

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1996

NOTE E - PARTICIPATION IN FOOD STAMP PROGRAM:

During the year ended December 31, 1996, the City of New Orleans participated in the Food Stamp Program administered by the State of Louisiana Department of Family Security. Under this program, Food Stamp coupons are given to the City of New Orleans for distribution to eligible individuals for the purpose of improving the diet of the low-income by increasing their food purchasing ability.

During 1996 the City of New Orleans had the following Food Stamp coupon activity:

Value of coupons on hand at January 1, 1996	\$ 33,165,918
Coupons received from State during year	132,283,282
Total coupons on hand	165,449,200
Less:	
Coupons issued	(129,957,397)
Coupons cancelled	(2,163)
Coupons transferred	-(1,919,022)
Total coupons issued, cancelled and transferred	(132,078,582)
Value of coupons on hand at December 31, 1996	\$ 33,370,618

Issues (activity) of the Food Stamp Program are recorded in the Schedule of Federal Financial Assistance at the dollar value of the food stamp coupons when the coupons are issued to food stamp recipients.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1996

NOTE 9 - CONTINGENCY:

The City of New Orleans is a recipient of numerous grants and awards of Federal and state funds. These grants and awards are governed by various Federal and State guidelines, regulations, and contractual agreements.

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

The audit of the federal financial assistance programs of the City of New Orleans for the year ended December 31, 1996 disclosed instances of non-compliance with regard to the failure of the city to properly monitor the Department of Health and Human Services, Department of Housing and Urban Development and the Department of Labor grant recipients that may be material to the Schedule of Federal Financial Assistance, but for which the ultimate resolution cannot presently be determined.

NOTE 10 - MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS:

The City of New Orleans' major federal financial assistance programs for the year ended December 31, 1996, were determined based upon program activity. The City's major federal financial assistance programs for the year ended December 31, 1996, were all federally assisted programs for which program activity was equal to or greater than \$2,034,937 during the year ended December 31, 1996, and all federally assisted loan programs for which the federal government's risk in the outstanding loan balances as of December 31, 1996 was equal to or greater than \$2,034,937. For purposes of the computation of major programs, the food stamp coupon issuance amount and related administrative costs totaling \$128,852,264 is excluded, although the Food Stamp Program is considered a major program for purposes of specific compliance testing.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF
THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the
City Council and the
Honorable Marc M. Morial, Mayor
City of New Orleans, Louisiana

We have audited the Schedule of Federal Financial Assistance of the City of New Orleans, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated June 5, 1997. The general purpose financial statements were audited by other auditors whose report has been provided to us. As discussed in Notes 4, 5 and 9, the City of New Orleans has been requested by federal agencies to remit funds for ineligible and disallowed costs, and has failed to comply with certain contractual and programmatic requirements with regard to its federal financial assistance programs during the year ended December 31, 1996 and in previous years.

We have conducted our audit in accordance with generally accepted auditing standards and 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 Schedule of Federal Financial Assistance is free of material misstatement.

The management of the City of New Orleans is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimation and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets

**INDEPENDENT AUDITORS' REPORT ON
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(CONTINUED)

To the Members of the
City Council and the
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City of New Orleans, Louisiana

are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Schedule of Federal Financial Assistance in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Schedule of Federal Financial Assistance of the City of New Orleans, Louisiana for the year ended December 31, 1990, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule of Federal Financial Assistance and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion. Other auditors issued a report in which they reported separately on the results of their study and evaluation of the city of New Orleans' internal control structure, as a part of their audit of the general purpose financial statements.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF
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(CONTINUED)

To the Members of the
City Council and the
Honorable Marc H. Morial, Mayor
City of New Orleans, Louisiana

judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Schedule of Federal Financial Assistance. These conditions are described in the Schedule of Reportable Conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the Schedule of Federal Financial Assistance being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

However, we believe that the reportable conditions entitled Monitoring and Prompt Payment System and Monitoring of Subrecipients are material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the Schedule of Federal Financial Assistance of the City of New Orleans, Louisiana for the year ended December 31, 1996.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF
THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

To the Members of the
City Council and the
Honorable Marc H. Morial, Mayor
City of New Orleans, Louisiana

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the City of New Orleans in a separate letter dated June 6, 1997.

This report is intended for the information of the audit committee, management, the cognizant audit agency and other interested parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon
BRUND & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 6, 1997

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE USED IN
ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Members of the
City Council and the
Honorable Marc E. Morial, Mayor
City of New Orleans, Louisiana

We have audited the Schedule of Federal Financial Assistance of the City of New Orleans, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated June 4, 1997. The general purpose financial statements were audited by other auditors whose report has been provided to us. As discussed in Notes 4, 5 and 9, the City of New Orleans has been requested by federal agencies to remit funds for ineligible and disallowed costs, and has failed to comply with certain contractual and programmatic requirements with regard to its federal financial assistance programs during the year ended December 31, 1996 and in previous years.

We have also audited the City of New Orleans' compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated June 6, 1997.

We conducted our audits in accordance with generally accepted auditing standards: Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. These standards and the provisions of OMB Circular A-

**INDEPENDENT AUDITORS' REPORT ON
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(CONTINUED)**

To the Members of the
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ISA require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Federal Financial Assistance is free of material misstatement and about whether the City of New Orleans complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended December 31, 1996, we considered the City's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the schedule of Federal Financial Assistance and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the Schedule of Federal Financial Assistance in a separate report dated June 6, 1997.

The management of the City of New Orleans is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Schedule of Federal Financial Assistance in accordance with generally accepted accounting principles, and that Federal

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE USED IN
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(CONTINUED)**

To the Members of the
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Honorable Marc N. Morial, Mayor
City of New Orleans, Louisiana

financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Controls

- o Cash Receipts
- o Cash Disbursements
- o Payroll
- o Property Management

General Requirements

- o Political Activity
- o Davis-Bacon Act
- o Civil Rights
- o Cash Management
- o Federal Financial Reporting
- o Relocation Assistance and Real Property Acquisition
- o Allowable Costs/Cost Principles
- o Drug-Free Workplace Act
- o Administrative Requirements

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE USED IN
ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS
(CONTINUED)**

To the Members of the
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Specific Requirements

- o Types of Services Allowed or Unallowed
- o Eligibility
- o Matching Level of Effort and/or Reimbursement Requirements
- o Special Reporting Requirements
- o Cost Allowation
- o Monitoring of Subrecipients
- o Claims for Advances and Reimbursements
- o Accounts Claimed or Used for Matching
- o Special Tests and Provisions as Applicable

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1998, the city of New Orleans expended 84 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-118, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and accounts claimed or used for matching that are applicable to each of the city's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE USED IN
ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS
(CONTINUED)**

To the Members of the
City Council and the
Honorable Mark N. Morial, Mayor
City of New Orleans, Louisiana

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

The Reportable Conditions noted are described in the accompanying Schedule of Reportable Conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

However, we believe that the reportable conditions entitled Monitoring and Prompt Payment System and Monitoring of subrecipients which involve the internal control structure and its operation are material weaknesses as defined above. These conditions were considered in determining the nature, timing and extent of the procedures to be performed in our audit of the city's compliance with requirements applicable to its major federal financial assistance programs for the year ended December 31, 1996, and this report does not affect our report thereon dated June 6, 1997.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE USED IN
ADMINISTERING FEDERAL ASSISTANCE PROGRAMS
(CONTINUED)

To the Members of the
City Council and the
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We also noted other matters involving the internal control structure and its operation that we have reported to the management of the City of New Orleans in a separate letter dated June 4, 1997.

This report is intended for the information of the audit committee, management, the cognizant audit agency, and other interested parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 6, 1997

SCHEDULE OF REPORTABLE CONDITIONS

CITY OF NEW ORLEANS
SCHEDULE OF REPORTABLE CONDITIONS

1. MONITORING AND PROMPT PAYMENT SYSTEM (MOPPS)

We noted during our audit that management of the City of New Orleans had implemented a Monitoring and Prompt Payment System (MOPPS). An essential aspect of MOPPS is the subsequent monitoring on a timely basis of sub-recipients who have received payments based upon budgets. Previously, sub-recipient payment requests were required to have been reviewed and approved by program/fiscal monitors prior to disbursement.

As subsequently described in the Reportable Condition titled monitoring of sub-recipients, we noted that certain sub-recipients were not monitored on a timely basis, while others were not monitored at all. As such, a material internal control weakness does exist when sub-recipients are disbursed funds without an initial review and is further aggravated if a fiscal and programmatic review of the sub-recipient is not made within a timely period.

We recommend that management take immediate steps to ensure that an effective internal control structure exist with regard to MOPPS.

2. MONITORING OF SUB-RECIPIENTS

We noted during our audit that an effective programmatic and fiscal monitoring system had not been implemented for the Department of Health and Human Services, Job Training Partnership Act, and Home Investment Federal programs. Additionally, we noted that for the Community Development Block Grant program certain sub-recipients were not monitored, while others were not monitored on a monthly/timely basis.

