | — |
| Capital leases | 26,614 | 27,492 |
| Go Zone Notes | 79,886 | 71,428 |
| Section 108 HUD loans | <u>28,162</u> | <u>30,344</u> |
| | <u>\$ 1,250,545</u> | <u>1,250,528</u> |

The following is a summary of debt transactions:

| | |
|------------------------------|---------------------|
| Balance at January 1, 2009 | \$ 1,250,528 |
| New issues | 50,727 |
| Payments | <u>(50,710)</u> |
| Balance at December 31, 2009 | <u>\$ 1,250,545</u> |

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2009

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 \$1.0 billion as of December 31, 2009. At December 31, 2009, the City's legal debt limit for General Obligation Bonds is \$1.0 billion. At December 31, 2009, the City's legal debt margin adjusted for outstanding principal of \$508.0 million and past and future accretion of \$181.9 million on the City's outstanding General Obligation Bonds, plus net assets available in the Debt Service Fund of \$32.8 million to service this debt was \$363.7 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. As of December 31, 2009, these ratings remained in effect.

Economic Factors and Next Year's Budgets and Rates

The General Fund's budget for expenditures and revenues and other financing sources was increased to \$493.1 million in 2009. The increase in 2009 revenues was a result of the increase in the City's population which would cause an increase in tax collections and charges for services. However, by the end of 2009, the apparent gains were declining due to the decline in the nation's economy. Additionally, by 2010, declines in federal (\$35.3 million) and state (\$8.3 million) funding forced the City to tighten its belt. The Mayor has initiated the following major cost cutting measures: employee furloughs of one day per pay period during the second half of the year, leave open positions unfilled, reduce overtime costs, cut contractor costs through negotiation, and other measures will be initiated to offset the decline in revenues during 2010.

The following table presents an adopted budget comparison for 2010, 2009, and 2008 (amounts in thousands):

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--------------------------------------|-------------|-------------|-------------|
| Revenues and other financing sources | \$ 466,711 | \$ 493,100 | \$ 474,324 |
| Expenditures | 466,711 | 493,100 | 474,324 |

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 2008, and the remaining balance of \$35.3 in 2009.

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 2009, the General Fund has borrowed \$79.9 million under this program.

CITY OF NEW ORLEANS

Management's Discussion and Analysis

December 31, 2009

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, the New Orleans Bowl, the Sugar Bowl, the Essence Festival, and the French Quarter Festival, which continues to set attendance records, are some of the more notable annual attractions drawing millions of visitors each year, and are major parts of the City's tourism industry.

In 2010, the City hosted The NCAA Women's regional basketball tournament, two NFL playoff games, two large medical conferences, as well as, an influx of visitors involved in the British Petroleum oil spill.

In addition to the events mentioned above, the 2009 NFL New Orleans Saints Football team played to sold out season ticket holders in the 2009-10 and won the Super Bowl and are expected to repeat in the 2010-11 season. 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 in 2009.

The Super Dome continues to undergo major renovations, designed to add to and maintain this world renowned venue. The City has been selected by the NFL to host the 2013 Super Bowl game.

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.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Net Assets

December 31, 2009

(Amounts in thousands)

| Assets | Primary Governmental Governmental activities | Component units |
|---|---|----------------------------|
| Cash and cash equivalents | \$ 21,065 | 57,974 |
| Investments | 216,332 | 81,582 |
| Receivables (net of allowance for uncollectibles): | | |
| Taxes | 23,772 | 11,676 |
| Accounts | 9,262 | 23,566 |
| Interest | 80 | 44 |
| Grantee loans | 8,783 | — |
| Other | — | 1,129 |
| Due from component units | 14,931 | — |
| Due from other governments | 50,230 | 39,115 |
| Other assets | 3,994 | 49,446 |
| Restricted cash and investments | — | 345,089 |
| Capital assets (net of accumulated depreciation) | <u>1,327,058</u> | <u>2,184,932</u> |
| Total assets | <u>1,675,507</u> | <u>2,794,553</u> |
| Liabilities | | |
| Accounts payable | 94,964 | 54,332 |
| Retainages payable | 2,294 | 1,523 |
| Accrued expenses | 203 | 38,741 |
| Taxes payable | 7,630 | — |
| Accrued interest payable | 24,679 | 6,950 |
| Advances from component units | 361 | — |
| Due to component units | 209 | — |
| Due to other governments | 4,688 | 32,685 |
| Other postretirement benefits liability | — | 24,474 |
| Deferred revenues | 19,548 | 148 |
| Liabilities payable from restricted assets | — | 12,596 |
| Non-current liabilities due within one year | 244,164 | 30,113 |
| Non-current liabilities due in more than one year | <u>1,441,231</u> | <u>788,789</u> |
| Total liabilities | <u>1,839,971</u> | <u>990,351</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 641,513 | 1,685,356 |
| Restricted for debt service | 63,996 | 73,456 |
| Restricted for capital improvement (deficit) | 21,696 | (39,712) |
| Restricted for operating reserve | — | 12,194 |
| Restricted for environmental cleanup and facility maintenance | — | 5,580 |
| Unrestricted (deficit) | <u>(891,669)</u> | <u>67,328</u> |
| Total net assets (deficit) | <u>\$ (164,464)</u> | <u>1,804,202</u> |

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Activities

Year ended December 31, 2009

(Amounts in thousands)

| Functions/Programs | Expenses | Charges for services | Program revenues | | Net (expense) revenue and changes in net assets | |
|---|------------|----------------------|------------------------------------|----------------------------------|---|-----------------|
| | | | Operating grants and contributions | Capital grants and contributions | Primary government activities | Component units |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 296,441 | 71,578 | 55,909 | 2,703 | (166,251) | — |
| Public safety | 214,899 | 28,336 | 4,922 | 444 | (181,197) | — |
| Public works | 136,344 | 25,373 | 2,211 | 41,422 | (67,338) | — |
| Health and human services | 20,682 | 8,535 | 5,123 | 257 | (6,767) | — |
| Culture and recreation | 25,392 | 310 | 2,639 | 6,404 | (16,039) | — |
| Urban development and housing | 47,544 | — | 54,196 | — | 6,652 | — |
| Economic development | 24,321 | 116 | 18,482 | — | (5,723) | — |
| Interest and fiscal charges | 73,590 | — | — | — | (73,590) | — |
| Total primary government | \$ 839,213 | 134,248 | 143,482 | 51,230 | (510,253) | — |
| Component units: | | | | | | |
| Audubon Commission | \$ 51,790 | 33,711 | — | 6,316 | — | (11,763) |
| Louis Armstrong New Orleans International Airport | 89,236 | 64,373 | — | 6,174 | — | (18,689) |
| Sewerage and Water Board | 167,174 | 117,264 | 19,373 | 60,298 | — | 29,761 |
| Other nonmajor component units | 36,467 | 14,901 | 5,415 | — | — | (16,151) |
| Total component units | \$ 344,667 | 230,249 | 24,788 | 72,788 | — | (16,842) |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | | | | | 145,956 | 52,638 |
| Sales taxes | | | | | 133,868 | — |
| Utility taxes | | | | | 6,689 | — |
| Parking taxes | | | | | 2,990 | — |
| Franchise fees | | | | | 35,094 | — |
| Beverage taxes | | | | | 559 | — |
| Unrestricted investment earnings | | | | | 11,783 | 1,865 |
| Passenger facility charges | | | | | — | 15,957 |
| Miscellaneous | | | | | 66,185 | 25,100 |
| Total general revenues | | | | | 403,124 | 95,560 |
| Change in net assets | | | | | (107,129) | 78,718 |
| Net assets (deficit) – beginning of year | | | | | (11,362) | 1,725,484 |
| Prior period adjustments (note 12) | | | | | (45,973) | — |
| Net assets (deficit) – beginning of year, as adjusted | | | | | (57,335) | 1,725,484 |
| Net assets (deficit) – end of year | | | | | (164,464) | 1,804,202 |

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Balance Sheet — Governmental Funds

Year ended December 31, 2009

(Amounts in thousands)

| | General | HUD | Federal UDAG | FEMA | CDI | Debt Service | Capital Projects | Louisiana Office of Community Development Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|------------|----------|--------------|-------------|-----|--------------|------------------|--|-----------------------------|--------------------------|
| Assets | | | | | | | | | | |
| Cash and cash equivalents | 1,532 | 2,487 | | | | 3,711 | 7,016 | | 6,317 | 21,065 |
| Investments | 16,267 | | | | | 62,584 | 121,524 | | 15,957 | 216,332 |
| Receivables (net of allowance for uncollectibles): | | | | | | | | | | |
| Interest | 80 | | | | | | | | | 80 |
| Property taxes | 10,809 | | | | | | | | | 10,809 |
| Accounts | 2,329 | | | | | 1,717 | | | 260 | 4,306 |
| Grantee loans | 7,978 | 153 | | | | | 7 | | 1,124 | 9,262 |
| Franchise taxes | | | 4,247 | | | | | | 4,536 | 8,783 |
| Due from other funds | 8,657 | | 15,990 | | | | 23,022 | | 7,775 | 105,539 |
| Due from other governments | 54,817 | 3,178 | | 3,935 | | | | 2,720 | 9,551 | 50,231 |
| Due from component unit | 434 | | | 16,065 | | | 10,130 | | 2,582 | 14,931 |
| Advances to other funds | 2,329 | | | | | | | | | 205 |
| Other assets | 205 | | | | | | | | 16 | 16 |
| Total assets | \$ 105,337 | \$ 5,818 | \$ 20,237 | \$ 20,002 | | \$ 68,012 | \$ 179,971 | \$ 2,720 | \$ 48,118 | \$ 450,215 |
| Liabilities | | | | | | | | | | |
| Accounts payable | | 5,818 | 1,453 | 3,332 | | | 37,251 | 1,355 | 6,747 | 94,964 |
| Retainages payable | | | | | | | 2,294 | | | 2,294 |
| Accrued expenses | | | | | | 125 | | | 78 | 203 |
| Due to other funds | 50,214 | | 13 | 37,950 | | | 3,935 | 1,365 | 12,082 | 105,539 |
| Due to other governments | 2,972 | | | | | | 649 | | 1,067 | 4,688 |
| Due to component unit | 186 | | | | | | 23 | | | 209 |
| Advances from other funds | | | | | | | | | 205 | 205 |
| Advances from component units | | | | | | | 361 | | | 361 |
| Deferred revenues | 5,021 | 385 | | 28,632 | | 3,891 | 21,559 | 1,584 | 9,484 | 70,526 |
| Total liabilities | \$ 97,401 | \$ 6,203 | \$ 1,466 | \$ 69,884 | | \$ 4,016 | \$ 66,052 | \$ 4,304 | \$ 29,663 | \$ 278,989 |
| Fund Balances | | | | | | | | | | |
| Fund balances: | | | | | | | | | | |
| Reserved: | 680 | | 18,771 | | | 63,996 | 47,734 | | 873 | 132,054 |
| Unreserved: | | | | | | | (7,535) | (1,584) | | 6,816 |
| Designated for subsequent year | 15,933 | (385) | | (49,882) | | | 73,718 | | 17,582 | 32,356 |
| Undesignated | (8,677) | | | | | | | | | 171,296 |
| Total fund balances | \$ 7,936 | \$ (385) | \$ 18,771 | \$ (49,882) | | \$ 63,996 | \$ 113,919 | \$ (1,584) | \$ 18,455 | \$ 171,296 |
| Total liabilities and fund balances | \$ 105,337 | \$ 5,818 | \$ 20,237 | \$ 20,002 | | \$ 68,012 | \$ 179,971 | \$ 2,720 | \$ 48,118 | \$ 450,215 |

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, 2009

(Amounts in thousands)

| | | |
|--|----|--------------------|
| Total fund balances – governmental funds | \$ | 171,226 |
| 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 | | 1,327,058 |
| Certain receivables are not available to pay for the current period's expenditures and, are therefore, deferred in the funds | | 50,978 |
| Bond issue costs are capitalized and amortized over the life of the bonds in the government-wide statement of net assets | | 3,978 |
| 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 | | (24,679) |
| Taxes payable | | (7,630) |
| 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 | | (800,568) |
| Certificates of indebtedness | | (75,305) |
| Loans payable | | (355,048) |
| Capital leases payable | | (26,614) |
| Annual and sick leave | | (47,884) |
| Claims payable | | (244,757) |
| Net pension obligation | | (81,238) |
| Other long-term liabilities | | (53,981) |
| | | <u>(1,685,375)</u> |
| Total net assets – governmental activities | \$ | <u>(164,464)</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, 2009
(Amounts in thousands)

| | General | HUD | Federal UDAG | FEMA | CDL | Debt Service | Capital Projects | Louisiana Office of Community Development Fund | Nonmajor Governmental | Total Governmental Funds |
|---|-----------------|---------------|----------------|-----------------|-----------------|----------------|------------------|--|-----------------------|--------------------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 244,864 | — | — | — | — | 55,982 | — | — | 4,394 | 305,240 |
| Licenses and permits | 54,136 | — | — | — | — | — | — | — | — | 54,136 |
| Intergovernmental | 19,379 | 39,812 | — | 24,678 | — | — | 104,888 | 12,497 | 36,216 | 237,470 |
| Charges for services | 48,189 | — | — | — | — | — | — | — | — | 48,189 |
| Program income | — | — | 1,091 | — | — | — | — | — | 91 | 1,182 |
| Fines and forfeits | 24,796 | — | — | — | — | — | — | — | 1,823 | 26,619 |
| Interest income | 2,072 | 173 | 1,212 | — | — | 1,412 | — | — | 37 | 4,906 |
| Contributions, gifts and donations | 1,185 | — | — | — | — | — | — | — | 2,064 | 3,249 |
| Miscellaneous and other | 16,276 | — | — | — | — | 400 | 295 | — | 17,830 | 34,801 |
| Total revenues | 410,897 | 39,985 | 2,303 | 24,678 | — | 57,794 | 105,183 | 12,497 | 62,455 | 715,792 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 175,310 | — | — | 18,191 | — | 484 | — | 11,757 | 26,096 | 231,838 |
| Public safety | 161,623 | — | — | 12,358 | 35,269 | — | 163 | — | 950 | 210,363 |
| Public works | 74,262 | 634 | — | 2,876 | — | — | — | — | 79 | 77,851 |
| Health and human services | 14,391 | 324 | — | 635 | — | — | — | — | 5,332 | 20,682 |
| Culture and recreation | 19,787 | — | — | 263 | — | — | — | — | 3,734 | 23,784 |
| Urban development and housing | 2,012 | 39,145 | — | 6,135 | — | — | — | 163 | 89 | 47,544 |
| Economic development and assistance | — | — | 4,894 | — | — | — | — | — | 19,427 | 24,321 |
| Capital outlays | 4,620 | — | — | 90 | — | — | 145,307 | — | 1,861 | 151,878 |
| Debt service: | | | | | | | | | | |
| Principal | 26,738 | — | 512 | — | — | 17,372 | — | — | 250 | 45,072 |
| Interest and fiscal charges | 22,039 | — | 551 | — | — | 43,613 | — | — | 292 | 66,495 |
| Total expenditures | 500,782 | 40,103 | 5,957 | 40,548 | 35,269 | 61,669 | 145,470 | 11,920 | 58,110 | 899,828 |
| (Deficiency) excess of revenue over expenditures | (89,885) | (118) | (3,654) | (15,870) | (35,269) | (3,875) | (40,287) | 577 | 4,345 | (184,036) |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 24,648 | — | — | — | — | — | — | — | 2,196 | 26,844 |
| Transfers out | (2,198) | — | — | (2,235) | — | — | (2,254) | — | (20,157) | (26,844) |
| Issuance of notes payable | 7,000 | — | — | — | 35,269 | — | — | — | — | 42,269 |
| Debt service assistance loan | 8,458 | — | — | — | — | — | — | — | — | 8,458 |
| Other, net | 334 | — | — | — | — | — | — | — | — | 334 |
| Total other financing sources (uses) | 38,242 | — | — | (2,235) | 35,269 | — | (2,254) | — | (17,961) | 51,061 |
| Net change in fund balances | (51,643) | (118) | (3,654) | (18,105) | — | (3,875) | (42,341) | 577 | (13,616) | (132,975) |
| Fund balances - beginning of year | 61,015 | (267) | 22,425 | (23,513) | — | 66,897 | 143,447 | (2,161) | 31,923 | 299,766 |
| Prior period adjustments | (1,436) | — | — | (8,264) | — | 974 | 13,013 | — | 148 | 4,435 |
| Fund balances - beginning of year, as adjusted | 59,579 | (267) | 22,425 | (31,777) | — | 67,871 | 156,460 | (2,161) | 32,071 | 304,201 |
| Fund balances - end of year | 7,936 | (385) | 18,771 | (49,882) | — | 63,996 | 113,919 | (1,584) | 18,455 | 171,226 |

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, 2009

(Amounts in thousands)

| | |
|---|---------------------|
| Net change in fund balances – total governmental funds | \$ (132,975) |
| 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 capital outlays exceeded depreciation and loss on disposals in the current period. | 77,198 |
| 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. | 568 |
| The decrease in taxes payable related to current year refunds due to taxpayers does not consume current resources in the governmental funds, but increases tax revenue in the statement of activities. | 8,513 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, but has no effect net assets. | (50,727) |
| The repayment of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets. | 45,072 |
| Amortization of premium, discount, and loss on refunding of \$6,483 (net) was recorded in the current period. | 6,483 |
| Amortization of bond costs \$457 was recorded in the current period. | (457) |
| 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. | (6,244) |
| 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. | (370) |
| 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. | (13,362) |
| 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. | 334 |
| 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. | (15,742) |
| 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. | (25,420) |
| Change in net assets of governmental activities | \$ <u>(107,129)</u> |

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Fiduciary Net Assets

December 31, 2009

(Amounts in thousands)

| Assets | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|---|------------------------------------|-------------------------|
| Cash | \$ 6,635 | 31,458 |
| Investments | 526,416 | 18,271 |
| Receivables: | | |
| Accounts | — | 177 |
| Accrued interest | 6,508 | — |
| Contribution | 767 | — |
| Other | 365 | — |
| Due from other governments | — | 692 |
| Capital assets, net of accumulated depreciation | <u>42</u> | <u>—</u> |
| Total assets | <u>540,733</u> | <u>50,598</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable | 942 | — |
| Other payables and accruals | 7,196 | 50,598 |
| Notes payable | <u>50,281</u> | <u>—</u> |
| Total liabilities | <u>58,419</u> | <u>50,598</u> |
| Net assets: | | |
| Net assets held in trust for pension benefits | <u>\$ 482,314</u> | <u>—</u> |

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA
Statement of Changes in Fiduciary Net Assets
Year ended December 31, 2009
(Amounts in thousands)

| | <u>Pension Trust Funds</u> |
|---|--------------------------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 22,801 |
| Members | 5,100 |
| Fire insurance rebate | 1,592 |
| Other | 2,210 |
| Total contributions | <u>31,703</u> |
| Investment income: | |
| Net appreciation in fair value of investments | 68,416 |
| Interest and dividends | 8,634 |
| Other investment income | 1,374 |
| Total investment income | <u>78,424</u> |
| Investment expense | <u>(8,260)</u> |
| Net investment income | <u>70,164</u> |
| Total additions | <u>101,867</u> |
| Deductions: | |
| Pension benefits | 63,939 |
| Refunds of member contributions | 1,056 |
| Death benefits | 66 |
| Administrative expenses | 1,771 |
| DROP withdrawal | 4,990 |
| PLOP withdrawal | 6,498 |
| Net depreciation in fair value of investments | 393 |
| Transfers to other plans | 739 |
| Total deductions | <u>79,452</u> |
| Change in net assets | 22,415 |
| Net assets held in trust for pension benefits – beginning of year | <u>459,899</u> |
| Net assets held in trust for pension benefits – end of year | <u>\$ 482,314</u> |

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Component Units

December 31, 2009

(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 | \$ 1,533 | 1,607 | 21,159 | 33,675 | 57,974 |
| Investments | — | 80,289 | — | 1,293 | 81,582 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Property taxes | — | — | 11,676 | — | 11,676 |
| Accounts | 693 | 8,971 | 7,602 | 6,300 | 23,566 |
| Accrued interest | — | — | 42 | 2 | 44 |
| Other | — | — | — | 1,129 | 1,129 |
| Due from other governments | — | — | 38,123 | 992 | 39,115 |
| Inventory of supplies | 1,630 | — | 12,576 | — | 14,206 |
| Prepaid expenses and deposits | 866 | 1,433 | 691 | 637 | 3,627 |
| Other assets | — | — | 4,841 | 992 | 5,833 |
| Total current assets | 4,722 | 92,300 | 96,710 | 45,020 | 238,752 |
| Restricted cash and investments: | | | | | |
| Customer deposits | — | — | 6,551 | 9,059 | 15,610 |
| Construction account | — | — | 6,222 | — | 6,222 |
| Current debt service account | — | 17,844 | 30,041 | 280 | 48,165 |
| Future debt service account | 1,614 | 28,874 | — | 3,465 | 33,953 |
| Contingency (renewal and replacement) account | — | — | — | 1,012 | 1,012 |
| Operation and maintenance account | — | 7,743 | — | 731 | 8,474 |
| Capital improvements | 529 | 127,409 | 80,594 | — | 208,532 |
| Health insurance reserve | — | — | 5,199 | — | 5,199 |
| Receivables | — | 3,553 | — | — | 3,553 |
| Other | — | 8,603 | 212 | 5,554 | 14,369 |
| Total restricted assets | 2,143 | 194,026 | 128,819 | 20,101 | 345,089 |
| Capital assets, less accumulated depreciation | 139,703 | 392,084 | 1,604,392 | 48,753 | 2,184,932 |
| Other assets | 11,434 | 9,800 | 2,174 | 2,372 | 25,780 |
| Total assets | \$ 158,002 | 688,210 | 1,832,095 | 116,246 | 2,794,553 |

See accompanying notes to basic financial statements.