Also, we noted that management of the City of New Orleans had not adhered to established procedures to ensure that pertinent sub-recipients have audits in accordance with federal requirements (See the Schedule of Findings, Non-Compliance and Questioned Costs.)

We recommend that management of the city of New Orleans adhere to established control procedures with regard to the monitoring of sub-recipients.

CITY OF NEW ORLEANS
SCHEDULE OF REPORTABLE CONDITIONS
(CONTINUED)

3. ADMINISTRATION OF HOME PROGRAM

The City of New Orleans' Department of Housing and Neighborhood Development was the recipient of a grant from the Home Housing Assistance Program. In an effort to reduce the turn around time in paying the program's contractors, the city contracted with an outside service bureau and a local quasi-public agency to act as disbursing agents for these grants. As a result of this arrangement all receipts and disbursements were made through the disbursing agents.

We noted during our audit that the City of New Orleans had not developed policies and procedures to periodically evaluate the disbursing agents (U.S. Bancor and New Orleans Home Mortgage Authority); internal control structure's policies and procedures and the related capabilities, including the disbursing agents' records of performance, insurance coverage and financial stability.

We recommend that management of the City of New Orleans take immediate steps to develop the noted policies and procedures.

4. PROPER RECORDING OF ALL FEDERAL GRANTS WITHIN THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

We noted during our audit that the City of New Orleans Department of Housing and Neighborhood Development failed to report the financial activity of the Home program to the Accounting Department of the City of New Orleans.

We recommend that the management of the City of New Orleans take immediate steps to develop policies and procedures to ensure all grant activities are recorded in the City of New Orleans' financial records.

ANALYSIS OF REVENUES BY SOURCE AND EXPENSES BY TYPE - PENSION PLANS
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

(c) Employer's Plan

Revenues by source:

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Employer's Contribution as a Percentage of Covered Payroll
1987	\$2,348	\$ 8,646	\$ 9,840	\$ -	\$18,732	31.3
1988	2,381	8,929	11,328	-	22,538	34.4
1989	2,280	8,079	9,896	-	21,118	33.4
1990	2,456	8,946	6,178	-	17,582	34.1
1991	2,613	8,968	15,127	-	24,708	33.3
1992	2,768	8,258	12,777	-	24,804	33.3
1993	2,728	8,274	20,253	-	31,255	34.0
1994	2,648	8,279	10,211	-	21,138	33.8
1995	2,821	18,620	10,851	304	34,706	33.3
1996	2,761	8,899	10,993	298	33,951	34.8

Expenses by type:

Fiscal Year	Benefits	Refunds	Other	Total
1987	\$10,384	\$ 1,784	\$ -	\$12,168
1988	11,126	1,343	-	12,473
1989	11,839	896	-	12,731
1990	12,381	558	-	13,340
1991	13,162	883	3	14,052
1992	12,683	713	889	14,289
1993	12,863	1,018	1,153	15,036
1994	12,927	1,666	1,389	15,982
1995	13,244	1,343	1,986	16,471
1996	13,762	767	2,994	17,523

Contributions were made in accordance with actuarially determined contribution requirements.

(Continued)

**ANALYSIS OF REVENUES BY SOURCE AND EXPENSES BY TYPE - PENSION PLANS
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)**

(b) **New Fire Plan****Revenues by source:**

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Employer's Contribution as a Percentage of Covered Payroll
1987	\$1,120	\$2,590	\$6,759	\$ -	\$10,469	13.3
1988	893	1,642	3,720	-	6,255	18.1
1989	1,004	2,180	5,214	-	8,398	13.9
1990	940	2,345	5,899	-	9,184	13.8
1991	1,001	2,625	6,048	-	11,674	14.1
1992	890	2,621	7,180	-	11,491	14.5
1993	880	2,940	6,376	-	9,196	14.1
1994	1,013	3,060	4,829	-	8,902	14.7
1995	880	2,423	5,921	-	9,224	16.9
1996	968	3,156	17,189	133	31,446	14.5

Expenses by type:

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
1987	\$ 856	\$ -	\$ 204	\$ 1,060
1988	1,088	-	109	1,197
1989	1,323	-	54	1,377
1990	1,356	461	1	2,218
1991	2,244	523	76	2,743
1992	2,329	874	155	3,358
1993	2,554	762	142	3,458
1994	2,842	781	68	3,691
1995	3,278	684	13	3,975
1996	3,742	180	141	3,963

Contributions were made in accordance with actuarially determined contribution requirements.

(Continued)

**ANALYSIS OF REVENUES BY SOURCE AND EXPENSES BY TYPE - PENSION PLANS
 LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)**
(a) Old Fire Plan**Revenues by source:**

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Employer's Contribution as a Percentage of Covered Payroll
1987	\$328	\$ 8,493	\$653	\$834	\$10,188	328.5
1988	3	5,468	344	515	6,380	313.1
1989	-	11,951	314	447	12,702	295.1
1990	-	15,000	373	768	15,971	362.2
1991	-	15,183	313	739	14,085	398.5
1992	-	12,473	328	748	13,349	413.2
1993	-	19,629	83	869	14,532	475.8
1994	-	14,124	83	768	14,935	358.7
1995	-	13,923	378	843	14,955	353.8
1996	-	16,383	364	837	17,384	394.4

Expenses by type:

Fiscal Year	Benefits	Administrative Expenses	Refunds	Other	Total
1987	\$18,384	\$ 189	\$ 2	\$ -	\$ 18,565
1988	12,923	182	-	-	13,105
1989	12,189	174	-	-	12,364
1990	12,739	223	-	-	12,963
1991	12,936	288	-	-	13,225
1992	12,363	328	-	-	12,691
1993	12,696	343	-	-	13,041
1994	12,839	328	-	-	13,179
1995	14,423	382	-	-	14,806
1996	15,897	368	41	133	16,399

Contributions were made in amounts necessary to pay current expenses.

(Continued)

**ANALYSIS OF FUNDING PROGRESS -- PENSION PLANS
 LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)**

(a) Municipal and State Police Employees' Retirement System

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1) + (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) + (5)
1987	\$ 415,748	\$ 662,368	60.4	\$ 246,620	\$ 70,048	35.2
1988	452,241	588,693	76.4	136,452	56,657	24.1
1989	482,828	451,166	107.2	(38,338)	81,999	(46.4)
1990	521,228	487,141	107.0	(66,913)	86,170	(77.8)
1991	586,800	555,489	105.5	(78,689)	84,498	(93.1)
1992	627,848	596,173	105.3	(68,325)	86,853	(78.8)
1993	682,970	644,823	105.9	(61,853)	97,988	(63.1)
1994	729,662	689,788	105.9	(60,126)	96,185	(62.5)
1995	755,463	736,847	102.7	(81,384)	100,455	(80.9)
1996	809,234	812,039	100.0	(2,805)	104,741	(2.7)

(b) Police Plan

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1) + (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) + (5)
1987	962	12,521	6.2	11,559	4,322	268.6
1988	960	18,697	9.5	17,737	4,150	427.8
1989	1,298	8,881	14.5	7,583	4,208	180.2
1990	1,582	5,684	27.8	4,102	3,788	108.3
1991	1,879	3,215	58.5	1,336	3,264	40.9
1992	1,888	4,462	42.3	2,574	39	6600.9
1993	2,842	3,841	74.0	1,000	N/A	N/A
1994	1,573	3,039	51.8	1,466	N/A	N/A
1995	1,818	2,574	70.7	756	N/A	N/A
1996	1,610	1,862	86.0	252	N/A	N/A

*As of 6/30

(Continued)

ANALYSIS OF FUNDING PROGRESS -- PENSION PLANS
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

(b) New Fire Plan

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)
1987	\$ 58,182	\$ 52,453	110.9	\$ (5,739)	\$15,636	(34.4)
1988	62,318	64,972	97.3	2,654	16,331	16.1
1989	76,333	69,769	108.5	(668)	17,385	(2.1)
1990	77,601	76,758	101.1	(843)	17,976	(4.7)
1991	86,552	85,423	100.2	(131)	18,539	(0.7)
1992	94,636	94,703	99.7	65	19,919	0.3
1993	107,440	99,907	107.5	(7,533)	20,666	(36.1)
1994	113,304	107,517	105.8	(5,213)	20,840	(25.0)
1995	117,619	117,646	99.9	26	22,230	1.0
1996	151,980	143,303	106.1	(8,677)	22,254	(39.4)

(c) Employees' Plan

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)
1987	\$129,387	\$173,883	74.6	\$ 44,496	\$58,715	75.9
1988	140,852	149,643	93.6	9,791	62,064	15.5
1989	148,628	159,310	93.3	10,671	58,074	18.1
1990	152,897	164,181	93.2	11,284	62,286	17.7
1991	163,699	168,476	97.2	4,786	68,206	7.0
1992	174,343	174,852	99.7	511	76,163	0.7
1993	194,704	180,044	108.1	(14,658)	65,578	(22.3)
1994	203,222	185,686	109.4	(19,443)	66,919	(29.0)
1995	205,783	185,168	103.4	(20,615)	68,492	(30.0)
1996	278,448	247,502	112.5	(30,944)	76,480	(40.3)

*All vest.

(Continued)

ANALYSIS OF FUNDING PROGRESS -- PENSION PLANS
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

Analysis of the dollar amounts of net assets for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the pension plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the City's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the pension plan.

(a) OM Fire Plan

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)
1987	\$ 4,187	\$ 141,844	4.6	\$ 137,657	34,614	3973.08
1988	781	148,279	0.5	147,498	4,823	3059.08
1989	989	151,678	0.6	150,689	4,849	3109.68
1990	1,928	152,545	1.3	150,617	3,999	4187.30
1991	2,686	153,158	1.7	150,472	3,295	4568.38
1992	2,297	155,159	1.5	152,862	3,819	3983.30
1993	2,427	155,188	1.6	152,761	2,864	5336.33
1994	3,627	154,983	2.3	151,356	2,617	5783.40
1995	2,519	164,000	1.5	161,481	2,588	6234.80
1996	3,428	164,986	2.1	161,558	558	2895.80

*At cost

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

TABLE 11

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 1994 (UNAUDITED, AMOUNTS IN THOUSANDS)

	Bonded Debt	Percentage Overlapping	Overlapping Debt
City of New Orleans:			
General obligation and limited tax bonds	\$ 438,511	100 %	\$ 438,511
Sewerage and Water Board	26,280	100	26,280
Auditors Commission	<u>63,435</u>	100	<u>63,435</u>
Total direct City debt	<u>528,227</u>		<u>528,227</u>
Overlapping debt:			
Orleans Parish School Board (1)	265,983	100	265,983
Orleans Levee District (1)	<u>173,585</u>	100	<u>173,585</u>
Total overlapping debt	<u>439,568</u>		<u>439,568</u>
Total direct and overlapping debt	<u>\$ 967,795</u>		<u>\$ 967,795</u>

(1) The fiscal year of the Orleans Parish School Board and Orleans Levee District ends on June 30th. Overlapping debt is based on June 30, 1995 financial information.

CITY OF NEW ORLEANS, LOUISIANA

TABLE 10

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
TOTAL DEBT TO TOTAL GENERAL EXPENDITURES
(NON-GAAP BUDGETARY BASIS)

LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures(1)	Ratio of Debt Service to Total General Expenditures
1987	\$ 14,209	\$ 24,479	\$ 40,688	\$111,191	13.65
1988	13,936	28,317	42,253	102,994	14.33
1989	28,581	28,854	57,435	142,947	14.42
1990	31,933	27,509	59,442	167,773	13.44
1991	8,628	14,807	23,435	172,316	6.28
1992	11,380	21,355	32,735	194,280	8.79
1993	12,614	21,969	34,583	196,942	9.93
1994	13,618	21,866	35,484	182,562	9.73
1995	11,358	17,387	28,745	182,513	7.23
1996	17,150	18,738	35,888	152,346	11.48

(1) Excludes general and debt service funds only.

CITY OF NEW ORLEANS, LOUISIANA

TABLE 9

**RATIO OF GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)**

Fiscal Year	Population*	Assessed Value Real Estate and Personal Property	General Obligation Bonded Debt	Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
1987	597	\$1,878,300	\$363,900	19.38	\$604
1988	597	1,886,819	411,804	21.79	738
1989	597	1,918,600	398,500	20.78	761
1990	497	1,918,640	398,610	19.21	742
1991	497	1,898,509	383,711	20.24	771
1992	497	1,902,897	442,142	23.25	890
1993	497	1,778,985	428,240	24.08	864
1994	497	1,788,585	415,625	23.24	836
1995	497	1,784,709	432,261	24.23	870
1996	497	1,814,880	414,701	22.85	834

* For 1988 and 1990 U.S. Census.

CITY OF NEW ORLEANS, LOUISIANA

TABLE B

COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 1995 (UNAUDITED, AMOUNTS IN THOUSANDS)

Assessed value	\$1,514,899
Debt limitation - 25% of total assessed value ^a	<u>670,211</u>
Amount of debt applicable to debt limitation:	
General obligation bonds	434,711
Limited tax bonds	<u>15,800</u>
	450,511
Less assets in debt service fund available for retirement of general obligation bonds	<u>28,181</u>
Total amount of debt applicable to debt limit	<u>422,330</u>
Legal debt margin	<u>\$ 247,881</u>

^aPer Act 4 of 1916 of the Legislature of the State of Louisiana, as amended by Act 516 of 1966, as amended by Act 429 of 1974, as amended by Act 159 of 1984, as amended by Act 1 of 1994.

CITY OF NEW ORLEANS, LOUISIANA

TABLE 7
Page 4 of 4PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED, NUMBER OF MILLS)

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Special tax for Orleans Parish School Board, for support, maintenance and construction of Public Schools of the City of New Orleans as levied by said Board annually, Act 51 of 1920, Act 201, Sec. 16 Const. 1901, Act 264 of 1926, Act 791 of 1964	45.10	45.10	45.10	45.10	45.10	42.39	41.39	42.39	25.99	25.66
Special tax, Law Enforcement District of Orleans Parish, LRS 33-90800-9090	2.0	2.0	2.0	2.0	2.99	2.89	—	—	—	—
Total overlapping property tax rates	47.10	47.10	47.10	47.10	48.09	45.28	41.39	42.39	25.99	25.66
Total	161.39	160.39	161.39	160.62	161.39	215.68	145.68	148.78	126.10	121.39

Note: The above taxes are collected on the basis of 100% of valuation.

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

TABLE 7
Page 3 of 4PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED, NUMBER OF MILLS)

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Capital improvements & Infrastructure Trust Fund	2.50	-	-	-	-	-	-	-	-	-
Special tax, New Orleans Economic Development Fund	1.20	2.50	2.50	2.50	2.50	-	-	-	-	-
Special tax, Parks and Recreation Department	3.00	3.00	3.00	3.00	3.00	-	-	-	-	-
Special tax, Street and Traffic Control Device Maintenance	1.50	1.50	1.50	1.50	1.50	-	-	-	-	-
Total direct property tax rates	100.04	100.04	100.04	100.04	100.04	57.88	55.88	51.48	52.78	51.49
Overlapping Property Tax Rates										
Special tax to provide funds for benefit of Assessors according to Sec. 1025.1, 1021.24, title 47 La. revised statute Act 478, 1985	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Special tax, Orleans Parish Levee Board for support, maintenance and construction of levees and levee drainage as authorized by Act 6, Sec. 18, Const. 1974	5.85	5.85	5.85	5.13	5.85	5.13	5.13	5.13	5.85	5.85
Special tax, Orleans Parish Levee Board, for support, maintenance and construction of levees and levee drainage Act. XV, Sec. 1 Const. 1901 amended, ratified Act 6, Sec. 13 of the 1974 Const.	6.35	6.18	6.35	6.18	6.35	6.18	6.35	6.35	6.35	6.87

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

TABLE 7
Page 2 of 4PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED, NUMBER OF MILLS)

	1994	1995	1994	1993	1992	1991	1990	1989	1988	1987
Special tax dedicated to maintenance of double platoon fire Department and triple platoon Police Department, Act 7 of 1919, Act 50V, Sec. 15, Const. 1913	4.25	4.27	4.25	4.27	4.25	4.01	4.01	4.01	4.01	3.99
Special tax (Additional) for increase in pay to officers and members of Police and Fire Department, Act 260 of 1928, Act 31W, Sec. 25, Const. 1921	2.13	2.15	2.13	2.15	2.13	2.80	2.80	2.80	2.80	1.97
Special tax to establish and maintain an apartment by the Audubon Commission Act. VII, Part II Sec. 23, of La. Const. 1994, USA H-3, 47-1765(B) approved by the voters in November 1986	4.21	4.11	4.11	4.11	4.21	3.85	3.85	3.85	3.85	3.80
Special tax, Police without Homestead Exemption: additional millage for police protection, Act 118 of 1990, Act. VII, Sec. 23	3.26	3.26	3.26	3.26	3.26	3.00	-	-	-	-
Special tax, Fire without Homestead Exemption: additional millage for fire protection, Act 110 of 1990, Act. VII, Sec. 23	3.21	3.21	3.21	3.21	3.21	4.00	-	-	-	-
Special tax, Neighborhood Housing Improvement	1.25	2.50	2.50	2.50	2.50	-	-	-	-	-

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

TABLE 7
Page 1 of 4PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED, NUMBER OF BILLS)