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Component Units

December 31, 2009

(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 | \$ 5,429 | 6,580 | 39,285 | 3,038 | 54,332 |
| Retainages payable | — | — | 1,523 | — | 1,523 |
| Other payables and accruals | — | 1,721 | 33,288 | 3,732 | 38,741 |
| Due to other governments | — | 827 | 29,153 | 2,705 | 32,685 |
| Capital lease payable | — | 479 | — | — | 479 |
| Deferred revenues | — | — | — | 148 | 148 |
| Total current liabilities (payable from current assets) | 5,429 | 9,607 | 103,249 | 9,623 | 127,908 |
| Current liabilities (payable from restricted assets): | | | | | |
| Retainages payable | — | — | 1,137 | — | 1,137 |
| Capital projects payable | 245 | 4,545 | — | — | 4,790 |
| Accrued interest | 55 | 5,895 | 993 | 7 | 6,950 |
| Limited tax bonds | 2,374 | — | — | — | 2,374 |
| Bonds payable, current portion | — | 10,710 | 14,605 | 694 | 26,009 |
| Revenue bonds | 1,251 | — | — | — | 1,251 |
| Deposits and other | — | — | 6,551 | 118 | 6,669 |
| Total current liabilities (payable from restricted assets) | 3,925 | 21,150 | 23,286 | 819 | 49,180 |
| Total current liabilities | 9,354 | 30,757 | 126,535 | 10,442 | 177,088 |
| Long-term liabilities: | | | | | |
| Claims payable | — | — | 4,338 | — | 4,338 |
| Other postretirement benefits liability | — | — | 24,474 | — | 24,474 |
| Limited tax bonds (net of current portion) | 27,961 | — | — | — | 27,961 |
| Revenue bonds (net of current portion and unamortized discounts) | 2,682 | — | 228,879 | 17,558 | 249,119 |
| Refunding bonds (net of current portion and unamortized loss on advance refunding) | 17,545 | 283,420 | — | 2,460 | 303,425 |
| Loans payable | — | 46,255 | 139,417 | 1,384 | 187,056 |
| Other | 10,953 | 1,122 | 1,885 | 2,930 | 16,890 |
| Total long-term liabilities | 59,141 | 330,797 | 398,993 | 24,332 | 813,263 |
| Total liabilities | 68,495 | 361,554 | 525,528 | 34,774 | 990,351 |
| Net assets: | | | | | |
| Invested in capital assets – net of related debt | 88,250 | 189,174 | 1,367,130 | 40,802 | 1,685,356 |
| Restricted for bond debt service | — | 40,822 | 30,041 | 2,593 | 73,456 |
| Restricted for capital improvements | — | 49,880 | (90,604) | 1,012 | (39,712) |
| Restricted for environmental cleanup and facility maintenance | — | — | — | 5,580 | 5,580 |
| Restricted for operating reserve | — | 11,464 | — | 730 | 12,194 |
| Unrestricted | 1,257 | 35,316 | — | 30,755 | 67,328 |
| Total net assets | \$ 89,507 | 326,656 | 1,306,567 | 81,472 | 1,804,202 |

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Activities

Component Units

Year ended December 31, 2009

(Amounts in thousands)

| | Program revenues | | | Net (expense) revenue and changes in net assets | | | | | |
|---|------------------|----------------------|------------------------------------|---|--------------------|---|--------------------------|--------------------------|-----------|
| | Expenses | 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 |
| Component units: | | | | | | | | | |
| Audubon Commission | \$ 51,790 | 33,711 | — | 6,316 | (11,763) | — | — | — | (11,763) |
| Louis Armstrong New Orleans International Airport | 89,236 | 64,373 | — | 6,174 | — | (18,689) | — | — | (18,689) |
| Sewerage and Water Board | 167,174 | 117,264 | 19,373 | 60,298 | — | — | 29,761 | — | 29,761 |
| Other nonmajor component units | 36,467 | 14,901 | 5,415 | — | — | — | — | (16,151) | (16,151) |
| Total component units | \$ 344,667 | 230,249 | 24,788 | 72,788 | (11,763) | (18,689) | 29,761 | (16,151) | (16,842) |
| General revenues: | | | | | | | | | |
| Interest revenue | | | | | 551 | 239 | 887 | 188 | 1,865 |
| Property taxes | | | | | 7,197 | — | 40,384 | 5,057 | 52,638 |
| Passenger facility charges | | | | | 796 | 9,238 | — | — | 15,957 |
| Other | | | | | 8,544 | 25,434 | 41,271 | 15,066 | 25,100 |
| Total general revenues | | | | | (3,219) | 6,745 | 71,032 | 4,160 | 78,718 |
| Changes in net assets | | | | | 92,726 | 319,911 | 1,235,535 | 77,312 | 1,725,484 |
| Net assets - beginning | | | | | \$ 89,507 | 326,656 | 1,306,567 | 81,472 | 1,804,202 |
| Net assets - ending | | | | | | | | | |

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

(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, 2009

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

Downtown Development District
201 St. Charles Avenue, Suite 3912
New Orleans, Louisiana 70170

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

New Orleans Building Corporation
2 Canal Street, Suite 1843
World Trade Center
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

New Orleans Traffic Court
727 South Broad Street
New Orleans, Louisiana 70119

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. The 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:

Employees' 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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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.

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:

| Discretely Presented Component Units | Brief Description of Activities, Relationship to City, and Key Inclusion Criteria |
|---|---|
| <i>Louis Armstrong New Orleans International Airport (the Airport)</i> | 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. |
| <i>Sewerage and Water Board</i> | 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, 2009

| Discretely Presented Component Units | Brief Description of Activities, Relationship to City, and Key Inclusion Criteria |
|---|---|
| <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, 2009

Discretely Presented Component Units

**Brief Description of Activities, Relationship to City,
and Key Inclusion Criteria**

Municipal Yacht Harbor Management Corporation

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.

French Market Corporation

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.

Upper Pontalba Building Restoration Corporation

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, 2009

Discretely Presented Component Units

**Brief Description of Activities, Relationship to City,
and Key Inclusion Criteria**

Canal Street Development Corporation

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. 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.

Orleans Parish Communication District

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.

New Orleans Traffic Court

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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

Discretely Presented Component Units

**Brief Description of Activities, Relationship to City,
and Key Inclusion Criteria**

Municipal Court of the City of New Orleans

The Municipal Court consists of four judges duly elected and qualified under the Constitution of the State of Louisiana, the Revised Statutes of the State of Louisiana and the ordinances of the City of New Orleans. As provided by State law, the jurisdiction of the Municipal Court shall extend to the trial of violations of the ordinances of the City of New Orleans, except traffic violations. The jurisdiction of the Court shall further extend to the trial of violations which jurisdiction shall be concurrent with that of the Criminal District Court for the Parish of Orleans. The jurisdiction shall not extend to traffic violations.

New Orleans Building Corporation

Nonprofit, public benefit corporation, incorporated in the State of Louisiana on May 4, 2000 under the Internal Revenue Code Section 501(c)(3) for the purpose of owning, leasing, developing and operating properties owned by the City of New Orleans or by the Corporation. The organization's board of directors is comprised of the Mayor of the City, two Councilmembers-at-Large, one District Councilmember, and three citizens. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

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

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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

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, 2009 to December 31, 2009. 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. Non-major funds are reported in the aggregate in the non-major governmental funds column.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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), 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) **Louisiana Office of Community Development Fund** – This special revenue fund accounts for Disaster Community Development Block Grants received from the Louisiana Office of Community Development (LCD) to assist the City in recovery from the effects of Hurricane Katrina.
- (f) **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.
- (g) **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.
- (h) **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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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.

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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

Use of Restricted Assets

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

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 \$16,313,000 and grantee loan receivables of \$36,161,000 are shown net of an allowance of uncollectible amounts of \$12,007,000 and \$27,378,000, 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, 2009

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, 2009. Other liabilities not expected to mature as of December 31, 2009 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, 2009

(2) 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, 2009, the carrying amount of the City's deposits was \$59,158,000.

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, 2009, the City's bank balances totaled \$63,020,890. The 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 \$57,439,436. Of these bank balances, \$56,189,436 was covered by collateral held by the pledging banks' trust department or agent in the City's name and \$1,250,000 was covered under federal depository insurance. At December 31, 2009, the City had bank balances of \$5,581,455 that were not secured. At December 31, 2009, the Board of Liquidation, a blended component unit, held cash of \$295,155 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.

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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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-a-7, 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 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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

At December 31, 2009, 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 | \$ 29,405 | \$ 18,271 | \$ — | \$ 47,676 |
| Money market | 50,937 | — | — | 50,937 |
| Certificates of deposit | 53,834 | — | — | 53,834 |
| U.S. Agency securities | 70,587 | — | 30,883 | 101,470 |
| Treasury bills | 11,530 | — | — | 11,530 |
| Corporate bonds | — | — | 85,192 | 85,192 |
| Stock and mutual funds | — | — | 228,588 | 228,588 |
| Real estate and real estate funds * | — | — | 61,612 | 61,612 |
| Invested in corporations, partnerships, and limited liability corporations | — | — | 33,519 | 33,519 |
| Invested in hedge funds, private equity funds, and fund to fund | — | — | 39,339 | 39,339 |
| Notes receivable | — | — | 22,180 | 22,180 |
| Cash equivalents | — | — | 25,103 | 25,103 |
| Other | 39 | — | — | 39 |
| Total investments | \$ 216,332 | \$ 18,271 | \$ 526,416 | \$ 761,019 |

* Includes \$25.5 million of unaudited investments in real estate.

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.

At December 31, 2009, the governmental funds, investment balances and maturities for those investments were as follows (amounts in thousands):

| | <u>Investment maturity in years</u> | | | | |
|--------------------------|-------------------------------------|-------------------------------|---------------|---------------|-------------------------|
| | <u>Total</u> | <u>Less than one year</u> | <u>1 – 5</u> | <u>6 – 10</u> | <u>More than 10</u> |
| Money market | \$ 50,937 | 50,937 | — | — | — |
| Certificates of deposit | 53,834 | 53,834 | — | — | — |
| U.S. Agency | 70,587 | 22,527 | 45,273 | — | 2,787 |
| U.S. Treasury | 11,530 | 11,530 | — | — | — |
| Total investments | \$ 186,888 | 138,828 | 45,273 | — | 2,787 |

At December 31, 2009, the Firefighters' Pension trust fund's investment balances and maturities for those investments subject to interest rate risk were as follows (amounts in thousands):

| | <u>Investment maturity in years</u> | | | | |
|------------------|-------------------------------------|-------------------------------|--------------|---------------|-------------------------|
| | <u>Total</u> | <u>Less than one year</u> | <u>1 – 5</u> | <u>6 – 10</u> | <u>More than 10</u> |
| Corporate bonds | \$ 5,076 | — | 3,232 | 1,023 | 821 |
| Notes receivable | \$ 22,180 | 6,098 | 9,417 | — | 6,665 |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

At December 31, 2009, 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):

| <u>Bond Maturities</u> | <u>Market Value</u> |
|------------------------------|---------------------|
| 0 - 2 Years | \$ 9,276 |
| 2 - 3 Years | 5,916 |
| 3 - 4 Years | 7,935 |
| 4 - 5 Years | 18,958 |
| 5 - 6 Years | 7,000 |
| More than 6 years | 27,229 |
| Non-rated Fixed Income Funds | 29,845 |
| | <u>\$ 106,159</u> |

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.

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, 2009 (amounts in thousands):

| <u>Quality Sectors</u> | <u>Market Value</u> |
|------------------------------|---------------------|
| Treasury | \$ 8,520 |
| Agency | 22,363 |
| AAA | 16,617 |
| AA | 4,192 |
| A | 5,789 |
| BAA | 7,058 |
| Other | 11,775 |
| Non-rated fixed income funds | 29,845 |
| | <u>\$ 106,159</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, 2009 (amounts in thousands):

| | <u>Corporate bonds</u> |
|-------|------------------------|
| BB+ | \$ 253 |
| BB- | 409 |
| B+ | 266 |
| B | 562 |
| B- | 501 |
| CCC+ | 548 |
| CCC+ | 255 |
| CCC- | 60 |
| C | 238 |
| D | 708 |
| NR | 1,276 |
| Total | <u>\$ 5,076</u> |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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, 2009 were not subject to custodial credit risk.

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

At December 31, 2009, the Firefighter's new system cash collateral held under the securities lending program in the amount of \$4,840,955 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, 2009, management believes all investments are in compliance with this policy. All of the City's governmental fund 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, 2009, 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, 2009, 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. At December 31, 2009, the fair value of the securities on loan is \$4,734,998.

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. The cash collateral was invested in cash equivalents and fixed income securities at December 31, 2009. 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

December 31, 2009

(3) Tax Revenues

At December 31, 2009, 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, 2009 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> |

Property taxes levied on January 1, 2009, collected during 2009, or expected to be collected within the first 60 days of 2010, 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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

(4) Grantee Loans

The City's grantee loan balances at December 31, 2009 are as follows (amounts in thousands):

| | <u>Gross</u> | <u>Allowance</u> | <u>Net</u> |
|----------------------------|------------------|------------------|--------------|
| UDAG | \$ 11,617 | (7,370) | 4,247 |
| HUD | 20,008 | (20,008) | — |
| Nonmajor (HUD loan) | 4,536 | — | 4,536 |
| Total grantee loans | \$ 36,161 | (27,378) | 8,783 |

(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. Eighteen individual loans are outstanding at December 31, 2009 totaling \$11,617,000, which bear interest at rates ranging from 0.1% to 7.0%. These loans are receivable over a 10- 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 \$7,370,000 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, 2009, 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 2009, \$3,903,000 was received in payment of the outstanding loan. The City has recorded \$8,814,000 in allowance for the remaining balance on these loans.

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, 2009 are \$4,536,000 on the HUD loan and \$987,000 on the UDAG loan.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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, 2009 is \$3,731,000. Payments totaling \$1,091,000 were received during the year ended December 31, 2009. The City has recorded an allowance of \$3,731,000 against this loan.

During 2002, HUD agreed to loan to the City approximately \$7,047,000 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, 2009 is \$7,047,000. No payments were received during the year ended December 31, 2009. The City has recorded an allowance of \$7,047,000 against this loan.

(5) Capital Assets

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

| | Balance January 1, 2009 | Additions | Deletions and adjustments | Transfers | Balance December 31, 2009 |
|--|--|------------------|--------------------------------------|------------------|--|
| Nondepreciable capital assets: | | | | | |
| Land | \$ 99,663 | 1,804 | — | — | 101,467 |
| Construction in progress | 148,116 | 142,320 | — | (140,807) | 149,629 |
| Total nondepreciable capital assets | 247,779 | 144,124 | — | (140,807) | 251,096 |
| Depreciable capital assets: | | | | | |
| Infrastructure | 2,315,456 | — | — | 51,215 | 2,366,671 |
| Buildings and improvements | 179,261 | 778 | — | 89,592 | 269,631 |
| Equipment and vehicles | 77,192 | 6,976 | (946) | — | 83,222 |
| Other | 40,728 | — | — | — | 40,728 |
| Total depreciable capital assets | 2,612,637 | 7,754 | (946) | 140,807 | 2,760,252 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | 1,461,987 | 58,493 | — | — | 1,520,480 |
| Buildings and improvements | 74,058 | 5,277 | — | — | 79,335 |
| Equipment and vehicles | 51,594 | 9,071 | (716) | — | 59,949 |
| Other | 22,917 | 1,609 | — | — | 24,526 |
| Total accumulated depreciation | 1,610,556 | 74,450 | (716) | — | 1,684,290 |
| Total depreciable capital assets, net | 1,002,081 | (66,696) | (230) | 140,807 | 1,075,962 |
| Total | \$ 1,249,860 | 77,428 | (230) | — | 1,327,058 |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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

| | | |
|----------------------------|----|---------------|
| General government | \$ | 9,813 |
| Public safety | | 4,536 |
| Public works | | 58,493 |
| Culture and recreation | | <u>1,608</u> |
| Total depreciation expense | \$ | <u>74,450</u> |

(6) 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 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 \$10,519,000, at December 31, 2009 comprise the following (all bonds are serial bonds) (amounts in thousands):

| <u>Description</u> | <u>Original issue</u> | <u>Range of average interest rates</u> | <u>Amount outstanding</u> | <u>Due in one year</u> |
|--|---------------------------|--|-------------------------------|----------------------------|
| 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% | \$ 206,620 | \$ 4,700 |
| 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% | 47,059 | 6,860 |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

| <u>Description</u> | <u>Original issue</u> | <u>Range of average interest rates</u> | <u>Amount outstanding</u> | <u>Due in one year</u> |
|---|---------------------------|--|-------------------------------|----------------------------|
| General obligation bonds, continued: | | | | |
| 1998 General Obligation Refunding Bonds, due in annual installments ranging from \$210 to \$13,080 through December 2026 | \$ 106,520 | 3.7 - 5.5% | \$ 90,920 | \$ 3,305 |
| 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 | — |
| 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% | 105,005 | 3,935 |
| Limited tax bonds: | | | | |
| 2005 Limited Tax Bonds, due in annual installments of \$1,450 to 2,900 commencing in March 2006 though March 1, 2021 | 33,000 | 3.0-5.0% | 26,845 | 1,705 |
| 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% | 128,260 | 6,100 |
| 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 | <u>9,540</u> | <u>450</u> |
| Total bonds | | | 672,664 | 27,055 |
| Accreted bond discount at December 31, 2009 | | | <u>120,914</u> | — |
| | | | <u>\$ 793,578</u> | <u>27,055</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, 2009.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

The payment requirements for all bonds outstanding, including accretion on the 1991 General Obligation Bonds of \$120,914,000 (included in interest payments) as of December 31, 2009, are as follows (amounts in thousands):

| | Principal | Interest |
|--------------------------|------------------|-----------------|
| Year ending December 31: | | |
| 2010 | \$ 27,055 | 56,151 |
| 2011 | 27,610 | 57,109 |
| 2012 | 28,142 | 58,034 |
| 2013 | 28,573 | 59,047 |
| 2014 | 29,132 | 46,713 |
| 2015 – 2019 | 179,691 | 281,910 |
| 2020 – 2024 | 189,385 | 62,632 |
| 2025 – 2029 | 103,075 | 29,420 |
| 2030 – 2034 | 50,795 | 9,054 |
| 2035 – 2036 | 9,206 | 731 |
| | \$ 672,664 | 660,801 |

The City's legal debt limit for General Obligation Bonds is \$1,020,859,000. At December 31, 2009, the City's legal debt margin adjusted for outstanding principal of \$508,018,000 and past and future accretion of \$181,946,000 on the City's outstanding General Obligation Bonds, plus net assets available in the Debt Service Fund of \$32,802,000 to service this debt was \$363,697,000.