	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Direct Property Tax Rates										
City alone, Sec. 15, Art. 4 of 1914, Am. XIV Sec. 24 Const. 1921 Art. 151 of 1962	14.91	14.91	14.90	14.91	14.91	14.81	14.00	14.81	14.00	13.80
Interest and redemption city bond, Sec. 15, Art. 4 of 1914 (Amended Art. 575 of 1964)	26.80	26.80	26.90	26.90	26.80	33.30	33.30	37.80	34.28	33.78
Special tax for sewerage, water and drainage, Art. 197 of 1938 and Art. 626 of 1980, Am. XIV, Sec. 23.1, 23.4-23.12 Const. 1921	-	-	-	-	-	4.00	4.00	4.00	4.00	3.94
Special tax for maintenance, operations and extension of the drainage system, Art. 343 of 1960, Am. XIV, Sec. 23.2 Const. 1921 and Art. VI, Sec. 12.34 and 12 Const. 1874.1 and Art. VII, Sec. 13, 1978 Const. LSA R.S. 47:1705 (B)	21.59	22.18	22.59	22.58	22.59	21.23	21.23	21.23	21.23	20.62
Special tax for establishing and maintaining a zoological garden in Audubon Park, Art. X Sec. 10 and Sec. 804 of Title 39 Louisiana Const. 1972 approved by voters in a referendum November 1972	.44	.44	.44	.44	.44	.43	.43	.43	.41	.40
Special dedicated tax to operate the Public Library Art VII, Part II Sec. 29 of Louisiana Const. 1974, LSA R.S. 47:1706(B) approved by voters in November 1986	4.32	4.30	4.32	4.32	4.32	4.06	4.06	4.06	4.06	4.03

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

TABLE 6

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (ADJUSTED, AMOUNTS IN THOUSANDS)**

Fiscal	Real Property		Personal Property		Total		Assessed to Estimated Actual Value
	Net Assessed Value(1)	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	
1987	\$ 978,767	\$8,172,090	\$ 588,127	\$7,388,189	\$1,484,974	\$11,760,279	12.4
1988	988,479	8,479,376	486,880	7,182,948	1,475,360	11,708,508	12.4
1989	1,004,888	8,587,395	498,802	7,872,618	1,452,690	11,458,608	12.3
1990	992,345	8,504,876	492,116	7,282,307	1,484,461	11,787,183	12.4
1991	1,004,971	8,388,288	489,119	7,335,539	1,487,898	11,823,827	12.4
1992	838,783	8,830,769	468,507	7,034,711	1,407,489	11,145,480	12.4
1993	838,224	7,870,525	486,808	6,845,773	1,375,840	10,913,828	12.6
1994	894,793	7,869,338	407,885	6,038,786	1,303,678	10,787,818	12.6
1995	883,889	7,883,588	407,699	5,107,993	1,293,588	10,711,261	12.6
1996	948,777	8,173,593	533,625	4,526,167	1,482,402	11,688,508	12.7

(1) Amounts are net of the homestead exemption.

CITY OF NEW ORLEANS, LOUISIANA

TABLE 5

PROPERTY TAX LEVELS AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

Fiscal Year	Total Levied	Collected through December 31, 1996		Balance Outstanding at December 31, 1996		Collected During 1996
		Amount	Percent	Amount	Percent	
Real estate taxes:						
1987	\$ 128,278	\$ 118,777	92.63	\$ 900	.70	\$ 30
1988	126,503	125,358	99.07	1,177	.93	31
1989	148,583	145,954	98.24	1,729	1.16	341
1990	144,628	142,800	98.74	1,118	1.46	136
1991	158,047	155,455	98.34	2,592	1.64	384
1992	153,876	150,114	97.56	2,756	1.80	215
1993	149,627	146,508	97.88	3,120	2.08	438
1994	146,451	143,143	97.74	3,308	2.26	634
1995	145,884	140,668	96.42	4,958	3.40	5,433
1996	155,297	149,306	96.16	13,683	8.75	149,306
Personal property taxes:						
1987	\$ 61,263	\$ 56,448	92.14	\$ 4,815	7.86	\$ -
1988	61,833	56,115	90.77	4,796	7.76	-
1989	62,583	58,998	94.27	4,588	7.33	-
1990	70,248	64,692	92.09	3,558	5.05	-
1991	74,509	68,793	92.33	3,148	4.22	-
1992	75,833	70,000	92.32	3,658	4.79	-
1993	72,866	67,836	93.10	3,008	4.12	477
1994	74,353	70,408	94.69	4,347	5.85	788
1995	79,258	73,694	92.98	3,564	4.50	4,289
1996	83,508	79,300	94.96	13,208	15.81	79,300

TABLE 4

Interest Income	Contributions, Gifts and Donations (2)	Miscellaneous (1)	Debt Service	Total
\$ 12,903	\$ -	\$ 6,546	\$ 40,508	\$ 100,303
16,318	-	2,486	48,598	127,402
18,298	218	2,444	52,406	133,774
13,415	299	3,114	53,377	127,605
9,487	322	41,983	48,612	140,704
8,508	282	31,411	48,187	129,168
6,765	16,047	1,472	33,029	157,793
4,277	30,742	21,898	35,675	192,142
7,284	4,412	28,208	26,782	177,006
8,067	484	11,217	39,178	169,286

CITY OF NEW ORLEANS, LOUISIANA

GENERAL AND GOVT SERVICE FUNDS REVENUES BY SOURCE

(GAAP BASIS)

LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

Year	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Fees
1987	\$ 141,704	\$ 38,373	\$ 28,801	\$ 34,123	\$ 1,800
1988	146,283	31,430	38,809	34,553	1,730
1989	148,674	31,650	42,365	44,940	10,506
1990	171,835	31,752	50,472	33,837	9,684
1991	173,616	31,284	17,478	33,988	8,800
1992	184,000	33,993	28,487	37,666	11,682
1993	187,341	34,464	21,546	37,780	10,526
1994	198,702	33,158	18,227	39,637	10,856
1995	195,078	33,298	18,572	41,353	10,400
1996	199,417	34,618	17,180	41,778	10,498

(1) Other financing sources are included as miscellaneous income for years 1987 through 1994.

(2) Amounts for years 1985 through 1988 for contributions, gifts and donations are not available. Amounts are recorded in miscellaneous income.



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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

We have audited the general purpose financial statements of the City of New Orleans, Louisiana ("the City") as of and for the year ended December 31, 1994, and have issued our report thereon dated June 27, 1995.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the City is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the City for the year ended December 31, 1994, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters, which are described in detail in the attached appendix, involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Additionally, in a separate report relating to the Single Audit Act other auditors noted certain matters involving the internal control structure and its operation that they consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters relating to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. Of the reportable conditions noted above, the following are, in our judgment, material weaknesses: statements of detailed accounts payable in the Capital Projects fund and the lack of reconciliations of certain bank accounts. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements for the City of New Orleans, Louisiana, for the year ended December 31, 1996, and this report does not affect our report thereon dated June 21, 1997.

In addition, other auditors also believe that one of the reportable conditions described in their report is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the City in a separate letter dated June 21, 1997.

Matters involving the internal control structure and its operation used to administer federal financial assistance programs are reported on by other auditors in a separate report.

This report is intended for the information of the audit committee, management, and officials of the applicable federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

Dubowitz & Trenchard, LLP

June 21, 1997

CITY OF NEW ORLEANS

APPENDIX

ACCOUNTS PAYABLE DETAIL

Observation

The City does not maintain a detail of accounts payable in its Capital Projects fund. As a result of this condition and our enhanced testing of accounts payable, an adjustment to increase accounts payable by approximately \$5,677,000 million was proposed by us and recorded in the Capital Projects fund.

Recommendation

We recommend that the City develop and maintain a detail of its accounts payable for all funds. Such a detail would minimize the potential for material adjustments in the financial statements, and if used properly, may assist in the management of cash flow by aging the City's accounts payable to acceptable levels. Currently, such aging does not occur.

CASH - BANK RECONCILIATIONS

Observation

The City did not perform reconciliations of certain of its bank accounts on a timely basis, and in the case of "zero" balance accounts, these reconciliations were not performed at all. Also, the City does not follow all of its accounting policies and procedures relating to cash. Finally, the process employed in reconciling bank accounts was not standardized, creating unnecessary inconsistencies in the format of the bank reconciliations.

Background

In September 1995, the City converted its existing accounting system to an on-line, real time governmental financial system (GFS). As a result, all of the City's policies and procedures (including those relating to cash) were modified.

Recommendation

The City should begin following its existing policies and procedures relating to cash, or modify existing policies and procedures as necessary especially as they relate to the reconciliation of all bank accounts. The City should consider minimizing the number of cash deposit points among its various departments in order to reduce the number of reconciliations required. This would also eliminate the delay between actual deposit and recorded deposit, which occurs when a deposit is not physically made until after (or before) the deposit is recorded in GFS. Additionally, the City should standardize the process and format of its bank reconciliations.