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, 2009, 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, 2009, \$128,260,000 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%.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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 declined. 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 \$31.8 million as of December 31, 2009. 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, 2009, 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 Aa3, A+, and A+ by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively, as of December 31, 2009.

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 \$22,655,000 remained outstanding at December 31, 2009, 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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

In December 2000, the City issued \$27,000,000, of which \$4,000,000 remained outstanding at December 31, 2009, 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 \$1,850,000 remained outstanding at December 31, 2009, 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 \$5,995,000 remained outstanding at December 31, 2009, 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 \$1,515,000 remained outstanding at December 31, 2009, 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, 2009, 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 \$1,025,000 remained outstanding at December 31, 2009, 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: | | |
| 2010 | \$ 19,845 | 3,345 |
| 2011 | 14,590 | 2,462 |
| 2012 | 14,855 | 1,765 |
| 2013 | 12,675 | 925 |
| 2014 | 13,340 | 319 |
| | <u>\$ 75,305</u> | <u>8,816</u> |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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. During 2006, the City was authorized a new \$120,000,000 CDL. At December 31, 2009, the outstanding balance on the two CDLs was \$240,000,000. 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 \$16,133,000 and \$12,108,000 will be due on the outstanding principal balance in 2010 and 2011, respectively. Accrued interest at December 31, 2009 is \$19,547,000. The City has submitted an application for forgiveness of the CDL loan.

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 loan balance at December 31, 2009 is \$79,886,000. 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):

| | Principal | Interest |
|--------------------------|------------------|-----------------|
| Year ending December 31: | | |
| 2012 | \$ 3,804 | 3,707 |
| 2013 | 3,980 | 3,530 |
| 2014 | 4,165 | 3,346 |
| 2015 - 2019 | 23,908 | 13,643 |
| 2020 - 2024 | 29,994 | 7,558 |
| 2025 - 2028 | 14,035 | 984 |
| | \$ 79,886 | 32,768 |

In 2009, the City entered into a loan agreement. The loans proceeds are restricted for equipment purchases. The loan balance at December 31, 2009 is \$7,000,000 and is payable over 4 years beginning in 2010. The loan accrues interest at a rate of 3.71%. The requirements to amortize the loan are as follows (amounts in thousands):

| | Principal | Interest |
|--------------------------|------------------|-----------------|
| Year ending December 31: | | |
| 2010 | \$ 1,595 | 105 |
| 2011 | 1,736 | 201 |
| 2012 | 1,801 | 136 |
| 2013 | 1,868 | 69 |
| | \$ 7,000 | 511 |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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 4. 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, 2009, \$28,162,000 is recorded as a liability in the government-wide financial statements.

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

| | <u>Principal</u> | <u>Interest</u> |
|--------------------------|------------------|-----------------|
| Year ending December 31: | | |
| 2010 | \$ 2,318 | 1,777 |
| 2011 | 2,456 | 1,640 |
| 2012 | 2,610 | 1,493 |
| 2013 | 2,780 | 1,333 |
| 2014 | 2,952 | 1,159 |
| 2015 - 2019 | 12,581 | 2,846 |
| 2020 - 2023 | 2,465 | 280 |
| | <u>\$ 28,162</u> | <u>10,528</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 transferred 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 and will a useful life 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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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

| | <u>Principal</u> | <u>Interest</u> |
|--------------------------|------------------|-----------------|
| Year ending December 31: | | |
| 2010 | \$ 1,839 | 1,826 |
| 2011 | 1,508 | 1,724 |
| 2012 | 1,660 | 1,615 |
| 2013 | 1,823 | 1,494 |
| 2014 | 1,955 | 1,362 |
| 2015 – 2019 | 12,102 | 4,482 |
| 2020 – 2022 | 5,727 | 489 |
| | <u>\$ 26,614</u> | <u>12,992</u> |

The City has recorded \$47,884,000 in accrued annual and sick leave in accordance with its pay-out policies. During the year active employees earned and used \$20,831,000 and \$20,461,000 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, 2009 was as follows (amounts in thousands):

| | <u>January 1, 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31, 2009</u> | <u>Due in one year</u> |
|----------------------------------|----------------------------|------------------|------------------|------------------------------|----------------------------|
| Claims and judgments (note 11) | \$ 231,395 | 87,835 | (74,473) | 244,757 | 26,301 |
| Landfill closing costs (note 11) | 6,288 | - | (334) | 5,954 | 146 |
| Accrued annual and sick leave | 47,514 | 20,831 | (20,461) | 47,884 | 5,000 |
| Revenue bonds | 144,130 | - | (6,330) | 137,800 | 6,550 |
| Certificates of indebtedness | 93,415 | - | (18,110) | 75,305 | 19,845 |
| General obligation bonds (a) | 650,508 | - | (21,575) | 628,933 | 25,857 |
| Limited tax bonds | 28,480 | - | (1,635) | 26,845 | 1,705 |
| Deferred loss on refunding | (3,400) | - | 347 | (3,053) | (333) |
| Premium on bonds payable | 11,758 | - | (1,239) | 10,519 | 1,189 |
| Discount on bonds payable | (523) | - | 47 | (476) | (48) |
| Community Disaster Loan | 204,731 | 35,269 | - | 240,000 | 120,000 |
| Debt Service Assistance Program | 71,428 | 8,458 | - | 79,886 | - |
| HUD Section 108 loan | 30,344 | - | (2,182) | 28,162 | 2,318 |
| Note payable | - | 7,000 | - | 7,000 | 1,595 |
| Capital leases | 27,492 | - | (878) | 26,614 | 1,839 |
| Net pension obligation | 55,818 | 49,017 | (23,597) | 81,238 | 18,087 |
| Post-employment benefit | 32,285 | 26,523 | (10,781) | 48,027 | 14,113 |
| | <u>\$ 1,631,663</u> | <u>234,933</u> | <u>(181,201)</u> | <u>1,685,395</u> | <u>244,164</u> |

(a) Additions and deletions include amounts related to accretion of 1991 Refunding Series of 12,455 and (18,585), 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, 2009, the debt service fund had \$64,596,000 in fund balance reserved to service this debt.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

(7) Pension Plans and Postretirement Healthcare Benefits

At December 31, 2009, 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 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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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

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 in excess of \$1,200 per year. 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):

| | Employees' Retirement System | Police Pension Fund | Firefighters' Pension and Relief Fund (Old System) | Firefighters' Pension and Relief Fund (New System) |
|--|--|------------------------------------|---|---|
| Annual required contribution (thousands) | \$ 17,066 | — | 21,709 | 14,513 |
| Annual pension cost (thousands) | 16,760 | — | 18,576 | 13,681 |
| Contributions made (thousands) | 12,614 | — | — | 10,983 |
| Actuarial valuation date | 1/1/10 | 12/31/09 | 12/31/09 | 12/31/09 |
| Actuarial cost method | Frozen entry age actuarial cost method | Entry age normal cost method | Entry age normal cost method | Aggregate level normal cost method |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

| | <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) | 5 years | (c) |
| Asset valuation method | Market value | Cost which approximates market | Market value | Three-year averaging market value |
| Actuarial assumptions: | | | | |
| Investment rate of return | 7.75% | 7.00% | 7.50% | 7.50% |
| Projected salary increases | 5.00% | NA | 5.00% | 5.00% |

- (a) The fund uses the “Entry Age Normal Cost Method with Frozen Initial Liability” to calculate the funding requirements for this Fund. Under this method the normal cost of the plan is designed to be a level percentage of payroll, calculated on an aggregate basis, spread over the entire working lifetime of the participants. The future working lifetime is determined from each participant's hypothetical entry age into the plan assuming the plan had always been in existence, to the participant's expected retirement date.
- (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 Level Normal Cost Method” allocates pension costs as a level percentage of payroll over the future working lifetime of current members. The Aggregate Cost Method produces no unfunded accrued liability.

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):

| | <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 | \$ 17,066 | 21,709 | 14,513 |
| Interest on PPA (NPO) | 340 | 3,565 | 292 |
| Adjustment to annual required contribution | (646) | (6,698) | (1,124) |
| Annual pension cost | 16,760 | 18,576 | 13,681 |
| Contributions made | 12,614 | — | 10,983 |
| Decrease (increase) in PPA (NPO) | (4,146) | (18,576) | (2,698) |
| PPA (NPO), beginning of year | (4,387) | (47,539) | (3,892) |
| PPA (NPO), end of year | \$ (8,533) | (66,115) | (6,590) |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

The NPOs are approximately \$8,533,000, \$66,115,000, and \$6,590,000 respectively, at December 31, 2009, 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 | 12/31/09 | \$ 16,760 | 75% | \$ 8,532 |
| | 12/31/08 | 9,434 | 53 | 4,387 |
| | 12/31/07 | 3,572 | 133 | (52) |
| Firefighters' Pension and Relief Fund (Old System) | 12/31/09 | 18,576 | — | 66,115 |
| | 12/31/08 | 17,851 | — | 47,539 |
| | 12/31/07 | 18,025 | — | 30,990 |
| Firefighters' Pension and Relief Fund (New System) | 12/31/09 | 13,681 | 80 | 6,590 |
| | 12/31/08 | 10,297 | 102 | 3,892 |
| | 12/31/07 | 10,863 | 82 | 3,062 |

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 through a self-insured comprehensive health benefit program. Full details are contained in the official plan documents. Medical benefits are provided to employees upon actual retirement (that is, at the end of the DROP period, if applicable) according to the retirement 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 Retirement System (MPRS), 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 MPRS. 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 20 years of service; or, satisfaction of the "Rule of 80" (age plus service equals or exceeds 80); in MPRS, 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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In 2009, the City's portion of health care funding cost for retired employees totaled \$10,780,929. These amounts were applied toward the net OPEB benefit obligation.

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, 2009 is \$27,099,103, as set forth below:

| | |
|------------------------------------|----------------------|
| | Medical |
| Normal Cost | \$ 7,021,204 |
| 30-year UAL amortization amount | <u>20,077,899</u> |
| Annual required contribution (ARC) | <u>\$ 27,099,103</u> |

Net Post-employment Benefit Obligation (Asset)

The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation for fiscal year ending December 31, 2009:

| | |
|--|----------------------|
| | Medical |
| Beginning Net OPEB Obligation 1/1/2009 | \$ 32,284,680 |
| Annual required contribution | 27,099,103 |
| Interest on Net OPEB Obligation | 1,291,387 |
| ARC Adjustment | <u>(1,867,030)</u> |
| OPEB Cost | 26,523,460 |
| Contribution | - |
| Current year retiree premium | <u>10,780,929</u> |
| Change in Net OPEB Obligation | <u>15,742,531</u> |
| Ending Net OPEB Obligation 12/31/2009 | <u>\$ 48,027,211</u> |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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, 2009 | \$26,523,460 | 40.65% | \$48,027,211 |
| December 31, 2008 | \$33,065,547 | 58.14% | \$32,284,680 |
| December 31, 2007 | \$30,778,145 | 40.08% | \$18,442,786 |

Funded Status and Funding Progress

In the fiscal year ending December 31, 2009, 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, 2009, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$347,191,472, 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 2009, the entire actuarial accrued liability of \$347,191,472 was unfunded.

| | | |
|---|----|--------------------|
| Actuarial Accrued Liability (AAL) | \$ | 347,191,472 |
| Actuarial Value of Plan Assets (AVP) | | - |
| Unfunded Act. Accrued Liability (UAAL) | \$ | <u>347,191,472</u> |
| Funded Ratio (AVP/AAL) | | 0% |
| Covered Payroll (active plan members) | \$ | 226,214,304 |
| UAAL as a percentage of covered payroll | | 153% |

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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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.

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

Since the plan has not yet been funded, there are not any 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

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10%. The rates for each age are below:

| <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

It is assumed that entitlement to benefits will commence at the end of the DROP period. In addition, an additional delay of one year after earliest retirement eligibility was included for NOMERS employees and a further two years' delay where eligibility was under the "Rule of 80". Medical benefits are provided to employees upon actual retirement (that is, at the end of the DROP period, if applicable) according to the retirement eligibility provisions of the System by which the employee is covered.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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). "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.

(8) Individual Fund Disclosures

Deficit Fund Equity

At December 31, 2009, the FEMA, HUD, and LCD funds had deficit fund balances in the amounts of approximately \$49,882,000, \$385,000, and \$1,584,000 respectively. The deficit fund balances in the HUD and LCD funds result from accrued expenditures for which no revenue has been recognized. The City plans to fund these deficits with future revenues.

The deficit fund balance in the FEMA fund results primarily from accrued expenditures for which no revenue has been recognized. In addition, the City received advance funding for specified FEMA projects. Some of this advance funding was spent on other FEMA related projects, other than the projects specified by FEMA, resulting in an increased deficit. The City plans to fund the deficit through future revenues and by completing projects for which advance funding have been received. The City is currently pursuing obtaining FEMA approval for projects that have been completed by the City and increases in funding for projects that have already been approved by FEMA. If the City is not able to obtain increased funding, the deficit will be funded by the general fund.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

Interfund Receivables and Payables

Individual fund interfund receivables and payables at December 31, 2009 were as follows (amounts in thousands):

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------|-------------------|
| General Fund | FEMA Fund | \$ 42,920 |
| | LCD Fund | 13 |
| | Nonmajor Funds | 11,884 |
| Capital Projects Fund | General Fund | 23,022 |
| FEMA Fund | Capital Projects Fund | 3,935 |
| Nonmajor Funds | Nonmajor Funds | 1,561 |
| | General Fund | 6,214 |
| Federal UADG Fund | General Fund | 15,990 |
| | | <u>\$ 105,539</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.

Interfund Advances

Individual fund interfund advances at December 31, 2009 were as follows (amounts in thousands):

| | <u>Advances to other funds</u> | <u>Advances from other funds</u> |
|---|------------------------------------|--------------------------------------|
| General | \$ 205 | — |
| Nonmajor special revenue: | | |
| Department of Safety and Permits – Demolition | — | 205 |
| Total nonmajor special revenue | — | 205 |
| | <u>\$ 205</u> | <u>205</u> |

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

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

Fund Transfers

Individual fund transfers for the year ended December 31, 2009 were as follows (amounts in thousands):

| | <u>Transfers-in</u> | <u>Transfers-out</u> |
|-----------------------------|---------------------|----------------------|
| General | \$ 24,648 | (2,198) |
| FEMA | — | (2,235) |
| Capital projects | — | (2,254) |
| Nonmajor governmental funds | 2,196 | (20,157) |
| Total | <u>\$ 26,844</u> | <u>(26,844)</u> |

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 2009 by the Airport amounted to \$3,671,000 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.

(9) 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, 2009 are as follows (amounts in thousands):

| | <u>Governmental funds</u> | | | | | <u>Total</u> |
|-----------------|---------------------------|---------------------|---------------------|-------------------------|---------------------------|----------------|
| | <u>General</u> | <u>Federal UDAG</u> | <u>Debt service</u> | <u>Capital projects</u> | <u>Other governmental</u> | |
| Encumbrances \$ | 680 | 14,524 | — | 47,734 | 873 | 63,811 |
| Debt service | — | — | 63,996 | — | — | 63,996 |
| Grantee loans | — | 4,247 | — | — | — | 4,247 |
| Total | <u>\$ 680</u> | <u>18,771</u> | <u>63,996</u> | <u>47,734</u> | <u>873</u> | <u>132,054</u> |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

(10) 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' 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, 2009 was approximately \$1,658,000.

(11) 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 2009 for such operating lease agreements was approximately \$5,454,000.

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'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, 2009, 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 \$715,000 for motor vehicle fleet, \$167,941,000 for general liability and police department excessive force losses, \$71,225,000 for workers' compensation, and \$4,876,000 for hospitalization and unemployment have been accrued in the government-wide financial statements in the total amount of \$244,757,000.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

Changes to the City's claims liability amounts in fiscal 2009 and 2008 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: | | | | | |
| 2008 | \$ 172,611 | 71,434 | (85,205) | 158,840 | 4,000 |
| 2009 | 158,840 | 12,403 | (3,302) | 167,941 | 4,000 |
| Workers' compensation: | | | | | |
| 2008 | 49,173 | 34,864 | (16,346) | 67,691 | 16,345 |
| 2009 | 67,691 | 20,244 | (16,710) | 71,225 | 16,710 |
| Motor vehicle fleet: | | | | | |
| 2008 | 337 | 498 | (476) | 359 | 359 |
| 2009 | 359 | 761 | (405) | 715 | 715 |
| Hospitalization and unemployment: | | | | | |
| 2008 | 6,480 | 40,918 | (42,893) | 4,505 | 112 |
| 2009 | 4,505 | 54,427 | (54,056) | 4,876 | 4,876 |
| Total: | | | | | |
| 2008 | 228,601 | 147,714 | (144,920) | 231,395 | 20,816 |
| 2009 | 231,395 | 87,835 | (74,473) | 244,757 | 26,301 |

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.

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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

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, 2009, the City has estimated its liability at \$5,954,000.

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, 2009 is as follows (amounts in thousands):

| | <u>2008</u> | <u>Payments</u> | <u>2009</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.