SELF-INSURANCE RISK

Observation

The number of claims for which the City is self insured appeared to have decreased by fifty percent in 1996 based upon information provided by the Legal Department. In order to verify this significant decline in the number of reported claims, we selected a sample of 30 claims files that were open as of December 31, 1995. These files were represented to us as being workers' compensation claims that had been closed during 1996. In connection with our testing of these claims, we noted that some of the claims in our samples were workers' compensation claims. Additionally, all of the claims selected remained outstanding at December 31, 1996 and should, therefore, have been included in the open claims listing.

Recommendation

The City should perform a detailed evaluation of claims outstanding and have a separate actuarial valuation performed on the general and police litigation liability. We further recommend that this valuation be performed approximately three months before year end so that the results of the valuation will be available by March 31 of each succeeding year. At a minimum the City should be able to provide, at any point in time, a listing of all outstanding claims relating to general and police litigation liability.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON THE AUDIT OF
FINANCIAL STATEMENTS**

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

We have audited the general purpose financial statements of the City of New Orleans, Louisiana ("the City") as of December 31, 1996 and for the year then ended, and have issued our report thereon dated June 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the City is the responsibility of the management of the City. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards. However, the results of our tests disclosed an instance of possible noncompliance which is described in detail in the attached appendix. Instances of noncompliance required to be reported under Government Auditing Standards were reported on by other auditors in a separate report on compliance with laws and regulations.

Matters involving compliance with laws and regulations related to federal financial assistance are reported on by other auditors in separate reports on compliance related to federal financial assistance programs.

This report is intended for the information of the audit committee, management, the State of Louisiana Legislative Auditor, and officials of applicable federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

June 27, 1997

CITY OF NEW ORLEANS

APPENDIX

COMPLIANCE WITH STATE BID LAW

Observation

During our testing of additions to general fixed assets, we noted an acquisition of three file servers that were leased for a period of three months for a total of \$100,134, which was paid in full prior to inception of the lease period. At the conclusion of the lease term, the City retained ownership rights to the computer equipment. Due to the short duration of this lease, the amount paid at the inception of the lease (presumably fair market value), and the retention of ownership rights to the property, this transaction could be substantially viewed as a purchase rather than a lease. Based on our discussions with City personnel, this transaction was not subjected to the State's bid law process. Further inquiries indicated that these types of leases have become an acceptable method for acquiring City property.

Recommendation

Due to the significance of these leases and the potential for violating the State's bid law process, we recommend that the City obtain a legal opinion from the Attorney General of the State of Louisiana in reference to the above process.



June 21, 1997

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

Dear Mayor and Members of the City Council:

In planning and performing our audit of the general purpose financial statements of the City of New Orleans, Louisiana (the "City") for the year ended December 31, 1996 (in which we have issued our report dated June 21, 1997), we developed the following recommendations concerning certain matters related to its internal control structure and certain observations and recommendations on other accounting, administrative, and operating matters. A description of the responsibility of management for establishing and maintaining the internal control structure, and of the objectives of and inherent limitations in such a structure is set forth in the attached Appendix, and should be read in conjunction with this letter. Our comments are presented in Exhibit I and are listed in the table of contents therein. See also "Status of the 1995 Recommendations" on pages 16 through 18.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing any of the suggestions.

This report is intended for the information of the audit committee, management, the State of Louisiana Legislative Auditor, and officials of applicable federal and State agencies. However, this report is a matter of public record and its distribution is not limited.

Yours truly,

Deloitte + Touche LLP

CITY OF NEW ORLEANS

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EXHIBIT I

INTERNAL CONTROL STRUCTURE

GENERAL AND POLICE LITIGATION RESERVES

Discussion

The City maintains a data base of open claim information for its general and police litigation reserves. For many of the open claims, information is missing for one or more of the data items (e.g., date of occurrence). In addition, approximately half of the open claims have either an estimate of \$0.00 or an "MA," the "MA" signifying that the attorney does not have enough information on the claim to determine a best estimate.

The data that the City supplies and provides to us for its police and general litigation claims is insufficient to perform an actuarial analysis based on appropriate actuarial methods and reasonable assumptions; rather, the estimate of reserves is based on extremely limited data and information.

Recommendation

We recommend that the City develop and maintain a database that captures (for each claim) historical cumulative paid losses and allocated loss adjustment expense (ALAE), case reserve estimates for both losses and ALAE, date of loss occurrence, date of loss reporting, claim status (open/closed), and claimant name. Each claim should be assigned an individual claim number for ease of tracking claim development over time. This can be accomplished through use of a third party administrator or through the City's maintenance of an internal database by its own claims administrative staff.

We recommend case reserve estimates be determined for every claim for both losses and ALAE at the time the loss is first reported. These case reserves can then be updated over time as more information becomes available. These estimates should be established by claim handling specialists with expertise in general liability loss exposures.

In addition to the individual claims information mentioned above, we recommend that the City develop and maintain a database that captures historical cumulative incurred losses, paid losses, and open and closed claim count information by date of injury. Building a history of the City's cumulative losses at annual valuation dates grouped by accident year will enable users of the data to determine whether changes in reserve requirements are due to increases/decreases in estimated losses for previously reported claims or increases/decreases in current period occurrences.

Additionally, the final information on settled/closed claims is maintained in a separate database from the open claim information. We recommend the City maintain a complete history on all settled/closed claims including claim number, date of loss occurrence, file type, city entity, status, close date, final settlement/ judgment, payment, and date of payment.

WORKERS' COMPENSATION RESERVES

Observation

The City's third party claims administrator informed us that individual claim files do not contain case reserve information. This is contrary to standard industry practice. Although case reserve information is included in the computer system in total, there is no documentation or audit trail supporting any changes in case reserves. We did not, therefore, use the incurred loss data.

Recommendation

We recommend that the City develop and maintain a database that captures historical cumulative incurred losses, paid losses, and open and closed claim count information by date of injury. Building a history of the City's cumulative losses at annual valuation dates grouped by accident year will enable users of the data to determine whether changes in reserve requirements are due to increases/decreases in estimated losses for previously reported claims or increases/decreases in current period occurrences. This database will also allow the City to analyze the trends in loss frequency or severity.

Observation

For the workers' compensation industry as a whole, indemnity (compensation) losses as a percentage of total losses are usually in the range of 30% to 60% of total losses. Medical losses are typically 40% to 50% of total losses. Over the last six accident years, the City has exhibited unusual behavior regarding the split of medical and indemnity losses as a percentage of total losses. The following is a chart by accident year that displays the City's percentage split between medical and indemnity paid losses.

Accident Year	Percentage of Paid Losses to Total	
	Medical	Indemnity
1998	58 %	44 %
1999	54 %	46 %
1997	58 %	42 %
1995	64 %	36 %
1994	65 %	40 %
1996	61 %	39 %
1996	68 %	40 %

Recommendation

This distribution is opposite of what typically occurs in the industry. We have not determined the underlying cause of this shift but recommend further investigation of the matter.

GENERAL FIXED ASSETS

Observation

Original deeds and other related documents for properties owned by the City of New Orleans are stored in file cabinets on the fifth floor of City Hall.

Recommendation

Because these are original documents and are not easily replaced, we recommend that all original property documents maintained by the City be safeguarded in fire proof cabinets. Additionally, we recommend that a centralized electronic database of all immovable property be created to ensure that all owned property is tracked in an efficient manner.

FIXED ASSET INVENTORY

Observation

The City has not performed physical counts of its significant fixed asset inventory to confirm addition and deletions for a number of years. This can result in the failure to detect losses and transfers of assets, and potential systemic problems related to fixed asset management.

Recommendation

A policy should be adopted to ensure that all significant fixed assets are counted on a periodic basis (i.e. all assets counted every three years). This procedure could be performed on a cycle basis such that by the end of the third year all assets have been counted. This will assist in maintaining the integrity of the fixed asset subsidiary records. Policies and procedures should be established to ensure the completeness, timeliness and accuracy of the count. Fixed assets purchased with federal funds should be inventoried at least once every two years.

ENCUMBRANCES

Observation

It appears that many encumbrances in the capital projects fund are several years old. As projects are constructed, a decrease in the originally encumbered balance would be expected, however, many old encumbered balances had no activity in 1996 and remain outstanding at year end.

Recommendation

A detailed review of outstanding encumbrances should be performed at the end of each fiscal year. Encumbrances should not be allowed to remain a part of the reserved fund balance if it does not appear likely that the expenditures will be made.

OUTSTANDING CHECK LIST

Observation

An outstanding check list for the Disbursement Account "02" as of December 31, 1996 was not available. Outstanding check lists are necessary for the proper preparation of a bank reconciliation. The lack of an outstanding check list may lead to misstatements of cash.

Recommendation

The Accounting Department should prepare an outstanding check list in conjunction with its monthly preparation of bank reconciliations.

COMPONENT UNIT ACCOUNTS

Observation

During our testing of due tickets from component units, we noted that there is no policy to periodically reconcile the due tickets from component units recorded on the component units' books with the balances recorded on the City's books.

A number of audit reclassification entries were required at December 31, 1996 in order for these balances to be appropriately reflected in the City's financial statements.

Recommendation

Accounting personnel with the City should contact the appropriate personnel at each respective component unit periodically in order to reconcile the due tickets from balances and segregate on its own records those balances which are due tickets from the primary government versus component units.

PAYROLL SYSTEM - SURPRISE PAYCHECK DISTRIBUTIONS

Observation

A test of payroll expenditures that is increasingly being performed is a surprise distribution of randomly selected paychecks by the Internal Audit department. Auditors would hand-deliver paychecks and request identification of employees receiving the checks. This process helps to identify fictitious employees that may have been entered in to the payroll system. This observation is obtained from our firm's experience with other entities and not as a result of information obtained by us as a result of our audit procedures.

Recommendation

The Internal Audit department should consider periodically performing surprise paycheck distributions at the various City departments, requiring proper identification of the employees.

ACCOUNTING FOR GENERAL LONG-TERM DEBT

Observation

The City has several outstanding debt issues. The City has not implemented the module available in the GFS system relating to the general long-term debt account group fund in the general ledger system and does not maintain amortization schedules for long-term debt. Debt securities prepared during the year were not detailed enough to aid in the preparation of the financial statements or the related long-term forecasts. Manual recordkeeping related to debt issues could result in accounting errors or delays in the reporting process.

Recommendation

The City should maintain debt amortization schedules and should implement the GFS module relating to the general long-term debt account group in the general ledger system. This will assist the City in the budget preparation and financial reporting process as well as allow the City to evaluate its debt position.

REVIEW OF ACCESS PRIVILEGES

Observation

We noted in the prior year that there is no regular review of access privileges to each computer application to ensure each user's access to application data is appropriate. This could result in unintentional or unauthorized modifications to application data. In the current year, we were not able to verify that a review had been performed.

Background

Department heads do not periodically review which users have access to their data. In addition, Management Information Systems is not notified consistently when an employee is terminated or transferred, therefore, user I.D.'s with update access to applications remain active on the system. The detection of unauthorized user access can be achieved with periodic review.

Recommendation

Perform and document a periodic review of access to applications to ensure only appropriate, active employees have access to perform key transactions in each application.

STAGING LIBRARY

Observation

There is no secure staging library to prevent programmers from modifying code between the time it is approved and the time it is moved into production. This could result in unauthorized or unintentional modifications or deletions to production programs.

Background

All completed or modified programs must be tested and then approved prior to movement into production. However, the program is not secured from further modification by the programmer while it is waiting to be approved and moved to production.

Recommendation

A secure staging library should be developed, and all testing and approvals should be done from this library. The staging library should not allow programmers to have update capabilities. This would prevent further modification to programs after they have been tested and approved.

PROGRAM CHANGE STANDARDS

Observation

There are no formal program change standards. As a result, management's requirements for program change procedures may not be met. We did note, however, that the City does have a draft of a formal policy.

Background

Formal program change standards allow the system maintenance to be performed within management's guidelines. If these standards are not defined, programmers may document program changes differently making maintenance to the system more difficult and confusing. Formal procedures will allow each programmer to know exactly what is expected and allow all program changes to be completed in the same manner.

Recommendation

Publish formal program change standards. Enforce these standards to be followed by all programming staff.

TESTING OF PROGRAM CHANGES

Observation

Users do not always test program changes prior to movement into production. This could result in unauthorized changes to production programs.

Background

The programmer, not the user, is responsible for deciding if users need to test a program change based on the size and complexity of the change. If users are required to test the changes, then they will test the change but not formally indicate their approval through a sign off on the request. Without sufficient program change controls, management cannot be reasonably assured that changes made to the application systems were appropriately requested, authorized and implemented.

Recommendation

Formal program change procedures should be developed where the users test all program changes prior to movement into production. This should include a formal sign off indicating their approval of test results.

INTERNET CONNECTION

Observation

The City has plans to create a presence on the internet. Currently, RFPs (Requests For Proposals) have been sent to a number of internet service providers without an internet security policy. Allowing access to internet systems from the internet without establishing an internet security and usage policy could result in usage not consistent with City's expectations. The security policy should address key issues related to how the City will ensure its risk and exposures are minimized. We would expect an internet security policy to be defined first, documenting the business purposes for the internet and overall strategy for minimizing risks and exposures of the internet. This strategy would guide the procedures, such as "access and use" that users follow to help ensure consistent usage and risk mitigation.

Recommendation

The City should define its internet strategy to determine what types of internet services the City will utilize, and how its internet network will be protected. Develop policies and procedures to ensure that the internet's design, configuration, technology and administration will protect the City's internet networks. As the City's internet network, external connections and internet usage changes, these policies and procedures should be reviewed and modified.

YEAR 2000

Observation

Currently, the systems of the City are not Year 2000-compliant. Any system that is not compliant will face the risk of disruption to business due to errors caused by programs that are date reliant.

Background

Year 2000 is a problem created by program code not being able to handle the change from the 20th century to the 21st century. Currently, most dates are stored by the last two digits of the year (i.e., 84 is considered 1984). Therefore, when the 21st century comes, any program that is non-compliant will think that the year 2000 is actually the year 1900. Programs will have calculations on the wrong date and process information incorrectly. Currently, the City is not fully Year 2000-compliant and has not created a formal approach to ensure that they will be compliant. Though the City will be upgrading the mainframe operating system and GPS application to address some of the issues related to Year 2000, the City has not performed a formal review of all the entire systems to assess the extent of the problem.

Recommendation

The City should create a "Year 2000 Project Team" with the responsibility for the assessment and implementation of Year 2000 requirements. The team should be headed by someone from senior management and create a plan of action that addresses following issues:

- Identify all parts of systems, with respect to hardware, software, operating system, and utility vendors, especially those that are date reliant, that may have a Year 2000 problem.
- Make sure that existing or all new contracts for software entered past the year 2000. Verify with vendors if they even plan on becoming Year 2000-compliant. Additionally, all new software purchased should be Year 2000-compliant.

- *Allocate the necessary resources to make the changes towards becoming Year 2000 compliant. This would include such things as whether the changes can be made in-house or contracted and appropriating the necessary funds.*
- *Any plan should consider alternative solutions, reprogramming, software acquisition, etc. and provide for appropriate evaluation criteria of each alternative for each specific issue identified. The plan should also ensure that the resources are available so that they do not conflict with normal processing requirements.*

ACCOUNTING, ADMINISTRATIVE AND OPERATING MATTERS

FINANCE DEPARTMENT STAFFING

Observation

The staffing level and workload distribution for the Finance Department have not been systematically evaluated for several years despite growth in City operations and complex changes in financial reporting. Failure to evaluate staffing and workload can result in an inefficient use of City personnel resources.

Recommendation

Evaluate workloads and staffing levels in the Finance Department to ensure that the processing of City financial information continues to be handled in the most effective and efficient manner possible.

FUND BALANCE OF THE GENERAL FUND

Observation

Over the last several years, the City has appropriated portions of its prior year fund balance in its general fund in order to meet increasing expenditures requirements. If these appropriations continue at the same rate as the past three years and if additional resources do not materialize, the City's general fund would be in a deficit position on a budgetary basis at some point in the future.

Recommendation

Many municipalities establish minimum levels of fund balance beyond which levels they will not exceed except in unusual or extraordinary circumstances. We recommend that the City establish for budgeting purposes a minimum level of fund balance.

INTERNAL AUDIT FUNCTION

Observation

Currently, the City's internal audit function is limited in the scope and breadth of its activities due to insufficient size and staffing levels of its staff. The size and complexity of City operations warrants the allocation of additional, qualified personnel to perform internal audit activities on an ongoing basis. The internal audit function is an important element in providing assurance to the City that its internal control structure is adequate and functioning properly. The lack of significant ongoing internal audit activities may expose the City to an undue level of risks of loss of financial resources, instances of noncompliance or other control risks. The following is a suggested list of areas in which an internal auditor could add significant value to the City:

- Internal control reviews
- Independent audits of various accounts and financial activity
- Federal program compliance reviews
- Accounting policy compliance reviews

• **Additional operational reviews and special projects**

Due to the existing staffing level and workload of the Internal Audit department, internal audit activities are not being performed on a regular basis. As a result the City must place greater reliance on its systems of internal control and the annual external audit to provide assurance relating to its financial statements and control systems. The City also cannot proactively perform audits to isolate problem areas or identify areas of weakness which may exist.

Recommendation

Consider expanding the size and staffing levels of the Internal Audit department. Alternatively, the City should consider outsourcing that function by hiring outside consultants to aid the City in performing internal audit activities. The duties and responsibilities should be set forth in order to address the areas suggested above.