(12) Restatement

During 2009, 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 governmental fund balance was as follows:

| | |
|--|-------------------|
| Fund balance, as previous reported, December 31, 2008 | \$ 299,766 |
| Prior period adjustments | |
| Capital projects fund related to unrecorded revenues | 16,948 |
| FEMA special revenue fund related to overstated intergovernmental revenues | (17,189) |
| Debt service fund related to unrecorded revenues | 974 |
| Non-major funds related to unrecorded revenues | 148 |
| General fund related to overstated expenditures | 843 |
| General fund related to cash deficit in an agency fund | (5,164) |
| General fund related to unrecorded revenues | <u>7,875</u> |
| | <u>4,435</u> |
| Fund balance, as restated, December 31, 2008 | \$ <u>304,201</u> |

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2009

The impact on net assets was as follows:

| | | |
|---|----|------------------------|
| Net assets, as previously reported, December 31, 2008 | \$ | (11,362) |
| Prior period adjustments | | |
| Related to overstated expenses | | 843 |
| Related to unrecorded revenues | | 25,949 |
| Related to overstated revenues | | (17,193) |
| Related to cash deficit in an agency fund | | (5,164) |
| Related to unrecorded claims liability | | <u>(50,408)</u> |
| | | <u>(45,973)</u> |
| Net assets, as restated, December 31, 2008 | \$ | <u><u>(57,335)</u></u> |

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF NEW ORLEANS, LOUISIANA
Notes to Required Supplementary Information
Year ended December 31, 2009
(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 and \$41,700,000 for the years ended December 31, 2008 and 2007, 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. No adjustment was necessary for the year ended December 31, 2009.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Required Supplementary Information
Year ended December 31, 2009
(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, LOUISIANA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual – General Fund
Year ended December 31, 2009
(Amounts in thousands)

| | Original budget | Revised budget | Actual on budgetary basis | Variance favorable (unfavorable) |
|--|--------------------|-------------------|---------------------------------|--|
| Revenues: | | | | |
| Taxes | \$ 262,531 | 265,281 | 241,306 | (23,975) |
| Licenses and permits | 60,751 | 60,751 | 54,090 | (6,661) |
| Intergovernmental | 12,075 | 12,093 | 19,970 | 7,877 |
| Charges for services | 52,602 | 52,602 | 48,200 | (4,402) |
| Fines and forfeits | 28,261 | 28,261 | 24,796 | (3,465) |
| Interest income | 6,364 | 6,364 | 1,907 | (4,457) |
| Contributions, gifts, and donations | 3,955 | 4,589 | 1,186 | (3,403) |
| Miscellaneous | 6,659 | 7,423 | 16,599 | 9,176 |
| Total revenues | 433,198 | 437,364 | 408,054 | (29,310) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 125,922 | 124,981 | 164,796 | (39,815) |
| Public safety | 222,476 | 228,276 | 177,517 | 50,759 |
| Public works | 40,768 | 40,411 | 72,758 | (32,347) |
| Health and human services | 12,060 | 12,006 | 14,386 | (2,380) |
| Culture and recreation | 22,704 | 26,702 | 19,759 | 6,943 |
| Urban development and housing | — | — | 2,013 | (2,013) |
| Capital outlays | — | — | 4,620 | (4,620) |
| Debt service: | | | | |
| Principal retirement | 26,299 | 26,299 | 26,738 | (439) |
| Interest and fiscal charges | 42,871 | 42,871 | 22,039 | 20,832 |
| Total expenditures | 493,100 | 501,546 | 504,626 | (3,080) |
| Excess of expenditures over revenues | (59,902) | (64,182) | (96,572) | (32,390) |
| Other financing sources (uses): | | | | |
| Operating transfers in | 14,225 | 18,515 | 24,648 | 6,133 |
| Proceeds from notes payable | 45,677 | 40,737 | 15,458 | (25,279) |
| Operating transfers out | — | — | (2,198) | (2,198) |
| Appropriations from prior year budgetary fund balance | — | 4,930 | 4,931 | 1 |
| Reduction in prior year's outstanding encumbrances | — | — | (4,726) | (4,726) |
| Other | — | — | 18,296 | 18,296 |
| Total other financing sources (uses) | 59,902 | 64,182 | 56,409 | (7,773) |
| Deficiency of revenues and other financing sources over expenditures and other financing uses | \$ — | — | (40,163) | (40,163) |
| Fund balances, beginning of year | | | 52,350 | |
| Less appropriation from beginning of year fund balance | | | (4,931) | |
| Fund balances – budgetary basis, end of year | | | \$ 7,256 | |

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) | \$ | (40,163) |
| Adjustments: | | |
| To adjust revenues for accruals and deferrals | | (6,549) |
| Appropriation from beginning of year fund balance | | (4,931) |
| Net change in fund balance | \$ | <u>(51,643)</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, 2009
 (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) |
|--|---------------------|---------------------------------------|---------------------------------|--------------------|---------------------|---|
| Employees' Retirement System: | | | | | | |
| 12/31/2007 | 398,491 | 423,794 | (25,303) | 94.03 | 63,457 | (39.87) |
| 12/31/2008 | 381,604 | 450,943 | (69,339) | 84.62 | 78,846 | (87.94) |
| 12/31/2009 | 387,146 | 478,552 | (91,406) | 80.90 | 89,366 | (102.28) |
| Police Pension Fund: | | | | | | |
| 12/31/2007 | 1,635 | 1,613 | 22 | 101.36 | — | N/A |
| 12/31/2008 | 1,622 | 1,600 | 22 | 101.38 | — | N/A |
| 12/31/2009 | 1,809 | 1,787 | 22 | 101.23 | — | N/A |
| Firefighters' Pension and Relief Fund (Old System): | | | | | | |
| 12/31/2007 | 19,037 | 170,527 | (151,490) | 11.16 | — | N/A |
| 12/31/2008 | 16,839 | 168,202 | (151,363) | 10.01 | — | N/A |
| 12/31/2009 | 11,455 | 166,081 | (154,626) | 6.90 | — | N/A |
| Firefighters' Pension and Relief Fund (New System): | | | | | | |
| 12/31/2007 | 229,317 | 300,189 | (70,872) | 76.39 | 22,459 | (315.56) |
| 12/31/2008 | 212,727 | 321,387 | (108,660) | 66.19 | 22,735 | (477.94) |
| 12/31/2009 | 189,803 | 375,118 | (185,315) | 50.60 | 27,700 | (669.01) |

See accompanying independent auditors' report. (Continued)

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Funding Progress

Required Supplementary Information Under GASB Statement No. 45

Year ended December 31, 2009

(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) |
|--------------------------|---------------------|---------------------------------------|---------------------------------|--------------------|---------------------|---|
| 12/31/2007 | — | 398,422 | (398,422) | — | 198,626 | (200.59) |
| 12/31/2008 | — | 426,450 | (426,450) | — | 226,764 | (188.06) |
| 12/31/2009 | — | 347,191 | (347,191) | — | 226,214 | (153.48) |

See accompanying independent auditors' report.

**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***

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2010. 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. Other auditors audited 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, the Canal Street Development Corporation, the New Orleans Building Corporation, the New Orleans Traffic Court, 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, as described in our report on the City's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 financial statements, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, indexed as 2009-1 through 2009-6, to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, indexed as 2009-8 through 2009-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and questioned costs as items 2009-7 and 2009-14 through 2009-16.

We noted certain matters that we reported to management of the City, in a separate letter dated July 30, 2010.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City, the City's management and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana
July 30, 2010

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

A. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Qualified

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses X Yes No
- Material noncompliance to financial statements? Yes X No

B. Basic Financial Statements, Findings, and Responses

2009-1 Accounting and Financial Reporting

- Criteria: The City should have systems of internal accounting control which ensures the basic financial statements are presented in accordance with U.S. generally accepted accounting principles on a timely basis.
- Condition: The City does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis.
- Context: During our audit, we noted the City performed the reconciliations and analysis of its significant accounts significantly after year end. The frequency and the timing of the reconciliations required the City to make significant adjustments to its financial statements.
- Cause: The City does not have an appropriate infrastructure to prepare accurate and complete financial statements in a timely manner in accordance with U.S. generally accepted accounting principles.
- Effect: The City recorded material adjustments to its major accounts to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.
- Recommendation: The City should evaluate its accounting and financial reporting function. Specifically, the City should consider the following:
- Ensure adequate resources (both number and skill set) are dedicated to the accounting and financial reporting function.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-1 Accounting and Financial Reporting (continued)

- Develop and implement policies, procedures, and related controls over the preparation of the financial statements, including those presented under full accrual.
- Assign responsible persons for preparing and reviewing the financial statements. Address the specific accounting matters discussed in this schedule of findings and responses.
- Address the specific accounting matters discussed in the schedule of findings and questioned costs.
- Develop policies and procedure to ensure journal entries are reviewed by the appropriate level of management.
- Bring accounting up-to-date including timely reconciliations to enable the timely preparation of financial statements.

Views of Responsible
Officials and Planned
Corrective Action
Plan:

The City increased the number of personnel dedicated to financial reporting and the number of adjustments reduced as compared to prior years. The City also increased the salary structure for the accounting series personnel. However, the Finance Department has incurred difficulty in recruiting and retention of staff. As such, currently two vacant positions exist in the General Ledger Section. Temporary staff was utilized to supplement accounting staff to complete bank reconciliations and assist in the preparation of monthly financial statements. However due to budget constraints the temporary staff was not retained. These staffing and budget issues will be addressed in the upcoming budget process.

Protocols have been established and organization structure changes were implemented to ensure journal entries are reviewed by the appropriate level of management. We have also contracted with an accounting firm to provide staff support and expertise in reconciliations, financial reporting function and preparation of timely financial statements.

Contact Person: Norman Foster, Chief Financial Officer

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-2 Capital Assets

- Criteria:** The City has a significant amount of capital assets, including construction-in-progress (CIP) and infrastructure. The City should have systems of internal accounting control, which provide for proper accounting and financial reporting for capital assets. GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments (GASB No. 34), provides guidance on recording and reporting capital assets.
- Condition:** The City did not have adequate policies, procedures, and internal controls in place to ensure all capital assets were fairly stated in its financial statements on a timely basis.
- Context:** We noted the City dedicated significant additional resources to improve tracking of capital assets, which resulted in significantly reduced number and amount of adjustments to the capital assets balances. However, during test work, we noted the following weaknesses in the internal control structure over the capital asset accounting function:
- The City included non-capitalizable expenditures in the CIP balance.
 - The City does not perform a complete inventory of its non street assets, including buildings and other infrastructure that are included in their capital asset listing.
 - The City's detail property records do not always include sufficient information to specifically identify property items.
- Cause:** The City has not performed sufficient procedures to ensure all capital assets are properly and timely recorded in the financial statements.
- Effect:** Material adjustments were posted by the City to the capital asset balances.
- Recommendation:** The City should continue improving policies and procedures, and related internal controls to ensure capital assets are fairly stated and properly reported in the financial statements. These controls should include maintaining accurate and complete capital asset listings and appropriate reviews of depreciable assets and CIP balances to ensure proper accounting and financial reporting. The City should also strengthen its reconciliation of its capital asset listing and

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-2 Capital Assets (continued)

implement a formal review procedure of the capital asset roll forward and projects within the CIP account.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: As noted by the auditor, a similar finding exists from the prior year's audit and this matter has been partially resolved. In order to assist the Capital Projects Office and the Public Works Department, the City has contracted a firm to handle capital asset accounting and reporting. The City will continue to improve policies and procedures and related internal controls to ensure capital assets are fairly stated and properly reported in the financial statements. These controls will include maintaining accurate and complete capital asset listings and appropriate reviews of depreciable assets and CIP balances to ensure proper accounting and financial reporting. The City will also strengthen its reconciliation of its capital asset listing, and strengthen its formal review procedures of the capital asset roll forward and projects within the CIP account.

Contact Person: Cedric Grant, Deputy Mayor of Facilities

2009-3 Accounts Payable

Criteria: The City should have systems of internal accounting control, which provide for proper preparation of the financial statements.

Condition: The City did not have adequate process and controls in place to ensure expenditures were reported timely in the proper period.

Context: While the City devoted significant resources and the number and amount of adjustments was substantially reduced from the prior year, we noted unrecorded invoices and subsequent expenses that were improperly accrued.

Cause: The City's procedures for recording accounts payable do not include sufficient review of subsequent disbursement to determine that all accounts payable have been properly recorded.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-3 Accounts Payable (continued)

Effect: The City recorded adjustments to properly reflect accounts payable after year end.

Recommendation: The City should implement procedures and controls to ensure accounts payable is properly reported on a timely basis at year-end. Specifically, the City should evaluate the configuration of its accounting system to ensure expenditures are reported in the proper period.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: As noted by the auditor, a similar finding exists from the prior year's audit and this matter has been partially resolved. The City devoted significant resources to this task and the number and amount of accounts payable adjustments were substantially reduced from the prior year's audit. The City has implemented online reports for departments to use to monitor their operating budgets. Departments will be required to submit invoices for payment on a timely basis before the year-end close. The City will continue to review and implement procedures and controls to ensure accounts payable are properly reported on a timely basis at year-end.

We have also contracted with an accounting firm to provide staff support and expertise in reviewing and reporting of accounts payable in the proper period.

Contact Person: Norman Foster, Chief Financial Officer

2009-4 Cash

Criteria: The City should have systems of internal accounting control, which provide for proper preparation of the financial statements.

Condition: The City did not perform cash reconciliations on a timely basis to ensure cash was properly presented in the financial statements at year-end. Significant adjustments to financial reports are usually required by the adjustment process.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-4 Cash (continued)

Context: The City operated from 2005 through 2009 without timely bank reconciliations to identify corrections to the financial statements that were required. Significant adjustments to cash were prepared after year end.

Cause: While significant reconciliation activity was performed before year end, the City did not complete the reconciliation of cash balances at December 31, 2009 until July 2010. Journal entries were required to bring the reconciliation amounts into balance with amounts recorded.

Effect: The City recorded adjustments to cash to properly reflect present outstanding checks, deposits-in-transit and cash book balances.

Recommendation: The City should perform and review reconciliations on a timely basis to track outstanding checks, present outstanding checks as a reduction of cash at year-end and properly present deposits-in-transit. In addition, the City should ensure the cash reconciliation is completed each month and is properly reviewed.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: The City devoted significant resources to this task in late 2009 and early 2010. As noted by the auditor, significant reconciliation activity was performed before year end. The City increased the number of personnel dedicated to perform cash reconciliations on a timely basis. However, the Finance Department has incurred difficulty in retention and recruiting of staff. Currently two vacant positions exist in the General Ledger Section. Temporary staff was utilized to supplement accounting staff to complete bank reconciliations and in the preparation of monthly financial statements. However due to budget constraints the temporary staff was not retained. These staffing and budget issues will be addressed in the upcoming budget process. With the hiring of appropriate staff the city will perform and review reconciliations on a timely basis. Additionally, Finance staff will continue to direct all departments to timely deposit and record cash receipts.

Contact Person: Norman Foster, Chief Financial Officer

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-5 Reporting Litigation and Claims

- Criteria:** The City should have systems of internal accounting control, which provide for proper preparation of the financial statements.
- Condition:** While the City increased resources and dedicated personnel to identify and summarize a complete listing of litigation and claims, the City's schedule required material adjustments to ensure the general litigation liability was properly recorded and disclosed on a timely basis, in the financial statements.
- Context:** The City Attorney's Office provides a detail listing of its litigation and claims to support the City's accrual and disclosure. During our audit, we noted this listing needed material adjustments after our review with the City Attorney's Office.
- Cause:** The City Attorney's Office did not update the litigation claims list on a timely basis to properly record or disclose litigation and claims. Although the case file was updated immediately, the case listing which is monitored by the database manager is not on a real-time basis.
- Effect:** The City recorded adjustments to properly accrue the litigation and claims liability in accordance with U.S. generally accepted accounting principles.
- Recommendation:** The City should implement procedures for the timely preparation and review of the litigation and claims records.
- Views of Responsible Officials and Planned Corrective Action**
- Plan:** The City Attorney's office will update the litigation claims list to include the audit adjustments and continue to update and monitor periodically said list going forward.
- Contact Person:** Nannette Jolivet-Brown, City Attorney

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-6 Information Technology

- Criteria:** General controls are policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. General controls commonly include controls over data center and network operations; system software acquisition and maintenance; access security; and application system acquisition, development, and maintenance.
- Condition:** While the City did improve its documentation of policies, procedures and related controls, we continued to note conditions that indicate weaknesses in the City's information technology general controls relating to access security.
- Context:** We noted the following conditions during our audit:
- Certain employees have user access rights that allow them to approve the same transaction that they initiate.
 - User access for terminated employees is not terminated in a timely manner.
- Cause:** The City does not have adequate documented policies, procedures, and related controls for Information Technology (IT) general controls.
- Effect:** Failure to ensure adequate general controls are in place and operating effectively could impact proper operation of, and appropriate access to, information systems.
- Recommendation:** The City should formalize and document IT policies and procedures, including the following.
- System access management process
 - IT Policy and Procedure manual to document and centralize all the day-to-day procedures, as well as the responsibilities of each position, including outsourced positions.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-6 Information Technology (continued)

Views of Responsible
Officials and Planned
Corrective Action

Plan: As noted by the auditor, a similar finding exists from the prior year's audit and this matter has been partially resolved. Further the auditor noted above that the City did improve its documentation of policies, procedures and related controls. The city will continue to review, formalize and document IT policies and procedures.

Contact Person: Allen Square, Deputy Chief Information Officer

2009-7 Energy Savings Contracts

Criteria: The City should follow public bid law for the purchase of all movable equipment pursuant to La. R.S. 9:3304.

Condition: From 2000 through 2002, the City did not bid the purchase of movable equipment.

Context: Between October 15, 2000 and February 12, 2002, the City entered into 3 leases with Johnson Controls to purchase movable equipment under separate lease agreements for a period of 20 years, whereby the vendor promised guaranteed savings, both stipulated and calculated, in excess of the lease payments. The equipment leased included HVAC equipment and traffic signals.

In addition, the City entered into a separate maintenance agreement related to 36 buildings owned by the City. The net present value of the leased equipment for each equipment lease was \$9,625,477, \$17,919,666, and \$6,313,756, respectively. Total lease payments over the life of the 3 leases amounted to \$64,853,594, including \$957,805 in capitalized interest for the period ending February 15, 2022. The maintenance agreement originally required annual payments of \$650,000. On December 22, 2005 the City amended the contract with the vendor to eliminate the guaranteed savings requirement on the vendor in consideration of reducing the payments under the maintenance contract to \$119,627 to cover the 9 buildings that remained in service following Hurricane Katrina. Because the guaranteed savings amount in the original contract promised by the vendor

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-7 Energy Savings Contracts (continued)

in the contract was expected to exceed the lease payments, the City may have decided it was not required to follow the public bid law. Recent legal cases have questioned the legality of this type of guaranteed energy savings contracts. This finding dates back to the predecessor auditors recommending the City review the contract to determine whether savings had been achieved in their 2006 Management Letter issued to the Mayor and the City Council on December 14, 2007. As of the date of our audit no such review has occurred.

Effect: The City may not have been in compliance with Louisiana statutes regarding the purchase of movable equipment and the legal status of the contract may be in question.

Recommendation: The City Attorney's Office should review the contracts to determine their legal status and appropriate claims against the vendor, if any.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: The City Attorney's Office will review the contract to determine the legal status and take the appropriate action, if any.

Contact Person: Nannette Jolivette-Brown, City Attorney

2009-8 Capital Project Funding Sources

Criteria: The City should follow policies and procedures to ensure that capital projects have allowable funding sources.

Condition: The City did not follow their policies, procedures, and related internal controls to ensure that expenditures were charged to the proper funding source.

Context: While the City has begun the process to adjust the funding sources on prior years' expenditures, the City has not completed their reconciliation to properly match project expenditures with the appropriated funding sources.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-8 Capital Project Funding Sources (continued)

Cause: While the City has improved the organization and record keeping of current year activities, the City has not adequately addressed the prior years' matching of expenditures with funding sources, in part, due to the large number of projects and the budgetary constraints on resources needed to complete a final reconciliation.

Effect: The City may be in violation of bond indenture provisions and grant compliance requirements.

Recommendation: The City should follow their policies and procedures to ensure that expenditures are charged to appropriate funding sources in accordance with bond indenture agreements and grant compliance requirements.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: As noted by the auditor, a similar finding exists from the prior year's audit and this matter has been partially resolved. The City of New Orleans recently restructured the Program Delivery Unit which has assumed management, oversight and control over capital projects accounting. The PDU is currently undertaking a comprehensive review of all policies procedures and related documentation where the necessary corrective actions will be implemented to adjust past discrepancies and assure compliance going forward. The City will review policies and procedures to ensure that expenditures are charged to appropriate funding sources in accordance with bond indenture agreements and grant compliance requirements.

Contact Person: Cedric Grant, Deputy Mayor of Facilities

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-9 Overtime Pay

- Criteria:** The City should follow their Civil Service policy, as it relates to overtime pay.
- Condition:** The City did not follow their Civil Service rule IV.9.10, which states "no employee shall be permitted to work in excess of 416 overtime hours in any calendar year, except in those cases where approval has been obtained.
- Context:** During our test of the City's fifty highest paid employees, we observed 9 employees that on a cumulative basis exceeded the 416 limit by an estimated 12,000 hours.
- Cause:** The City did not properly monitor compliance with rule IV.9.10.
- Effect:** Certain employees exceeded the annual overtime allowed under the City's civil service policy.
- Recommendation:** The City should implement a program to properly monitor compliance with Civil Service rule IV.9.10.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: The City Administration should implement a program to properly monitor compliance with Civil Service rule IV.9.10. Additionally, the IT Department should provide Civil Service with a regular report on overtime earnings to monitor adherence by departments to the Civil Service Rules. In addition to adhering to the Civil Service Rules relative to overtime, it is recommended that the City's administration update Chief Administrative Policy Memorandum 69 (R) regarding overtime policy and procedures. Updating and circulating this policy would assist the City in implementing a program to properly monitor compliance.

Contact Person: Lisa Hudson, Director of Civil Service

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-10 Sanitation Collection Contracts

- Criteria:** The City should have controls in place to ensure vendors are paid based on the contractual terms.
- Condition:** Prior to 2009, the City relied on the vendors to determine the number of locations billed. In 2009, the City engaged a consultant to determine an accurate estimate of the number of eligible locations being collected to ensure proper billing and payment in accordance with the contract. However, the amount owed to vendors remains in dispute and the City has not adequately determined whether the methodology for estimating the number of eligible service locations is accurate.
- Context:** The City entered into contracts with three vendors for bi-weekly curbside pickup of residential garbage at a cost based on the number of authorized service locations collected.
- Cause:** While the City is monitoring compliance with these contracts, the billing amounts remain in dispute.
- Effect:** The City may have over or under paid vendors under terms of the contracts.
- Recommendation:** The City should continue efforts to improve the program to properly monitor compliance with the contracts and determine whether amounts owed are accurate.

**Views of Responsible
Officials and Planned
Corrective Action**

- Plan:** The City of New Orleans has improved its program related to the monitoring of contracts with the three solid waste vendors who handle bi-weekly curbside pickup of residential garbage by the following methods:
- We have developed spreadsheets based on the terms of each contract which will be used to track the accuracy of past and future monthly invoices and payments.
 - We are utilizing an independent consultant who has developed a reasonable, standard methodology of calculating house counts.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-10 Sanitation Collection Contracts (continued)

- We are meeting with the three solid waste vendors who handle bi-weekly curbside pickup of residential garbage to obtain consensus for utilizing a consistent methodology going forward and to determine any amounts due or owed based on past payment.

Contact Person: Cynthia Sylvain-Lear, Director of Sanitation

2009-11 Police Evidence and Property Division

Criteria: The City should establish adequate controls that are documented in a written policy over the safekeeping of cash in the custody of the Police Department's Evidence and Property Division.

Condition: The City did not maintain adequate controls over the custody of cash by the Police Department's Evidence and Property Division. In addition, Louisiana Revised Statute R.S. 24:523, which requires an agency head with knowledge of defalcation of public funds or assets of his agency to notify, in writing, the legislative auditor and the district attorney of proper jurisdiction.

Context: The City could not account for approximately \$100,000 in currency held in evidence bags located in the Evidence and Property Divisions facility according to a compliance audit by the Louisiana Legislative Auditor dated July 8, 2009. In addition, the report found possible non compliance with State audit law, because internal department memoranda indicated that management was aware of the missing currency, even though neither the legislative auditor, nor the attorney general were notified.

Cause: The City did not maintain adequate controls over the safekeeping of currency in the custody of the Police Department's Evidence and Property Division.

Effect: The City may have to repay claimants out of its general funds and may have violated State audit law.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-11 Police Evidence and Property Division (continued)

Recommendation: The City should establish an interest bearing bank deposit account to hold non evidentiary currency, establish a written policy that establishes controls over the safekeeping of currency and increase security, including controlling the issuance of keys and installation of security cameras.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: In 2009, the City began depositing currency into a bank account using a warrant system as prescribed by the Code of the City of New Orleans; a written procedural manual was revised to address handling of valuables in Central Evidence and Property per audit findings. With respect to security, in order for someone to enter the valuables room after hours, a dual key lock system was set up similar to a safety deposit bank vault where the supervisor has one key and the sensitive evidence officer has the other key to enter the cash room and security cameras were also installed.

Contact Person: Ronal Serpas, Chief of Police

2009-12 Credit Card Payments

Criteria: The City should have systems of internal accounting control which requires proper supporting documentation and business purpose for payment of credit card statements.

Condition: While the City established a formal policy in 2009, the City did not follow its policy to ensure that supporting documentation is obtained and a business purpose is documented and verified for payments made with credit cards.

Context: During our testing of credit card payments, we noted that of \$65,575 in 2009 credit card expenses tested, \$54,267 did not have a documented business purpose for the expenses, \$5,252 did not have supporting documentation and \$1,264 was reimbursed for expenses on a non-City employee, including receipts or invoices, for the expenses.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-12 Credit Card Payments (continued)

Cause: The City did not follow its procedures and related internal controls in place to ensure supporting documentation and documented business purpose before monthly credit card statements are paid.

Effect: Failure to ensure adequate controls are in place and operating effectively could result in improper expenditures.

Recommendation: The City should follow its standard policies, procedures, and internal controls to ensure documentation is available to support credit card purchases before payments are made.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: The City will follow its standard policies, procedures, and internal controls to ensure documentation is available to support credit card purchases.

Contact Person: Andy Koplin, Chief Administrative Officer

2009-13 Contract Procurement and Oversight

Criteria: In May 2010, the Louisiana Legislative Auditor issued a compliance report that primarily addressed findings related to procurement and oversight of City contracts from the period 2004 to 2009. The City may have violated its' policies related to procurement, record keeping and monitoring of certain contracts.

Condition: During the years following Hurricane Katrina, the City did not maintain documentation to support proper procurement of certain professional services contracts and monitoring of billed services may have resulted in the City being over or under charged based on the services rendered under these agreements. In addition, the City may not be properly recording payables in some instances.

Context: During our testing of these contracts, included in the Legislative Auditors report, the City agreed that its policies may not have been followed before the new Electronic Contract Routing

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-13 Contract Procurement and Oversight (continued)

System (ECRS) was implemented. We tested the 10 largest public works vendors based on amount paid in 2009 and noted all contracts in our sample that were dated in 2008 or 2009 had support for lowest responsive and responsible bidder and proof of advertisement of bid for all 20 contracts tested. However, we did note one contract where the vendor began work before the executed contract was signed. In addition, we confirmed accounts payable owed to vendors included in this report and noted differences between amounts confirmed and amounts included in the City's accounts payable for three vendors that totaled \$8,757,000.

Cause: The City does not have a centralized system to efficiently file contracts and related supporting documentation to allow for easy access to be able to support a control environment to ensure compliance with its policies.

Effect: Failure to ensure adequate controls are in place and operating effectively could result in non-compliance with policies related to proper authorization, safekeeping and monitoring of contracts.

Recommendation: The City should establish a centralized recordkeeping system to ensure that copies of contracts and related supporting documentation are retained and accessible to ensure proper procurement and management of vendor contacts. The City should determine the legitimacy of the claims made by those three vendors with amounts owed to the City in dispute.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: In order to assist the Capital Projects Office and the Public Works Department, the City has contracted a firm to handle capital asset accounting and reporting. Invoice 3984 dated June 20, 2009 is an invoice for the repairs on Lang Street in Algiers dated June 20, 2009. The invoice correctly reports the work as done under proposal 5111-00045 which corresponds to the contract that was in effect from September 2006-September 2009. This contract was 06-FNCE-019.

Contact Person: Cedric Grant, Deputy Mayor of Facilities

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-14 Violation of Local Government Budget Act

Criteria: The City should notify the City Council in writing when total revenues and other sources plus projected revenues and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by 5% or more as required by the Local Government Budget Act.

Condition: The City's total revenue and other sources reported on a budgetary basis was 6.1% less than the final budget adopted by the City Council.

Context: The City failed to accurately estimate revenues and other sources and did not adopt a budget of revenues and other sources that were within 5% of actual amounts reported during the year ended December, 31, 2009.

Cause: The City does not reconcile its significant accounts on a timely basis, which resulted in material adjustments to prepare accurate financial statements in accordance with U.S. generally accepted accounting principles after the end of the year.

Effect: The City's final reported revenues and other sources on a budgetary basis were 6.1% less than the final budget adopted by the City Council.

Recommendation: The City should develop and implement a plan to improve its controls over budget to insure compliance with the Local Government Budget Act.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: The City will develop and implement a plan to improve its controls over budget to ensure compliance with the Local Government Budget Act.

Contact Person: Andy Koplin, Chief Administrative Officer

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-15 Collateralizations of Bank Deposits

Criteria: The City should monitor compliance with collateralization of bank deposits. Louisiana Revised Statutes require all deposits exceeding the amount insured by the Federal Deposit Insurance Corporation (FDIC) to be fully collateralized with specific approved securities designated therein valued at 102% of deposits.

Condition: The City had bank balances at one institution that exceeded deposits in excess of FDIC coverage and collateral held by the pledging banks' trust department or their agent held in the City's name by \$5,581,455 at December 31, 2009.

Context: The City is required to monitor compliance of all of its bank accounts, including pooled accounts reported by its component units.

Cause: The City did not properly monitor collateral to insure the amount pledged was adequate to cover deposits in the City's name, including amounts reported by its component units.

Effect: The City's deposits were not sufficiently collateralized, which resulted in a violation of the Revised Statutes and subjected the City to custodial credit risk.

Recommendation: The City should monitor compliance with collateralized of bank deposits to reduce custodial credit risk and comply with Louisiana Revised Statutes.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: The City will review current procedures on monitoring compliance with collateralization of bank deposits to reduce custodial credit risk and to comply with Louisiana Revised Statutes and make appropriate changes where necessary.

Contact Person: Andy Koplin, Chief Administrative Officer

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

2009-16 Timely Submission of Audit Report to Legislative Auditor

Criteria: Under Louisiana statute, the City is required to have an annual audit of its financial statements prepared in accordance with US generally accepted accounting principles and to complete the audit and file it with the Legislative Auditor of the State of Louisiana by June 30 of each year.

Condition: The City did not meet the June 30, 2010 deadline for reporting to the State of Louisiana. The City did request and received an extension of time until July 30, 2010 from the Legislative Auditor to file its financial statements.

Cause: The City required additional time to complete the final cash reconciliation and record the final adjustments to their accounting records, due in part to a decrease in the size of the accounting staff and loss of key personnel, as a result of budgetary constraints.

Effect: The inability of the City to complete the final cash reconciliation and closing entries until after June 30, 2010, resulted in the audit completion date being delayed.

Recommendation: The City should implement a plan to ensure adequate staffing levels of accountants with the skills to support timely financial reporting to ensure future reports are issued by June 30 of each year.

**Views of Responsible
Officials and Planned
Corrective Action**

Plan: The City will make every effort to increase staff levels of accountants with the skills to support timely financial reporting. These staffing and budget issues will be addressed in the upcoming budget process. The City has contracted with an accounting firm to provide staff support and expertise in reconciliations, financial reporting function and preparation of timely financial statements. The City will make every effort to ensure reports are issued by June 30 of each year.

Contact Person: Norman Foster, Chief Financial Officer

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Prior Year Findings and Questioned Costs

Year ended December 31, 2009

2008-1 Accounting and Financial Reporting

Recommendation: The City should evaluate its accounting and financial reporting function. Specifically, the City should consider the following:

- Ensure adequate resources (both number and skill set) are dedicated to the accounting and financial reporting function.
- Develop and implement policies, procedures, and related controls over the preparation of the financial statements, including those presented under full accrual.
- Assign responsible persons for preparing and reviewing the financial statements. Address the specific accounting matters discussed in this schedule of findings and responses.
- Address the specific accounting matters discussed in the schedule of findings and questioned costs.
- Develop policies and procedure to ensure journal entries are reviewed by the appropriate level of management.
- Bring accounting up-to-date including timely reconciliations to enable the timely preparation of financial statements.

Current Status: Not resolved. See repeat finding 2009-1.

2008-2 Capital Assets

Recommendation: The City should continue improving policies and procedures, and related internal controls to ensure capital assets are fairly stated and properly reported in the financial statements. These controls should include maintaining accurate and complete capital asset listings and appropriate reviews of depreciable assets and CIP balances to ensure proper accounting and financial reporting. The City should also strengthen its reconciliation of its capital asset listing and implement a formal review procedure of the capital asset roll forward and projects within the CIP account.

Current Status: Partially resolved. See repeat finding 2009-2.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Prior Year Findings and Questioned Costs

Year ended December 31, 2009

2008-3 Accounts Payable

Recommendation: The City should implement procedures and controls to ensure accounts payable is properly reported on a timely basis at year-end. Specifically, the City should evaluate the configuration of its accounting system to ensure expenditures are reported in the proper period.

Current Status: Partially resolved. See repeat finding 2009-3.

2008-4 Cash

Recommendation: The City should perform and review reconciliations on a timely basis to track outstanding checks, present outstanding checks as a reduction of cash at year-end and properly present deposits-in-transit. In addition, the City should ensure the cash reconciliation is completed each month and is properly reviewed.

Current Status: Not resolved. See repeat finding 2009-4.

2008-5 Reporting Litigation and Claims

Recommendation: The City should implement procedures for the timely preparation and review of the litigation and claims records.

Current Status: Partially resolved. See repeat finding 2009-5.

2008-6 Information Technology

Recommendation: The City should formalize and document IT policies and procedures, including the following.

- IT Disaster Recovery Plan
- System access management process
- IT Policy and Procedure manual to document and centralize all the day-to-day procedures, as well as the responsibilities of each position, including outsourced positions.

Current Status: Partially resolved. See repeat finding 2009-6.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Prior Year Findings and Questioned Costs

Year ended December 31, 2009

2008-7 Energy Savings Contracts

Recommendation: The City Attorney's Office should review the contracts to determine their legal status and appropriate claims against the vendor, if any.

Current Status: Partially resolved. See repeat finding 2009-7.

2008-8 Capital Project Funding Sources

Recommendation: The City should follow their policies and procedures to ensure that expenditures are being charged to appropriate funding sources in accordance with bond indenture agreements and grant compliance requirements.

Current Status: Partially resolved. See repeat finding 2009-8.

2008-9 Overtime Pay

Recommendation: The City should implement a program to properly monitor compliance with Civil Service rule IV.9.10.

Current Status: Not resolved. See repeat finding 2009-9.

2008-10 City Vehicle Usage

Recommendation: The City should implement a program to properly monitor compliance with the Section 2-902 of the Code.

Current Status: Resolved.

2008-11 Public Records Law

Recommendation: The City should implement controls to ensure e-mails are properly preserved in compliance with Louisiana Public Records law requirements.

Current Status: Resolved.

CITY OF NEW ORLEANS, LOUISIANA

Schedule of Prior Year Findings and Questioned Costs

Year ended December 31, 2009

2008-12 Sanitation Collection Contracts

Recommendation: The City should implement a program to properly monitor compliance with the contracts.

Current Status: Partially resolved. See repeat finding 2009-10.

2008-13 Police Evidence and Property Division

Recommendation: The City should establish an interest bearing bank deposit account to hold non evidentiary currency, establish a written policy that establishes controls over the safekeeping of currency and increase security, including controlling the issuance of keys and installation of security cameras.

Current Status: Partially resolved. See repeat finding 2009-11.

2008-14 Crime Camera Contracts

Recommendation: The City should implement a program to properly monitor compliance with these contracts.

Current Status: Resolved.

2008-15 Municipal Court Employee Misappropriation

Recommendation: The City's Court should establish policies and procedures to prevent or detect unauthorized purchases.

Current Status: Resolved.

2008-16 Municipal Court Computer Equipment Overcharge

Recommendation: The Court should establish policies and procedures to ensure that the Court only pays vendor invoices for equipment received and in accordance with contractual terms.

Current Status: Resolved.

July 30, 2010

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

We have audited the 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2010. In planning and performing our audit of the financial statements of the City, we considered internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

Current Year Findings:

None.

Prior Year Findings Still Applicable:

2009-1 Escheatment of Unnegotiated Items

Observation

The City's policy and procedures do not provide for routine review of items for escheatment to the State. We noted a number of items which should be reviewed for escheatment.

Recommendation

The City should implement processes and procedures so that outstanding un-negotiated checks are escheated to the State on a timely basis.

The Honorable Mayor and Members
City Council of the City of New Orleans, Louisiana
Page 2
July 30, 2010

Management's Response

The City will implement necessary processes and procedures to ensure that outstanding un-negotiated checks are escheated to the State on a timely basis.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the City's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Mayor, members of City Council, management, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

The City's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Sincerely,



Postlethwaite & Netterville, APAC



CITY OF NEW ORLEANS

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2009**

CITY OF NEW ORLEANS
TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... | 1 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... | 3 |
| NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... | 9 |
| 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..... | 20 |
| 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... | 23 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | |
| Schedule I - Summary of Independent Auditors' Results..... | 27 |
| Schedule II - Financial Statement Findings..... | 29 |
| Schedule III - Federal Award Findings and Questioned Costs.. | 33 |
| STATUS OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS..... | 53 |
| EXIT CONFERENCE..... | 60 |

**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

To the Honorable Members of the City Council and the
Honorable, Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana

We have audited the accompanying Schedule of Expenditures of Federal Awards for the Federal Programs listed on pages 3 through 8 of the City of New Orleans (the City) for the year ended December 31, 2009. 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, 2009. (The basic financial statements of the City of New Orleans for the year ended December 31, 2009 are audited by other auditors whose opinion dated July 30, 2010 expressed a *qualified 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 of OMB Circular A-133 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.

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

To the Honorable Members of the City Council and the
Honorable, Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana
Page 2

In our opinion, the Schedule of Expenditures of Federal Awards of the City of New Orleans for the year ended December 31, 2009 presents fairly, in all material respects, the expenditures of federal awards under the Federal Programs referred to in the previous page in conformity with accounting principles generally accepted in the United States of America and in relation to the basic financial statements of the City of New Orleans taken as a whole.