FINANCIAL STATEMENT PREPARATION

Observation

At fiscal year-end, the Accounting department personnel prepare trial balances for all funds of the City to prepare the annual financial report. Accounting department personnel spend a significant amount of time preparing year end trial balances in a personal computer-based spreadsheet program. The City's general ledger software does not currently prepare the reports needed by the Accounting department for the creation of its annual financial report. Manually entering the data is inefficient and increases the potential for error in creating the annual financial report.

Recommendation

Explore alternatives to manually reentering information that is already maintained in an electronic format. These alternatives could include:

- Development of automated reports that meet the Accounting department's needs
- Establishing a responsibility and a time frame for testing the system's ability to download data to a personal computer-based spreadsheet template that meets the accounting department's needs.

MUNICIPAL SECURITIES REPORTING REQUIREMENTS

Observation

The Securities and Exchange Commission ("SEC") has issued its Rule which has the effect of imposing additional reporting requirements on issuers of municipal securities issued after July 3, 1995. The SEC, which does not have regulatory authority over municipal security issuers, has issued this rule to prohibit broker-dealers from trading municipal securities in the secondary market without verifying that secondary purchasers have been provided access to information regarding the security which is equivalent to the information provided to original purchasers, (i.e., an official statement). The information is required to be provided at least annually for each "material obligated person" for each issue of municipal securities. Material obligated persons include each government corporation or other entity which has an obligation for the repayment of a material portion of the City projects. The City's securities will be subject to the reporting requirements of the rule.

Recommendation

City management should consult with its bond counsel to determine the effects of the rule on its reporting of information in official statements for municipal bond issues and on at least an annual basis thereafter.

NEW REPORTING MODEL

Observation

The Governmental Accounting Standards Board is reported to issue a statement that will make dramatic changes in the basic financial statements that governments are required to issue. It is anticipated that this statement will be effective for periods beginning after June 15, 2008. There is one area that represents a dramatic change in the information that cities have historically reported.

One of the most significant changes incorporated in this new statement is a requirement for governmental entities to record the cost of infrastructure. Due to the age of some cities' infrastructure, it may be difficult, if not impossible, to obtain information regarding the cities' historical costs of infrastructure.

Recommendation

In order to avoid delays in issuing financial statements under the new reporting model, the City should begin the process of assessing its records regarding the historical cost of infrastructure. Alternatively, if such information is not available, a process to estimate the historical value of infrastructure should be established and executed as quickly as possible.

GASB STATEMENT NO. 31

Observation

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB Statement No. 31 will become effective for the City for periods beginning after June 15, 1997. It requires that most investments be recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties. This method of accounting will cause fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments will be recorded in the operating statements, in accordance with GASB Statement No. 31. Reported investment income will be affected as amounts formerly included from the operating statements as "unrealized," or non-cash, gains and losses will now be included.

Recommendation

Evaluate the impact of GASB Statement No. 31 on the City's investment policy and strategies. Management will need to establish and implement procedures to ensure that all information required to monitor the fair value of investments is available and can be recorded appropriately. Users of the City's financial statements may need to be educated on the effects of the financial statements of this change in accounting for investments.

BUSINESS CONTINUITY PLAN

Situation

The Business Continuity Plan has not been completely developed and tested.

Background

The EOP portion of the Business Continuity Plan has been developed but not documented or tested. Furthermore, the recovery of the EOP processing environment is only part of an effective Business Continuity Plan. The recovery procedures necessary to ensure the actual business functions would be adequately recovered has not been developed or tested.

Recommendation

A Business Continuity Plan needs to be developed, documented and tested that includes EOP Disaster Recovery procedures as well as user procedures that would be necessary to recover the business functions. These two items should work together to ensure that in the event of a disaster both the processing and business functions could be recovered with minimal lost time and information.

CAPITALIZATION POLICY

Situation

The City currently has a policy to capitalize all expenditures for depreciable fixed assets that exceed \$500 and a useful life greater than one year. This can result in significant expenditures of time and effort to account for low dollar value and/or short-lived assets. OMB Circular A-17 has recently been amended to allow a capitalization floor of \$1,000.

Recommendation

The City's capitalization policy should be reviewed to determine the cost/benefit of recording fixed assets with low dollar values or short life spans. Additionally, because of the change in OMB Circular A-17, an increased capitalization floor could result in additional grant reimbursements as items which were considered capital under the old policy would be considered reimbursable under the new policy as supplies and could be funded more readily from federal funds. Consider increasing the limit to \$1,000 and a useful life of at least one year. Additionally, consider maintaining subsidiary records for those depreciable assets whose value falls below the threshold.

TRUST FUNDS

Discussion

During our audit of expendable and nonexpendable trust funds, we noted that some of these trust funds were documented by formal legal trusts which could be located. Additionally, the following funds have had no activity recorded for many years even though many require annual expenditures to be made for specified purposes and have assets remaining in the funds:

a. **Isaac Delgado Memorial**

This fund was established for the use and benefit of the Isaac Delgado Trade School (formerly Delgado Community College).

b. **John McDonough School**

This fund was established for the support of public schools.

c. **Lafayette Cemetery #1 Under Will of Lilly Violet**

The ordinance under which the fund, Lafayette Cemetery #1 Under Will of Lilly Violet, was established requires the City to carry out the terms of the bequest, which states that the income be spent for the perpetual care and maintenance and repairs of the family tomb in Lafayette Cemetery #1 and placing flowers thereon three times a year.

d. **Mahala Zimmerman Tomb**

This fund was established according to the terms of the will of Mrs. Mahala Zimmerman for the care and improvement of her tomb and grounds in Washington Cemetery.

e. **Mrs. Otto Joachim**

This fund was established according to the terms of the will of Mrs. Otto Joachim to perpetuate a subscription of National Geographic Magazine for the New Orleans Public Library.

f. **Place de France - Lion of Art**

g. **Siriles Legacy**

The Siriles Legacy Fund was established by the bequest of Mr. Simon Van Antwerp Siriles, in which he bequeathed to the City of New Orleans a portion of his estate to establish a City Dispensary for gratuitous dispensing of medicine and medical advice to the poor of the City.

h. **Simon Herrstein**

This fund was established to purchase books from the savings off of the principal donated under the will of Simon Herrstein.

i. **Helen Adler Levy Library**

This fund was authorized to establish and maintain the Helen Adler Levy Memorial Room at the New Orleans Public Library.

j. **Kiwanis Club Lee Circle Sprinkler System**

The Kiwanis Club Lee Circle Sprinkler System Fund was established in 1977 by a donation of \$4,200 by the Kiwanis Club to install a Subterranean Lawn Sprinkler System at Lee Circle.

k. **Ella West Freeman Foundation**

This fund was established for the purpose of producing copies of the Masonry Maintenance Guidelines Manual to be used by the Vieux Carré Commission.

Recommendation

We recommend that additional research of these trust funds be performed to determine the legal status and necessity of maintaining these funds in trust for others. Additionally, the City should implement a system for determining whether the requirements of such of these trusts are being met, and the Board of City Trusts should become more involved in monitoring the activities of these funds which fall under its jurisdiction.

OVERSIGHT OF COMPONENT UNITS

Discussion

In the current year, Canal Street Development Corporation and Municipal Employees Retirement System were not able to provide the City their relevant financial reports for inclusion into the City's general purpose financial statements on a timely basis.

Recommendation

We recommend that the City exercise additional oversight of these component units to ensure that their financial reports will be received in a timely manner.

STATUS OF THE 1995 RECOMMENDATIONS

The following is a summary of the 1995 recommendations from our report dated October 9, 1996 and the status of implementation thereof:

	Implemented	Partially Implemented	Not Implemented
• Management should develop a database of current and historical general and police reserves and workers' compensation reserves.		X	
• Investigate why medical losses are greater than indemnity losses as this distribution is opposite of what typically occurs in the industry.			X
• All original property documents maintained by the City should be safeguarded in fire proof cabinets.			X
• Periodic assessments of the allowance for doubtful accounts should be performed.	X		
• A detailed review of outstanding receivables should be performed at the end of each fiscal year.		X	
• Accounting personnel with the City should contact the appropriate personnel at each respective component unit periodically in order to reconcile the due to/from balances.			X
• A periodic review of access applications should be performed.			X
• A secure ringing library should be developed.			X
• Publish formal procedures change standards.			X
• Management should utilize the terminal time-out feature to minimize the potential for unauthorized access.	X		

	Implemented	Partially Implemented	Not Implemented
• Management should include the daily review of claims activity to the monitoring procedures which are currently performed.			X
• The City should issue its annual financial reports within the time prescribed by state law.	X		
• Many municipalities establish minimum levels of fund balance beyond which levels they will not exceed except in unusual or extraordinary circumstances. The City should establish for budgeting purposes a minimum level of fund balance.			X
• Design and implement a year-end closing checklist and schedule.		X	
• Explore all alternatives to manually re-entering information that is already maintained in electronic format.			X
• City management should consult with their bond counsel to determine the reporting effects of the new SEC Rule which imposes additional reporting requirements on issuers of municipal securities issued after July 1, 1995.			X
• A Business Continuity Plan needs to be developed, documented and tested.			X
• Publish a policy statement that defines the requirements for the protection of information processed or maintained by the organization regardless of form.			X
• Additional research of certain trust funds should be performed to determine their legal status and whether the requirements of each of these funds are being met.		X	

	Implemented	Partially Implemented	Not Implemented
--	-------------	-----------------------	-----------------

- The City should exercise additional oversight of component units to ensure that their financial reports will be received in a timely manner.