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, 2009. 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 July 30, 2010 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 opinions 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

July 30, 2010



**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| <u>FEDERAL GRANTOR/PROGRAM NAME</u> | <u>FEDERAL CFDA or OTHER NUMBER</u> | <u>PASS- THROUGH ENTITY'S NUMBER</u> | <u>ACTIVITY</u> |
|--|---|--|-------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| <u>Direct Awards</u> | | | |
| Agricultural Research - Basic and Applied Research | 10.001 | N/A | \$ <u>457,791</u> |
| Subtotal - Direct Awards | | | <u>457,791</u> |
| <u>Pass-Through Awards</u> | | | |
| State of Louisiana | | | |
| Department of Social Services: | | | |
| ARRA - Special Supplemental Nutrition Program for Women, Infants and Children - Administrative Costs | 10.557 | CFMS641737 | 276,321 |
| ARRA - Special Supplemental Nutrition Program for Women, Infants and Children - Food Issuance (NOTE 13) | 10.557 | CFMS641737 | <u>3,901,612</u> |
| Subtotal - Awards from Pass-Through Entities | | | <u>4,177,933</u> |
| Total U.S. Department of Agriculture | | | <u>4,635,724</u> |
| <u>U.S. Department of Commerce</u> | | | |
| <u>Direct Awards</u> | | | |
| Public Safety Interoperable Communications Grant Program | 11.555 | N/A | <u>460,044</u> |
| Subtotal - Direct Awards | | | <u>460,044</u> |
| <u>Pass-Through Awards</u> | | | |
| State of Louisiana | | | |
| Department of Natural Resources: | | | |
| Coastal Zone Management Administration | 11.419 | 2503-05-07 | <u>21,344</u> |
| Subtotal - Awards from Pass-Through Entities | | | <u>21,344</u> |
| Total U.S. Department of Commerce | | | <u>481,388</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, 2009

| <u>FEDERAL GRANTOR/PROGRAM NAME</u> | <u>FEDERAL CFDA or OTHER NUMBER</u> | <u>PASS- THROUGH ENTITY'S NUMBER</u> | <u>ACTIVITY</u> |
|---|---|--|-------------------|
| <u>U.S. Department of Defense</u> | | | |
| <u>Direct Awards</u> | | | |
| Community Economic Adjustment for Establishment Expansion, Realignment or Closure of a Military Installation Base Reuse Plans | 12.607 | N/A | \$ <u>408,436</u> |
| Total U.S. Department of Defense | | | <u>408,436</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| <u>Direct Awards</u> | | | |
| Community Development Block Grant/ Entitlement Grants | 14.218 | N/A | 23,749,203 |
| Urban Development Action Grants-Grantee Loans (NOTE 6) | 14.221 | N/A | 4,250,000 |
| Urban Development Action Grants-Grantee Loans- | 14.221 | N/A | 4,288,035 |
| Emergency Shelter Grants Program | 14.231 | N/A | 1,015,543 |
| Shelter Plus Care | 14.238 | N/A | 546,166 |
| Home Investment Partnership Program | 14.239 | N/A | 10,959,081 |
| Housing Opportunities for Persons with AIDS | 14.241 | N/A | 3,532,357 |
| Brownsfield Economic Development Initiative- | | | |
| Guarantee Loan (NOTE 8) | 14.246 | N/A | 500,000 |
| Community Development Block Grant-Section108 Guarantee | | | |
| Loans (NOTE 7) | 14.248 | N/A | 28,162,000 |
| Community Development Block Grant-Section108 Guarantee | | | |
| Loan-Program Income | 14.248 | N/A | 1,604,803 |
| Lead-Based Paint Hazard Control | 14.900 | N/A | 66,762 |
| ARRA - Federal American Recovery Act - | | | |
| Homeless Prevention | 14.257 | N/A | <u>71,631</u> |
| Subtotal - Direct Awards | | | <u>78,745,581</u> |
| <u>Passed - Through Awards</u> | | | |
| State of Louisiana | | | |
| Office of Community Development: | | | |
| Disaster Community Development Block Grant | 14.228 | CFMS 661158 | 13,838,768 |
| Emergency Shelter Grants Program | 14.231 | CFMS-Variou | <u>269,068</u> |
| Subtotal - Awards from Pass-Through Entities | | | <u>14,107,836</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>92,853,417</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, 2009

| <u>FEDERAL GRANTOR/PROGRAM NAME</u> | <u>FEDERAL CFDA or OTHER NUMBER</u> | <u>PASS- THROUGH ENTITY'S NUMBER</u> | <u>ACTIVITY</u> |
|--|---|--|------------------|
| <u>U.S. Department of Interior</u> | | | |
| <u>Direct Awards</u> | | | |
| Safe America Treasures - Preserve America Grant | 15.929 | N/A | \$ 42,885 |
| Subtotal - Direct Awards | | | <u>42,885</u> |
| Total U.S. Department of Interior | | | <u>42,885</u> |
| <u>U.S. Department of Justice</u> | | | |
| <u>Direct Awards</u> | | | |
| Supervised Visitation and Safe Havens for Children | 16.527 | N/A | 115,947 |
| The Community - Defined Solutions to Violence Against Women | 16.590 | N/A | 374,703 |
| ARRA - Public Safety Partnership and Community Policing | 16.710 | N/A | 397,546 |
| Edward Byrne Memorial Justice Assistance Grant (JAG) Program | 16.738 | N/A | 216,370 |
| Support for Adam Walsh Implementation Grant | 16.750 | N/A | 106,163 |
| Congressional Earmarking Grant | 16.580 | N/A | 126,339 |
| ARRA - Recovery Act - Edward Bryne Memorial JAG Program | 16.803 | N/A | <u>731,720</u> |
| Subtotal - Direct Awards | | | <u>2,068,788</u> |
| <u>Passed - Through Awards</u> | | | |
| State of Louisiana | | | |
| Commission on Law Enforcement: | | | |
| Services for Trafficking Victims | 16.320 | C07-9-ADM | 620 |
| Crime Victim Assistance | 16.582 | C06-9-ADM | 8,039 |
| Juvenile Justice and Delinquency Prevention | 16.540 | J05-9-ADM | 1,155 |
| Edward Byrne Memorial Formula Grant Program | 16.579 | Various | 93,778 |
| ARRA - Violence Against Women Formula Grants | 16.588 | M05/61-9/8-001/016 | 52,961 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | Y06-8-028 & 001 | 610,583 |
| Paul Coverdell Forensic Science Improvement Act | 16.742 | G07-8-006 | <u>18,311</u> |
| Subtotal - Awards from Pass-Through Entities | | | <u>785,447</u> |
| Total U.S. Department of Justice | | | <u>2,854,235</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, 2009

| <u>FEDERAL GRANTOR/PROGRAM NAME</u> | <u>FEDERAL CFDA or OTHER NUMBER</u> | <u>PASS- THROUGH ENTITY'S NUMBER</u> | <u>ACTIVITY</u> |
|--|---|--|-------------------|
| <u>U.S. Department of Labor</u> | | | |
| <u>Passed - Through Awards</u> | | | |
| State of Louisiana | | | |
| Department of Labor: | | | |
| ARRA - Workforce Investment Act-Adult Program | 17.258 | AA-102250-00-50 | \$ 2,363,993 |
| ARRA - Workforce Investment Act - Youth Activities | 17.259 | AA-102250-00-50 | 2,863,727 |
| AARA - Workforce Investment Act-Dislocated Worker | 17.260 | AA-102250-00-50 | 9,625,392 |
| Workforce Investment Act-Workforce Incentive Grants | 17.266 | CFMS602798 | 14,544 |
| Subtotal - Awards from Pass-Through Entities | | | <u>14,867,656</u> |
| Total U.S. Department of Labor | | | <u>14,867,656</u> |
| <u>U.S. Department of Transportation</u> | | | |
| <u>Direct Awards</u> | | | |
| ARRA - Airport Improvement Program - New Orleans Aviation Board | 20.106 | N/A | <u>7,854,056</u> |
| Subtotal - Direct Awards | | | <u>7,854,056</u> |
| <u>Passed - Through Awards</u> | | | |
| State of Louisiana | | | |
| Department of Transportation: | | | |
| State and Community Highway Safety Grants | 20.600 | 742-04-006/ and various others | 8,998,652 |
| Department of Public Safety: | | | |
| State and Community Highway Safety Grants | 20.600 | CFMS 669051 | <u>3,792</u> |
| Subtotal - Awards from Pass-Through Entities | | | <u>9,002,444</u> |
| Total U.S. Department of Transportation | | | <u>16,856,500</u> |
| <u>U.S. Environmental Protection Agency</u> | | | |
| <u>Direct Awards</u> | | | |
| ARRA - New Orleans Brownsfield Project - Site Assessment and Brownfields Assessment and Cleanup | 66.818 | N/A | <u>26,304</u> |
| Subtotal - Direct Awards | | | <u>26,304</u> |
| Total U.S. Environmental Protection Agency | | | <u>26,304</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, 2009

| <u>FEDERAL GRANTOR/PROGRAM NAME</u> | <u>FEDERAL CFDA or OTHER NUMBER</u> | <u>PASS- THROUGH ENTITY'S NUMBER</u> | <u>ACTIVITY</u> |
|---|---|--|-------------------|
| <u>U.S. Department of Energy</u> | | | |
| <u>Direct Awards</u> | | | |
| Energy Efficiency and Renewable Energy Information Grants | 81.117 | N/A | \$ 119,845 |
| Subtotal - Direct Awards | | | <u>119,845</u> |
| Total U.S. Department of Energy | | | <u>119,845</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| <u>Direct Awards</u> | | | |
| Consolidated Health Centers - Healthcare for the Homeless | 93.224 | N/A | 1,296,786 |
| Center for Disease Control and Prevention-Asthma, Diabetes and Obesity | 93.283 | N/A | 350,385 |
| Special Projects of National Significance | 93.928 | N/A | 120,000 |
| HIV Emergency Relief Project Grant-Ryan White Program | 93.914 | N/A | 8,091,297 |
| Healthy Start Initiative-Great Expectations Program | 93.926 | N/A | 1,929,280 |
| Substance Abuse and Mental Health Services | 93.243 | N/A | 41,854 |
| ARRA - Grants to Health Centers Programs | 93.703 | N/A | 17,625 |
| Health Care and Other Facilities - Mobile Hospital Service | 93.887 | N/A | <u>368,421</u> |
| Subtotal - Direct Awards | | | <u>12,215,648</u> |
| <u>Passed - Through Awards</u> | | | |
| <u>State of Louisiana</u> | | | |
| Department of Health and Hospitals: | | | |
| Center for Disease Control and Prevention | | | |
| Asthma, Diabetes and Obesity | 93.283 | CFMS 641046 | 36,493 |
| Crisis Trauma Center | 93.982 | CFMS 684233 | 93,656 |
| Centers for Disease Control and Prevention - Investigation and Technical Assistance | 93.283 | 053711 | 56,456 |
| Violence Prevention | 93.591 | K08-203 | 86,360 |
| CMS Research, Demonstration and Evaluation Grants | 93.779 | K07-551 | 2,041,416 |
| Preventative Health and Health Services Block Grant | 93.991 | Various | 691,287 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | DHH654778/668437 | 34,295 |
| Medical Reserve Corps Small Grant Program | 93.008 | MRC 080514 | 5,338 |
| Bioterrorism Training and Curriculum Development | 93.996 | EMS -HSS 08-09 | 32,064 |
| Department of Labor: | | | |
| Temporary Assistance for Needy Families | 93.558 | Unavailable | <u>256,821</u> |
| Subtotal - Awards from Pass-Through Entities | | | <u>3,334,186</u> |
| Total U.S. Department of Health and Human Services | | | <u>15,549,834</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, 2009**

| <u>FEDERAL GRANTOR/PROGRAM NAME</u> | <u>FEDERAL CFDA or OTHER NUMBER</u> | <u>PASS- THROUGH ENTITY'S NUMBER</u> | <u>ACTIVITY</u> |
|--|---|--|-----------------------|
| <u>U.S. Department of Homeland Security</u> | | | |
| <u>Direct Awards</u> | | | |
| Emergency Food and Shelter | 97.024 | N/A | \$ 7,985 |
| Assistance to Firefighters Grant | 97.044 | N/A | <u>62,981</u> |
| Subtotal - Direct Awards | | | <u>70,966</u> |
| <u>Passed - Through Awards</u> | | | |
| State of Louisiana | | | |
| Governor's Office of Homeland Security: | | | |
| Pre-Disaster Mitigation Competetitive Grants | 97.047 | PDML0707101 | 93,846 |
| Special Community Disaster Loans (NOTE 14) | 97.030 | EMT-2006-LF-1603LA03 | 120,000,000 |
| Special Community Disaster Loans (NOTE 14) | 97.030 | EMT-2006-LF-1603LA03A | 120,000,000 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 071-55000 | 128,111,398 |
| Hazard Mitigation Grant | 97.039 | 1603DRLA0079 | 8,025 |
| Homeland Security Grant Program | 97.067 | 2008GET80013 | 3,558,123 |
| Buffer Zone Protection Program | 97.078 | 2007BZT70025 | 281,176 |
| Fire Service Hazardous Material Preparedness and Response | 97.093 | Unavailable | <u>23,843</u> |
| Subtotal - Awards from Pass-Through Entities | | | <u>372,076,411</u> |
| Total U.S. Department of Homeland Security | | | <u>372,147,377</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 520,843,601</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, 2009

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, 2009

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> |
|--------------------------------|---------------------|
| December 31, 2006 through 2008 | \$ 1,248,953 |
| December 31, 2009 | <u>1,369,886</u> |
| Total | \$ <u>2,618,839</u> |

The ultimate resolution or determination as to whether the questioned costs 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, 2009

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. Four (4) of these loans are outstanding at December 31, 2009, totaling \$4,250,000 which bear various interest rates up to 3.75 percent. These loans are receivable over an eight (8) to ten (10) year period and are recorded as loans receivable at December 31, 2009. 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.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 percent to 8.75 percent or variable interest rates based on the London Inter-bank Offered Rate (LIBOR). As of December 31, 2009, the entire remaining balance of \$40,105,137 due from these entities is recorded as a receivable in the City's financial statements and the balance due HUD of \$28,162,000 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, 2009

NOTE 7 - HOUSING AND URBAN DEVELOPMENT SECTION 108 LOANS,
continued:

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> | | |
| 2010 | \$ 1,510,000 | \$ 24,375,518 |
| 2011 | 1,610,000 | 0 |
| 2012 | 1,715,000 | 0 |
| 2013 | 1,830,000 | 0 |
| 2014 | 1,945,000 | 0 |
| Thereafter | <u>6,630,000</u> | <u>0</u> |
| | <u>15,240,000</u> | <u>24,375,518</u> |
| <u>American Can Project</u> | | |
| 2010 | 270,000 | 380,002 |
| 2011 | 280,000 | 107,680 |
| 2012 | 300,000 | 109,849 |
| 2013 | 320,000 | 112,063 |
| 2014 | 340,000 | 114,313 |
| Thereafter | <u>2,010,000</u> | <u>3,711,910</u> |
| | <u>3,520,000</u> | <u>4,535,817</u> |
| <u>Grand Theatre Project</u> | | |
| 2010 | 240,000 | 242,500 |
| 2011 | 250,000 | 252,500 |
| 2012 | 260,000 | 263,750 |
| 2013 | 275,000 | 278,750 |
| 2014 | 290,000 | 296,250 |
| Thereafter | <u>2,455,000</u> | <u>2,397,227</u> |
| | <u>3,770,000</u> | <u>3,730,977</u> |

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 7 - HOUSING AND URBAN DEVELOPMENT SECTION 108 LOANS:

| | Due to HUD | Due from Projects |
|-------------------------------|-----------------------|------------------------------|
| <u>Louisiana Artist Guild</u> | | |
| 2010 | \$ 298,000 | \$ 287,000 |
| 2011 | 316,000 | 308,000 |
| 2012 | 335,000 | 330,000 |
| 2013 | 355,000 | 354,000 |
| 2014 | 377,000 | 379,000 |
| Thereafter | 3,951,000 | 5,804,825 |
| | 5,632,000 | 7,462,825 |
| | \$ 28,162,000 | \$ 40,105,137 |

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 percent interest. The loan matures in January, 2040. The requirements to amortize the BEDI loan are as follows:

| | Principal |
|-----------------------------|------------------|
| <u>American Can Project</u> | |
| 2010 | \$ 65,478 |
| 2011 | 10,765 |
| 2012 | 10,982 |
| 2013 | 11,201 |
| 2014 | 12,065 |
| Thereafter | 389,509 |
| | \$ 500,000 |

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009 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, 2009 were determined based upon program activity. The City's "Type A" Federal awards programs for the year ended December 31, 2009 were all Federally assisted programs for which program activity was equal to or greater than \$3,000,000 during the year ended December 31, 2009.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 | \$ 10,173,723 |
| Home Investment Partnership Program | 14.239 | 13,114,817 |
| Housing Opportunities for Persons with AIDS | 14.241 | 3,424,664 |
| Community Development Block Grant- Section 108 Guarantee Loans | 14.248 | 40,105,137 |
| Workforce Investment Act | 17.258/17.259/ 17.260 | 13,287,231 |
| HIV Emergency Relief Project Grant | 93.914 | <u>8,047,323</u> |
| | | <u>\$ 88,152,895</u> |

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009 are as follows:

| <u>State Grantor/Program Name</u> | <u>Contract Number</u> | <u>Amount</u> |
|--|----------------------------|-------------------|
| <u>State Library of Louisiana</u> | | |
| State Aid Grant | FY2007-2008 | \$ <u>114,029</u> |
| | | <u>114,029</u> |
| <u>Louisiana Governor's Office</u> | | |
| <u>of Homeland Security</u> | | |
| 2008/2009 State Funding for Subscriber Units/ Consoles | 2008-2009 Funding | <u>239,779</u> |
| | | <u>239,779</u> |
| <u>Louisiana Commission on Law</u> | | |
| <u>Enforcement and Administration of</u> | | |
| <u>Criminal Justice</u> | | |
| Electronic Equipment Grant | P09-9-001 | 9,555 |
| Corrections Training | P08-8-COR | 26,400 |
| Basic Training | P08-8-BAS | 72,500 |
| Peace Officer Standards and Training Administrative Funding | P08-9-ADM | <u>6,047</u> |
| | | <u>114,502</u> |

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - STATE GRANTS, continued

| <u>State Grantor/Program Name</u> | <u>Contract Number</u> | <u>Amount</u> |
|---|----------------------------|-------------------|
| <u>Louisiana Department of Economic Development</u> | | |
| Renewal of Communities | 08069-CORA | <u>9,889</u> |
| | | <u>9,889</u> |
| <u>Louisiana Department of Natural Resource</u> | | |
| <u>Office of Management and Finance</u> | | |
| Parish Coastal Wetlands Restoration Program | 2503-08-58 | <u>22,680</u> |
| | | <u>22,680</u> |
| Total State Grant Expenditures | | <u>\$ 500,879</u> |

**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. The City of New Orleans drafts totaled \$3,901,612 for the year ended December 31, 2009.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - SPECIAL COMMUNITY DISASTER LOAN PROGRAM:

On October 7, 2005, the Community Disaster Loan Act of 2005, P.L. 109-88 (the Act) 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 a 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 percent and 2.93 percent with 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, 2009, funds in the amount of \$35,268,866 were drawn-down under the terms of these loans and at December 31, 2009, the City had cumulatively drawn-down \$120,000,000 on each of the promissory note amounts.

NOTE 15 - SUBSEQUENT EVENTS:

The City has evaluated subsequent events relating to the Schedule of Expenditures of Federal Awards through July 30, 2010, the date which the financial statements were available to be issued.

**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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Paul K. Andoh, Sr., CPA
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**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**

To the Honorable Members of the City Council and the
Honorable, Mayor Mitchell J. Landrieu
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, 2009, and have issued our report thereon dated July 30, 2010. 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, 2009. 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

**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**

To the Honorable Members of the City Council and the
Honorable, Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana

Internal Control Over Financial Reporting, continued

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2009-01 and 2009-02. A significant deficiency is a control deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

**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**

To the Honorable Members of the City Council and the
Honorable, Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana

Compliance and Other Matters, continued

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-03 through 2009-12

We noted certain matters that we have reported to management of the City in a separate letter dated July 30, 2010.

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

July 30, 2010

**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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**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**

To the Honorable Members of the City Council and the
Honorable, Mayor Mitchell J. Landrieu
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, 2009. 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 financial 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 of 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**

To the Honorable Members of the City Council and the
Honorable, Mayor Mitchell J. Landrieu
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, 2009. 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 2009-03 through 2009-12.

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

**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**

*To the Honorable Members of the City Council and the
Honorable, Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana*

Internal Control Over Compliance, continued

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2009-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**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**

To the Honorable Members of the City Council and the
Honorable, Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana

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

July 30, 2010

SCHEDULE I

**SUMMARY OF INDEPENDENT AUDITORS'
RESULTS**

SCHEDULE I

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

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.**

SCHEDULE I

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

10. Identification of Major Programs:

| <u>CFDA #</u> | <u>Name of Federal Program</u> |
|---------------|---|
| 10.557 | ARRA - 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 |
| 14.228 | Disaster Community Development Block Grant |
| 17.258 | ARRA - Workforce Investment Act - Adult Program |
| 17.259 | ARRA - Workforce Investment Act-Youth Activities |
| 17.260 | ARRA - Workforce Investment Act-Dislocated Worker |
| 20.106 | ARRA - Airport Improvement Program |
| 20.600 | State and Community Highway Safety |
| 93.914 | HIV Emergency Relief Project Grant-Ryan White |
| 97.030 | Special Community Disaster Loans |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |
| 97.067 | Homeland Security Grant Program |

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

SCHEDULE II

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

Audit Finding Reference Number

2009-01 Schedule of Expenditures of Federal Awards

Federal Program and Specific Federal Award Identification

All Federal Awards

Federal Award Year

December 31, 2009

Pass-Through Entity

Not Applicable

Criteria

Pursuant to the requirements of Office of Management and Budget (OMB) Circular A-133 Part III Subpart C – Auditees, Paragraph .300 – Auditee Responsibilities “The Auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.” Also

Paragraph .310(b) – Financial Statements

“The auditee shall also prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee’s financial statements.... At a minimum the schedule shall include (1) list of Federal programs by Federal agency, (2) for Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity, and (3) provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available....”

SCHEDULE II

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

Audit Finding Reference Number

2009-01 Schedule of Expenditures of Federal Awards, continued

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.

Cause

Adequate personnel resources have not been devoted to performing necessary procedures.

Questioned Costs

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

Effect

The weaknesses noted resulted in several revisions in the form of reported dollar amounts, additions and deletions of some reported programs, and corrections of errors.

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.

SCHEDULE II

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

Audit Finding Reference Number

2009-2 Lack of Timely Preparation of Financial Statements

Federal Program and Specific Federal Award Identification

All programs as listed on the Schedule of Expenditures of Federal Awards.

Federal Award Year

December 31, 2009

Pass-Through Entity

Not Applicable

Criteria

Appropriate accounting procedures should exist and operate effectively to check the-accuracy and internal integrity of accounting information in order to provide the City with the ability to prepare accurate and timely financial statements and also to facilitate timely completion of annual audits. The audited financial statements are expected to be submitted to the Legislative Auditor's office no later than six (6) months after year end.

Conditions and Perspectives

The Single Audit for the year ended December 31, 2009 was not completed until seven (7) months after year end. The City's procedures did not facilitate timely preparation and supervisory review of unaudited Schedule of Expenditures of Federal Awards (the Schedule) prepared by staff on an ongoing basis for accuracy and completeness.

SCHEDULE II

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

Audit Finding Reference Number

2009-2 Lack of Timely Preparation of Financial Statements, continued

Cause

Inadequate personnel resources contributed to lack of performing necessary procedures for timely preparation of the Schedule.

Questioned Costs

None.

Effect

Significant errors can occur in the accounting process and not detected in a timely manner. Possible violation of compliance requirements pertaining to auditee's responsibilities and maintenance of books and records in accordance with OMB Circular A-133. Federal program funding may be withheld or terminated due to noncompliance with the audit requirements.

Recommendation

The City should establish policies and procedures to ensure that financial statements are prepared and audited in a timely manner.

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

2009-03 Matching, Level of Effort, Earmarking

Federal Program and Specific Federal Award Identification

U.S. Department of Housing and Urban Development
14.239 Home Investment Partnership Program (HOME)

Federal Award Year

December 31, 2009

Pass-Through Entity

Not Applicable
Direct Award to the City

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 fund draw down during the 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, 2009 was 12.5 percent).

Conditions and Perspectives

The City has not fully documented its compliance with the HOME matching requirement of 12.5 percent (\$1,369,886) of HOME fund draw down (\$10,959,082) during the year ended December 31, 2009.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-03 Matching, Level of Effort, Earmarking, continued

Cause

A system of reporting, tracking and monitoring of subrecipient data has not been completely established

Questioned Costs

For the purposes of this finding, we have questioned cost of \$1,369,886.

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.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-04 Activities Allowed or Unallowed

Federal Program and Specific Federal Award Identification

U.S. Department of Homeland Security
97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Federal Award Year

December 31, 2009

Pass-Through Entity

State of Louisiana
Governor's Office of Homeland Security

Criteria

OMB Circular A- 133 Compliance Supplement, Part 4, Section 4-97.036-4 states the allowed activities for the Public Assistance 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 weakness in internal control as it pertains to the classification and identification of allowable Federal Emergency Management Agency (FEMA) disbursements which resulted in the following:

- For five (5) of the forty-eight (48) disbursements examined, management was unable to identify the applicable PW.
- Three (3) of the forty-eight (48) disbursements examined were coded to the incorrect PW.
- One of the forty-eight (48) disbursements examined did not have a supporting invoice available.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009- 04 Activities Allowed or Unallowed, continued

Cause

Weakness 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

The effect is to misclassify expenditures which appear to be reimbursable but should be funded by general fund.

Recommendation

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

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-05 Reporting

Federal Program and Specific Federal Award Identification

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

Federal Award Year

December 31, 2009

Pass-Through Entity

Not Applicable
Direct Award to the City

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 C04PR03 – Activity Summary Report and C04PR26 – CDBG Financial Summary.

Conditions and Perspectives

We noted unreconciled differences between amounts reported in IDIS reports versus the comparable amounts as reflected in the accounting records. Additionally, we were unable to obtain a detail of IDIS Report C04PR26 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.

Cause

The cause of this condition could not be determined.

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-05 Reporting, continued

Questioned Costs

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

Effect

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

Recommendation

We recommend that management take all necessary steps to ensure that all proper reconciliations are performed and differences identified are resolved on a timely basis. The procedures should include assigning appropriate personnel to review work performed in this area and ensure this condition is not reoccurring in future.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-06 Reporting

Federal Program and Specific Federal Award Identification

All major Federal award programs (See SCHEDULE I).

Federal Award Year

December 31, 2009

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.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-06 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.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-07 Reporting

Federal Program and Specific Federal Award Identification

U.S. Department of Housing and Urban Development
14.241 Housing Opportunities for Persons with AIDS (HOPWA)

Federal Award Year

December 31, 2009

Pass-Through Entity

Not Applicable
Direct Award to the City

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 \$351,051 between program year expenditures as reflected in the HUD-40110 and expenditures recorded in the general ledger of the City. Additionally, HOPWA expenditures as shown on the Disbursement Information System (IDIS) report (C04PR82) did not agree to the amounts contained in the HUD-40110 and the general ledger. We noted a difference of \$1,561,271 between the accounting records and IDIS.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-07 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 to the funding source and the corresponding accounting books and records with a lack of supporting documentation resulted in lack of compliance with the HOPWA reporting requirement.

Recommendation

We recommend that all financial data reported to funding source be properly reconciled and supported in a timely fashion.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-08 Reporting

Federal Program and Specific Federal Award Identification

U.S. Department of Housing and Urban Development
14.221 Urban Development Action Grant-Grantee Loans (UDAG)

Federal Award Year

December 31, 2009

Pass-Through Entity

Not Applicable
Direct Award to the City

Criteria

Pursuant to the requirements of the Office of Management and Budget (OMB) Circular A-133 Part III Subpart C – Auditees, Paragraph .300 – Auditee Responsibilities, “The Auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.”

Conditions and Perspectives

At the wrap up stage of our engagement, we discovered via auditing procedures that two grants funded by the UDAG with expenditures totaling \$1,500,000 were omitted from the Schedule of Expenditures of Federal Awards. Payments to vendors for 2009 invoices made in 2010 we not accrued for in 2009. The awards were recorded in the accounting records as expenditures of other fund rather than loans from federal government. As a result, the Federal awards expended were understated.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-08 Reporting, continued

Cause

Compensating controls which would have reconciled Federal expenditures reported on the Schedule of Expenditures for Federal Awards to Federal funds received were not performed until the condition was discovered by the auditors.

Questioned Costs

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

Effect

The City's ineffective control over the record keeping of the Federal awards affected the reporting process and timely completion of the annual audit.

Recommendation

The City should guard against this condition by implementing policies and procedures that will ensure timely review, reconciliation and accurate reporting.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-09 Real Property Acquisition/ Relocation Assistance

Federal Program and Specific Federal Award Identification

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

Federal Award Year

December 31, 2009

Pass-Through Entity

Not Applicable
Direct Award to the City

Criteria

URA requires that justifying documentation (e.g., recent court awards, estimated trail costs, valuation problems) support such administrative settlements as being reasonable, prudent, and in the public interest. This documentation must be maintained.

Conditions and Perspectives

We noted two (2) instances where the City was unable to provide supporting written justification when the purchase price for the property exceeded the amount offered (appraised) for two (2) properties purchased.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-09 Real Property Acquisition/ Relocation Assistance, continued

Cause

The client failed to secure and maintain the supporting documentation.

Questioned Costs

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

Effect

The City's failure to secure these audits results in a non-compliance with federal regulations

Recommendation

We recommend that internal control policies and procedures be strengthened regarding the securing, reviewing and maintenance of records.

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-10 Cash Management

Federal Program and Specific Federal Award Identification

U.S. Department of Labor

17.258 Workforce Investment Act – Adult Program

17.259 Workforce Investment Act – Youth Activities

17.260 Workforce Investment Act – Dislocated Worker

20.600 State and Community Highway Safety – Streets and Highways

Federal Award Year

December 31, 2009

Pass-Through Entity

State of Louisiana

Department of Labor

Department of Transportation

Criteria

OMB Circular A-133 Compliance Supplement, Part 3, states that when entities are funded on a reimbursement basis, program costs must be paid for the entity funds before reimbursement is requested from the Federal Government. 31 CFR section 205.12(b)(5) requires that the costs for which reimbursement was requested be paid prior to the date of the reimbursement request. (29 CFR Part 97.20) requires minimal time elapse between the receipt for Federal funds and the disbursement of those funds by the grantee and subgrantee.

Conditions and Perspectives

During the course of our test work, we noted weaknesses in internal control as it pertains to the process of requesting reimbursement. Cash management procedures were sporadic as the City does not consistently request cash as expenditures are incurred and does not have a pattern as to when cash will be requested. Long periods of time were noted between the City's expenditures and its request for cash.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-10 Cash 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 is not in compliance with grant cash management requirements.

Recommendation

We recommend that the City revise its cash drawdown policy to ensure that cash is requested as close as possible to disbursements and is in compliance with state requirements.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-11 Equipment and Real Property Management

Federal Program and Specific Federal Award Identification

U.S. Department of Homeland Security
97.067 Homeland Security Cluster

Federal Award Year

December 31, 2009

Pass-Through Entity

State of Louisiana
Governor's Office of Homeland Security

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, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Conditions and Perspectives

Grant personnel was unable to provide a complete listing of equipment purchased with Homeland Security Cluster funds.

The listing provided by grant personnel contained Asset ID numbers; however, assets contained no Asset ID tags. The property records did not identify the location of the equipment.

Grant personnel did not maintain an appropriate control system or written procedures to ensure assets are safeguarded properly.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-11 Equipment and Real Property Management, continued

Conditions and Perspectives, continued

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

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 is not in compliance with the requirement of the Equipment and Real Property Management of assets recordkeeping, adequate control system, or inventory requirement

Recommendation

We recommend that all assets purchased with Homeland Security Cluster are identified, properly tagged and recorded. We further recommend that written procedures be established and a master property record is created and maintained for all equipment purchased with Homeland Security Cluster funds. We also recommend that a physical inventory be taken at least once every two years and reconciled to the property records. Additionally, counts sheets and other documentary evidence of the physical inventory should be retained.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-12 Reporting

Federal Program and Specific Federal Award Identification

U.S. Department of Housing and Urban Development
14.248 Community Development Block Grant - Section 108 Loan Guarantees

Federal Award Year

December 31, 2009

Pass-Through Entity

Not applicable.
Direct Award to the City

Criteria

Community Development Block Grant – Section 108 Loan Guarantees Regulations requires the City to prepare and submit a Consolidated Annual Performance Evaluation Report.

Conditions and Perspectives

The City did not provide a Performance Evaluation Report.

SCHEDULE III

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

FEDERAL COMPLIANCE

Audit Finding Reference Number

2009-12 Reporting, continued

Cause

Weakness in policies and procedures related to the identification of applicable HUD reporting requirements.

Questioned Costs

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

Effect

The effect is to not report of the federal funding source as required by the regulations.

Recommendation

We recommended that internal control policies and procedures be strengthened to ensure the proper identification of federal reporting requirements.

**STATUS OF PRIOR YEAR AUDIT FINDINGS AND
QUESTIONED COSTS**

**CITY OF NEW ORLEANS
STATUS OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-01 Schedule of Expenditures of Federal Awards

Statement of Condition

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.

Auditors' 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.

Current Status

Unresolved. Repeated in current year.

Audit Finding Reference Number

2008-02 Eligibility

Statement of Condition

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
STATUS OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Auditors' Recommendation

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

Current Status

Resolved

Audit Finding Reference Number

2008-03 Equipment and Real Property Management

Statement of Condition

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

Auditors' 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.

Current Status

Unresolved

**CITY OF NEW ORLEANS
STATUS OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-04 Reporting

Statement of Condition

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.

Recommendation

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

Current Status

Unresolved. Repeated in current year.

Audit Finding Reference Number

2008-05 Matching, Level of Effort, Earmarking

Statement of Condition

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
STATUS OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Auditors' 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.

Current Status

Unresolved. Repeated in current year.

Audit Finding Reference Number

2008-06 Reporting

Statement of Condition

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.

Recommendation

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

Current Status

Unresolved. Repeated in current year.

**CITY OF NEW ORLEANS
STATUS OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-07 – Activities Allowed or Unallowed

Statement of Condition

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.

Auditors' Recommendation

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

Current Status

Unresolved. Repeated in current year.

**CITY OF NEW ORLEANS
STATUS OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-08 Cash Management

Statement of Condition

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.

Auditors' Recommendation

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

Current Status

Resolved.

Audit Finding Reference Number

2008-09 Reporting

Statement of Condition

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
STATUS OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

FEDERAL COMPLIANCE

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.

Current Status

Unresolved. Repeated in current year.

EXIT CONFERENCE

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

| | |
|---|--|
| Council President Arnie Fielkow | -- Chairman, Budget/Audit/BoR Committee |
| Council Vice President Jacquelyn Clarkson | -- Member, Budget/Audit/BoR Committee |
| Councilmember Stacy S. Head | -- Member, Budget/Audit/BoR Committee |
| Mr. Norman Foster | -- Director, Finance/Chief Financial Officer |
| Mr. Derrick Muse | -- Deputy Director of Finance |
| Mr. Kim Delarge | -- Comptroller |
| Mr. Charles R. Winchester | -- Deputy Director, Office of Federal and State Programs |

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

| | |
|---------------------------|-----------------------|
| Mr. Michael B. Bruno, CPA | -- Managing Partner |
| Mr. Joseph A. Akanji, CPA | -- Engagement Partner |



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' COMMENTS TO MANAGEMENT

To the Honorable Members of the City Council and the
Honorable Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana

In planning and performing our audit of the Schedule of Expenditures of Federal Awards (the Schedule) of the City of New Orleans, Louisiana (the City) as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a 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 financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or a 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 internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

During the course of our audit, we became aware of certain other matters that are opportunities for strengthening internal controls, improving operating deficiencies, and other conditions of the City. The following outlines our comments and recommendations regarding those matters:

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Honorable Members of the City Council and the
Honorable Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana
Page 2

2009 MLC-01 Urban Development Action Grants Receivable (Repeat)

The City has four (4) outstanding loan receivables aggregating to approximately \$4.25 million. These funds were from grants received by the City from the Department of Housing and Urban Development's Urban Development Action Grant Program. These grant funds were then loaned to various projects and when repayments were received from these projects these funds could then be used to finance other projects. However, we have noted minimal repayments activity from these projects thus limiting the City's ability to fund other projects.

Recommendation

We recommend that the City diligently pursue collection of these outstanding receivables to assist in funding future projects to the benefit of the City and the citizens of New Orleans.

2009-MLC-02 CDBG Section 108 Loans Receivable (Repeat)

We continue to note a shortfall between payments received from CDBG Section 108 Loan Assisted Projects and the City's debt service obligations to the U.S. Department of Housing and Urban Development (HUD). At December 31, 2009, CDBG Section 108 Loans Receivable from Section 108 Loan Assisted Projects amounted to approximately \$40.1 million while the outstanding principal balance due HUD by the City is approximately \$28.1 million.

Recommendation

We recommend that the City continue to explore its options to minimize the shortfall between payments received from Section 108 Loan Assisted Projects and the City's debt service obligations to HUD.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Honorable Members of the City Council and the
Honorable Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana
Page 3

2009-MLC-03 Workforce Investment Act Cash Draw-downs (Repeat)

We noted during the course of our audit that reimbursement draw-downs of funds are not being consistently performed on a timely basis. Our test work indicated instances where draw-downs were not executed from three (3) to six (6) months subsequent to the applicable expenditure.

Recommendation

We recommend that management review its current procedures for draw-downs as it relates to the Workforce Investment Act to ensure that draw-downs are executed on a timely basis to minimize the time elapsed between expenditure and subsequent reimbursement.

2009-MLC-04 Grant Administration (Repeat)

During the course of our audit we again observed that the City continues to experience an overall shortfall in staff in those departments who have direct responsibility for the administration and/or accounting for Federal awards. This staffing situation, in conjunction with the increase in Federal awards that assist the City in its recovery efforts, could possibly impact the City's ability to administer and account for these numerous Federal awards and grants.

Recommendation

We recommend that the City continue to assess its current staffing levels and evaluate its ability to adequately administer the various Federal programs and grants available to the City and citizens of New Orleans as budgetary constraints permit.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Honorable Members of the City Council and the
Honorable Mayor Mitchell J. Landrieu
City of New Orleans
New Orleans, Louisiana
Page 4

This letter does not affect our report dated July 30, 2010 on the Schedule of Expenditures of Federal Awards of the City of New Orleans. This letter 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

July 30, 2010

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans
For the Year Ended December 31, 2009

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 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): 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

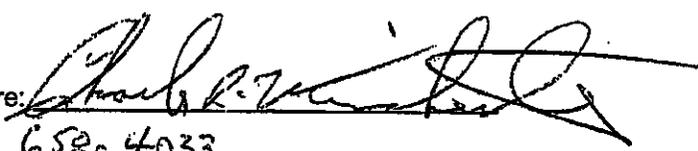
Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected 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):

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: 

Phone Number: 658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans
For the Year Ended December 31, 2009

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

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 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

Phone Number:

650-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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 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 has hired an accounting firm with FEMA accounting experience to manage FEMA fund accounting. The firm's expertise has helped the City to strengthen the internal control policies and procedures to ensure the proper identification and classification of FEMA grants eligible expenditures.

Preparer's Signature:

Phone Number: 658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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:

658-7073

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans
For the Year Ended December 31, 2009

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

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 | <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):

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:

Phone Number: 658-4533

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans
For the Year Ended December 31, 2009

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 | <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 implemented internal control procedures to
monitor departmental programmatic activities.

Preparer's Signature:

Phone Number: 658-4033

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Grant Administration

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

Initial Year of Comment: 2005

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 1

CFDA Numbers and Program Name(s): All programs

Federal Grantor Agency(ies): All funding sources

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 City of New Orleans is rehiring staff as needed.

Preparer's Signature: 

Phone Number: 658-4333

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Federal Awards Inventory

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

Initial Year of Comment: 2005

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 2

CFDA Numbers and Program Name(s): All Federal Programs

Federal Grantor Agency(ies): All Federal Agencies

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 City of New Orleans continues to review its procedures for the accumulation of data related to expenditures of federal awards to ensure the expenditures are properly identified and classified in the schedule of expenditures in accordance with regulations.

Preparer's Signature:

Phone Number:

658-4072

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Report Submission

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

Initial Year of Comment: 2005

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 3

CFDA Numbers and Program Name(s): All Federal Programs

Federal Grantor Agency(ies): All Federal Agencies

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 City of New Orleans completed the audit and submitted it to State
Legislative Auditor's office.

Preparer's Signature:

Phone Number:

658-4023

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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
(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:

Phone Number: 658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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

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):

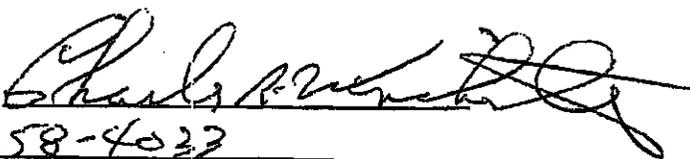
Fully Corrected
Partially Corrected _____
Change of Corrective Action _____

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:



Phone Number:

658-4032

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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):

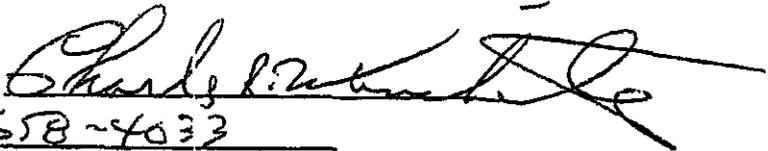
Fully Corrected
Partially Corrected
Change of Corrective Action

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:



Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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

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

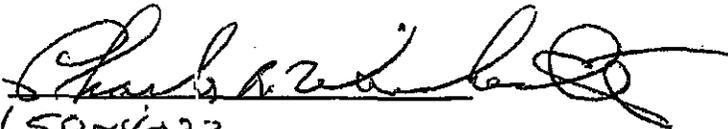
Status of Finding (check one):

Fully Corrected _____
Partially Corrected
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: 

Phone Number: 658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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.

Preparer's Signature:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

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):

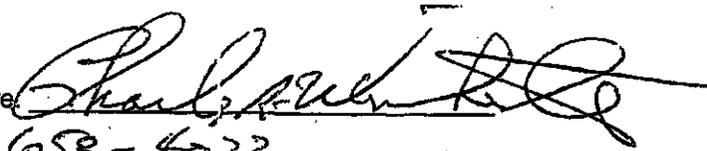
| | | | |
|-----------------------------|-------------------------------------|-----------------------------------|-------|
| Fully Corrected | <input checked="" type="checkbox"/> | Not Corrected | _____ |
| Partially Corrected | _____ | No Further Action Needed | _____ |
| Change of Corrective Action | _____ | (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 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



Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Grant Administration

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

Initial Year of Comment: 2005

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 1

CFDA Numbers and Program Name(s): All programs

Federal Grantor Agency(ies): All funding sources

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 City of New Orleans is rehiring staff as needed.

Preparer's Signature:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Federal Awards Inventory

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

Initial Year of Comment: 2005

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 1

CFDA Numbers and Program Name(s): All Federal Programs

Federal Grantor Agency(ies): All Federal Agencies

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 City of New Orleans continues to review its procedures for the
accumulation of data related to expenditures of federal awards to ensure the expenditures
are properly identified and classified in the schedule of expenditures in accordance with
regulations.

Preparer's Signature:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

Finding Title: Schedule of Expenditures of Federal Awards

Reference Number(s): 2008-01
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2008

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): All Federal Programs

Federal Grantor Agency(ies): All Federal Agencies

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 City of New Orleans has strengthen the internal controls for the
Schedule of Expenditures of Federal Awards to ensure the accurate and timely preparation of
Schedule.

Preparer's Signature:



Phone Number:

658-4073

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

Finding Title: Eligibility

Reference Number(s): 2008-02

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

Initial Year of Finding: 2008

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): 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

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 established procedures to require retention of documentation provided by applicant utilized in determining applicant eligibility.

Preparer's Signature:

Phone Number:

658-4237

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

Finding Title: Equipment and Real Property Management

Reference Number(s): 2008-03
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2008

Amount of Questioned Costs in Finding:

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): 31

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 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 Management of the City of New Orleans completed the physical inventories in May 2009.

Preparer's Signature:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

Finding Title: Reporting

Reference Number(s): 2008-04
(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

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 City of New Orleans 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:



Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

Finding Title: Matching, Level of Effort, Earmarking

Reference Number(s): 2008-05
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2007

Amount of Questioned Costs In Finding: \$ 358,231

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

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

The Office of Community Development is currently compiling the information to document the match.

Preparer's Signature:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

Finding Title: Reporting

Reference Number(s): 2008-06
(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): 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):

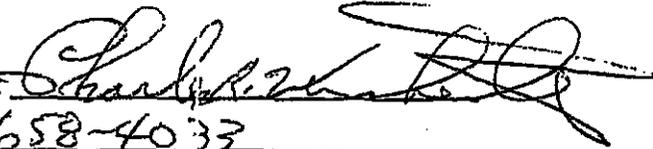
Fully Corrected _____
Partially Corrected
Change of Corrective Action _____

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 City of New Orleans is still working toward reconciling the HUD Form 40110-Annual Progress Report to the applicable accounting record.

Preparer's Signature:



Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

Finding Title: Activities Allowed or Unallowed

Reference Number(s): 2008-07
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2008

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): 39

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
(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 steps to correct the situation..

Preparer's Signature: Charles...
Phone Number: 658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

Finding Title: Cash Management

Reference Number(s): 2008-08
(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?
Not Applicable

Page Number (from Single Audit Report): 41

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 _____
{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: *Charles P. ...*
Phone Number: 658-4033

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2009

Finding Title: Reporting

Reference Number(s): 2008-09
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2008

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): 43

CFDA Numbers and Program Name(s): All Federal Programs

Federal Grantor Agency(ies): All Federal Agencies

Status of Finding (check one):

Fully Corrected _____ Not Corrected _____
Partially Corrected X 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 strengthen the internal controls for the
Schedule of Expenditures of Federal Awards to ensure the accurate and timely preparation of
Schedule.

Preparer's Signature:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Urban Development Grant Receivable

Reference Number(s): MLC-2008-01
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2008

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 1

CFDA Numbers and Program Name(s): 14.221 – Urban Development Action 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 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 City of New Orleans will continue to pursue collection of these
outstanding receivables to assist in funding future projects to the benefit of the City and the
citizens of New Orleans.

Preparer's Signature:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Sub-recipient Monitoring

Reference Number(s): MLC-2008-02
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2008

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 2

CFDA Numbers and Program Name(s): All Federal Programs
Federal Grantor Agency(ies): All Federal Agencies

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 a process in place to ensure that sub-
recipients comply with A-133 requirements.

Preparer's Signature:

Phone Number: 658-4033

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Section 108 Loans Receivables

Reference Number(s): MLC-2008-03
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2008

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 2

CFDA Numbers and Program Name(s): 14.248 - CDBG / Section 108 Loans

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

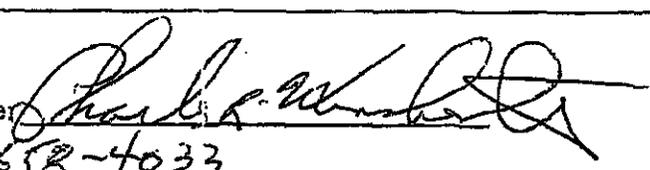
Status of Finding (check one):

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 City of New Orleans will continue to explore its options to minimize the shortfall between payments received from Section 108 Loans Assisted Projects and the City's debt service obligations to HUD.

Preparer's Signature: 

Phone Number: 652-4033

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Workforce investment: Act Cash Draw-downs

Reference Number(s): MLC-2008-04
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2008

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 3

CFDA Numbers and Program Name(s): 17.258-260 – Workforce Investment

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

Status of Finding (check one):

Fully Corrected

Partially Corrected _____

Change of Corrective Action _____

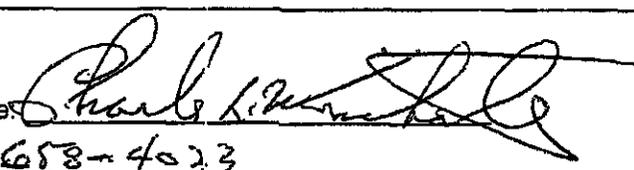
Not Corrected _____

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):

The Management of the City of New Orleans is ensuring that draw-downs as it relates to the Workforce Investment Act programs are executed at least once weekly.

Preparer's Signature: 

Phone Number: 658-4033

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Grant Administration

Reference Number(s): MLC-2008-05
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2005

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 1

CFDA Numbers and Program Name(s): All programs

Federal Grantor Agency(ies): All funding sources

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 City of New Orleans re-established its contracts with the CPA firms for agreed-upon procedures to assist in fulfilling the City's Subrecipient monitoring responsibilities.

Preparer's Signature:

Phone Number:

658-4033

SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER COMMENTS

City of New Orleans

For the Year Ended December 31, 2009

Comment Title: Grant Administration

Reference Number(s): MLC-2008-06
(from attached schedule of findings, may include more than one)

Initial Year of Comment: 2005

Amount of Questioned Costs in Comment: \$ -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 Management Letter): 1

CFDA Numbers and Program Name(s): All programs

Federal Grantor Agency(ies): All funding sources

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 City of New Orleans is rehiring staff as needed.

Preparer's Signature:

Phone Number: 658-4033

**CITY OF NEW ORLEANS
CORRECTIVE ACTION PLAN - AUDIT FINDINGS
DECEMBER 31, 2009**

| AUDIT FINDINGS | PROPOSED CORRECTIVE ACTION | ANTICIPATED COMPLETION DATE | CONTACT PERSON | FEDERAL/ PASS THROUGH AGENCY CONTACTED |
|---|---|---------------------------------|--|--|
| <p>2009-01 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 seek needed staff and 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, 2010</p> | <p>Norman Foster Chief Financial Officer</p> | <p>All Federal Awards</p> |
| <p>2009-02 Reporting</p> <p>The Independent Auditors noted that the City of New Orleans did not comply with the requirement to submit the data collection form and the single audit reporting package within the prescribed time frame.</p> | <p>In the future, the Management of the City of New Orleans will follow established procedures to ensure compliance with OMB Circular A-133.</p> | <p>No further action needed</p> | <p>Norman Foster Chief Financial Officer</p> | <p>All Federal Awards</p> |
| <p>2009-03 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 (\$1,369,386) of HOME funds drawn down (\$10,959,082) during the year ended December 31, 2009.</p> | <p>The Management of the City of New Orleans is in the process of reviewing files to document and maintain the required match.</p> | <p>Feb. 28, 2011</p> | <p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p> | <p>HUD</p> |
| <p>2009-04 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) Governor's Office pass-through funds.</p> | <p>The Management of the City of New Orleans will seek needed staff and strengthen the internal control policies and procedures to ensure the proper identification and classification of FEMA grant eligible expenditures.</p> | <p>Dec. 31, 2010</p> | <p>Norman Foster Chief Financial Officer</p> | <p>FEMA</p> |

| AUDIT FINDINGS | PROPOSED CORRECTIVE ACTION | ANTICIPATED COMPLETION DATE | CONTACT PERSON | FEDERAL/ PASS THROUGH AGENCY CONTACTED |
|--|--|-----------------------------|--|--|
| <p>2009-05 Reporting</p> <p>The Independent Auditors noted un-reconciled differences between amounts reported in IDIS reports versus the comparable amounts as reflected in the accounting records. Additionally, the Independent Auditors were unable to obtain a detail of IDIS Report CO4PR26 Line 27=Amounts disbursed in IDIS for Public Services and Line 37=Amounts disbursed for Planning and Administration in sufficient detail to permit Testing.</p> | <p>The Management of the City of New Orleans will seek needed staff to 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>Mar. 30, 2011</p> | <p>Norman Foster Chief Financial Officer</p> | <p>HUD</p> |
| <p>2009-06 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 seek needed staff and 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, 2010</p> | <p>Norman Foster Chief Financial Officer</p> | <p>All Federal Awards</p> |
| <p>2009- 07 Reporting</p> <p>The Independent Auditors noted a difference of approximately \$351, 051 between program year expenditures as reflected in the HUD-40110 and expenditures in the HUD-40110 and expenditures in the general ledger of the City. Additionally, HOPWA expenditures per the IDIS report CO4PR82 did not agree to the amounts contained in neither the HUD-40110 nor the general ledger. The Independent Auditors noted a difference of \$1,561,271 between the accounting records and IDIS.</p> | <p>The Management of the City of New Orleans will reconcile all financial data reported in HUD-40110 to the applicable accounting books and records and IDIS reports.</p> | <p>Feb. 28, 2011</p> | <p>Norman Foster Chief Financial Officer</p> | <p>HUD</p> |

| AUDIT FINDINGS | PROPOSED CORRECTIVE ACTION | ANTICIPATED COMPLETION DATE | CONTACT PERSON | FEDERAL PASS THROUGH AGENCY CONTACTED |
|--|---|-----------------------------|--|---------------------------------------|
| <p>2009- 08 Reporting</p> <p>At the wrap up stage of the engagement, the Independent Auditors noted that two grants funded by UDAG with expenditures totaling \$750,000 were omitted from the accounting records as grant funding for a capital project, rather than subrecipients loans. As a result, the Federal awards expended were understated.</p> | <p>The Management of the City of New Orleans will guard against this condition by implementing policies and procedures that will ensure timely review, reconciliation and accurate reporting.</p> | <p>Nov. 30, 2010</p> | <p>Norman Foster Chief Financial Officer</p> | <p>HUD</p> |
| <p>2009-09 Real Property Acquisition/Relocation Assistance</p> <p>The Independent Auditors noted two (2) instances where the City was unable to provide supported written justification when the purchase price for the property exceeded the amount offered (appraised) for 1137 Esplanade Ave. and 1712 Oretha Castle Haley.</p> | <p>The Management of the City of New Orleans will strengthen the internal control policies and procedures regarding securing, reviewing and maintenance of records.</p> | <p>Nov. 30, 2010</p> | <p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p> | <p>HUD</p> |
| <p>2009-10 Cash Management</p> <p>The Independent Auditors noted that in the course of comparing the draw-down dates of selected transactions to their respective payment dates, it was determined that seven (7) of twenty-one (21) had been paid in advance of the request for reimbursement.</p> | <p>The Management of the City of New Orleans will review the drawdown process and adjust as needed to ensure that cash is requested as close as possible to disbursements and is in compliance with Federal and State requirements.</p> | <p>Dec. 31, 2010</p> | <p>Norman Foster Chief Financial Officer</p> | <p>DOL</p> |
| <p>2009-11 Reporting</p> <p>The Independent Auditors noted that the Management of the City of New Orleans did not provide a required Performance Evaluation Report.</p> | <p>The Management of the City of New Orleans will strengthen internal control policies and procedures to ensure the proper identification of Federal reporting requirements.</p> | <p>Nov. 30, 2010</p> | <p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p> | <p></p> |

| AUDIT FINDINGS | PROPOSED CORRECTIVE ACTION | ANTICIPATED COMPLETION DATE | CONTACT PERSON | FEDERAL/ PASS THROUGH AGENCY CONTACTED |
|--|--|-----------------------------|---|--|
| <p>2009- 12 Equipment and Real Property Management</p> <p>The Independent Auditors noted that the Management of the City of New Orleans was unable to provide a complete listing of equipment purchased with Homeland Security Cluster funds. The Independent Auditors also noted that an appropriate control system was not maintained.</p> | <p>The Management of the City of New Orleans will assure that all assets purchased with Homeland Security Cluster funds will be in compliance with the requirement of the Equipment and Real Property Management of assets recordkeeping, adequate control system and inventory requirement.</p> | <p>Jan. 31, 2011</p> | <p>Lt. Col. Jerry Sneed Deputy Mayor of Public safety</p> | <p>FEMA</p> |

CITY OF ORLEANS
CORRECTIVE ACTION PLAN-INDEPENDENT AUDITOR'S COMMENTS TO MANAGEMENT
DECEMBER 31, 2009

| MANAGEMENT COMMENTS | PROPOSED CORRECTIVE ACTION | ANTICIPATED COMPLETION DATE | CONTACT PERSON | FEDERAL/ PASS THROUGH AGENCY CONTACT |
|---|---|---------------------------------|--|--------------------------------------|
| <p>2009-MLC-01 Urban Development Grant Receivable</p> <p>The Independent Auditors noted minimal repayments activity from the Urban Development Action Grant outstanding loan receivables.</p> | <p>The Management of the City of New Orleans will continue to pursue collection of these outstanding receivables to assist in funding future projects to the benefit of the City and the citizens of New Orleans.</p> | <p>No further action needed</p> | <p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p> | <p>HUD</p> |
| <p>2009-MLC-02 Section 108 Loans Receivables</p> <p>The Independent Auditors noted a shortfall between payments received from CDBG Section 108 Loan Assisted Projects and the City's debt service obligations to the U.S. Department of Housing and Urban Development.</p> | <p>The Management of the City of New Orleans will continue to explore its options to minimize the shortfall between payments received from Section 108 Loan Assisted Projects and the City's debt service obligations to HUD.</p> | <p>No further action needed</p> | <p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p> | <p>HUD</p> |

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|---|---|---|---|--|
| <p>2009-MLC-03 Workforce Investment Act Cash Draw-downs</p> <p>The Independent Auditor noted that reimbursement draw-downs of funds are not being consistently performed on a timely basis.</p> | <p>The Management of the City of New Orleans is reviewing its current procedures for draw-downs as it relates to the Workforce Investment Act to ensure that draw-downs are executed on a timely basis to minimize the time elapsed between expenditure and subsequent reimbursement.</p> | <p>Sept. 30, 2010</p> | <p>Norman Foster Chief Financial Officer</p> | <p>WIA</p> |
| <p>MANAGEMENT COMMENTS</p> | <p>PROPOSED CORRECTIVE ACTION</p> | <p>ANTICIPATED COMPLETION DATE</p> | <p>CONTACT PERSON</p> | <p>FEDERAL/ PASS THROUGH AGENCY CONTACT</p> |
| <p>2009-MLC-04-Grant Administration</p> <p>The Independent Auditors noted that the City continues to experience an overall shortfall in staffing those departments who have direct responsibility for the administration of federal grants. This staffing situation, in conjunction with the increase in Federal awards to assist the City in its recovery efforts, could possibly impact the City's ability to administer and account for these numerous Federal awards and grants.</p> | <p>The Management of the City of New Orleans is constantly assessing its current staffing levels and rehiring staff as needed.</p> | <p>No further action needed</p> | <p>Andy Kopplin First Deputy Mayor and Chief Administrative Officer</p> | <p>All Federal Grants</p> |