		X	
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APPENDIX

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, THE INTERNAL CONTROL STRUCTURE

The following comments concerning management's responsibility for the internal control structure and the objectives of and the inherent limitations in the internal control structure are adapted from the Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures.

Objectives

The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Limitations

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

1987 JUN 15 10 13 AM '87

INDEPENDENT AUDITOR'S REPORT

Honorable Marc Moriel, Mayor
and the Members of the City Council of the City of New Orleans, Louisiana

We have performed an examination to ascertain the City of New Orleans' compliance with the Parish Transportation Act. In connection with our examination, we examined the audit working papers related to the general purpose financial statements, prepared by other auditors, hereinafter referred to as the principal auditors. In addition, we have performed additional procedures as we deemed necessary.

We did not audit the general purpose financial statements of the City of New Orleans, Louisiana, as of and for the year ended December 31, 1986. They were examined by the principal auditors. Their audit was performed in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and other auditing procedures as they considered necessary in the circumstances. The opinion, insofar as it refers to the amounts included in the general purpose financial statements is based on the reports of the principal auditors.

In connection with our examination, as well as the additional procedures performed by us, nothing came to our attention that caused us to believe that the City of New Orleans, Louisiana, had not complied with the requirements of the Parish Transportation Act (Act 508 of 1980). However, it should be noted that the examination performed by the principal auditors was not directed primarily toward obtaining knowledge of noncompliance with such requirements.

New Orleans, Louisiana
June 15, 1987

100-100000-1
87-10-1-11-022

CITY OF NEW ORLEANS
(SINGLE AUDIT)

FEDERAL GRANTS
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 1996

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& Tervalon

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PHONE (504) 885-8733 FAX (504) 885-8296

**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

To the Members of the
City Council and the
Honorable郝 H. Morial, Mayor
City of New Orleans, Louisiana

We have audited the Schedule of Federal Financial Assistance of the City of New Orleans, Louisiana, (the City) for the year ended December 31, 1994. The Schedule of Federal Financial Assistance is the responsibility of the management of the City of New Orleans. Our responsibility is to express an opinion on the Schedule of Federal Financial Assistance based on our audit. The accompanying Schedule of Federal Financial Assistance is not a part of the City of New Orleans' General Purpose Financial statements for the year ended December 31, 1994. The General Purpose Financial statements were audited by other auditors whose report thereon has been furnished to us.

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

**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

To the Members of the
City Council and the
Honorable Marc H. Morial, Mayor
City of New Orleans, Louisiana
Page 3

In our opinion, the accompanying Schedule of Federal Financial Assistance of the City of New Orleans presents fairly in all material respects, the federal financial assistance expenditures for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

As further discussed in Notes 4, 5 and 9, the City of New Orleans has been requested by federal agencies to remit funds for ineligible and disallowed costs, and has failed to comply with certain contractual and programmatic requirements with regard to its federal financial assistance programs during the year ended December 31, 1997 and in previous years. The determination of whether the identified instances of noncompliance will ultimately result in a disallowance of costs cannot be presently determined. Accordingly, the Schedule of Federal Financial Assistance does not include any adjustments for these matters.

In accordance with government auditing standards, we have also issued a report dated June 6, 1997 on our consideration of the City of New Orleans internal control structure and a report dated June 6, 1997 on its compliance with laws and regulations.

Bruno & Tervalon
BRUND & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 6, 1997

**CITY OF NEW ORLEANS
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR YEAR ENDED DECEMBER 31, 1996**

PROGRAM TITLE	CFDA NUMBER	FY96/FY97 PROGRAM	EXPENSES 1996
FEDERALLY FUNDED PROGRAMS			
Department of Housing and Urban Development			
Community Development Block Grant			
South Action Year	14.218	8-85-MC-22-0000	\$ 2,073
North Action Year	14.218	8-85-MC-22-0000	17,388
Yardville Action Year	14.218	8-85-MC-22-0000	3,093
14thmonth Action Year	14.218	8-87-MC-22-0000	23,493
Fifteenth Action Year	14.218	8-88-MC-22-0000	43,798
Sixteenth Action Year	14.218	8-89-MC-22-0000	92,778
Seventeenth Action Year	14.218	8-91-MC-22-0000	98,478
Eighteenth Action Year	14.218	8-92-MC-22-0000	93,798
Nineteenth Action Year	14.218	8-93-MC-22-0000	94,968
Twentieth Action Year	14.218	8-94-MC-22-0000	2,453,940
Twenty First Action Year	14.218	8-95-MC-22-0000	5,465,768
Twenty Second Action Year	14.218	8-96-MC-22-0000	18,518,347
* Total Community Development Block Grant			26,893,922
Housing Mobility of New Orleans			
Operation Safe Home	14.824	14.824	25,204
Public Housing Anti-Drug Program	14.824	14-824-PH-0101	159,000
Total Housing Mobility of New Orleans			184,204
Other Department of Housing and Urban Development Grants			
Home Investment Partnership Program			
Emergency Shelter Grant	14.211	M-94-MC-22-0201	2,627,640
Emergency Shelter Grant	14.211	14-94-MC-22-0000	30,756
Emergency Shelter Grant	14.211	8-91-MC-22-0000	855,734
Emergency Shelter Grant	14.211	14-95-MC-22-0000	380,954
Special Purpose Grants (LMT)	99.A	LA-89-SPG-13-13	765,886
Loyola-Bonjour & Bess Center	99.A	LA-88-SPG-2013	140,844
Special Purpose Grants (PHH&LAFAC)	99.A	LA-88-SPG-2011	484,212
Special Purpose Grants (MJP&Merritt)	99.A	LA-88-SPG-2012	18,988
Special Purpose Grants (A.C.L.)	99.A	LA-88-SPG-2013	271,418
Special Purpose Grants	99.A	LA-88-SPG-2014	224,148
HEPPVA	14.241	LA-89-EPG012	180,754
HEPPVA	14.241	LA-89-EPG013	168,848
HEPPVA	14.241	LA-89-EPG014	889,478
HEPPVA	14.241	LA-89-EPG015	276,708
Youthful Program	14.241	YK03B-08TH	132,452
Total Other Department of Housing and Urban Development Grants			6,637,018
Urban Development/Action Grant			
Continuity Prog. Income	14.201	---	580,748
Total Urban Development/Action Grants			580,748
Total Department of Housing and Urban Development			34,102,688

* Denotes a Major Program.

See the Notes to the Schedule of Federal Financial Assistance.

**CITY OF NEW ORLEANS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR YEAR ENDING DECEMBER 31, 1996**

PROGRAM TITLE	CYFA NUMBER	PROJECT NUMBER	AMOUNT
FEDERALLY FUNDED GRANTS, CONTINUED			
U.S. Environmental Protection Agency			
Metropolitan Air Control Program	66-600	V99118-06-0	90,640
Total U.S. Environmental Protection Agency			90,640
Department of Education			
Library Literacy Program	61-140	81-07-00020	34,540
Total Department of Education			34,540
Department of Transportation			
<i>Reimbursed Through the State of Louisiana Dept. of Transportation</i>			
Project Road	30-000	64-0000-0001	4,710
Computer Traffic	30-000	64-0000-0001	411,730
Intersect/Interch	30-000	64-0000-0001	7,900
Harlem Ave	30-000	60-0070-0020	60,110
West End Blvd	30-000	64-0000-0001	2,702,811
Tulung-Louis Improvement	30-000	64-0070-0001	3,700,774
Tulung-Louis Improvement	30-000	64-0070-0001	779,804
Computer Traffic Signs 650	30-000	64-0001-0011	204,433
* Total Reimbursed through the State of LA Dept. of Transportation			5,699,711
<i>Reimbursed Through the New Orleans Aviation Board</i>			
Land	70-100	3-23-00075-04	60,270
Phase II Site Prep.	70-100	3-23-00075-10	5,690,000
Land Acquisition	70-100	3-23-00075-21	60,280
Land Acquisition	70-100	3-23-00075-30	30,000
Land Acquisition	70-100	3-23-00075-30	30,000
Land Acquisition	70-100	3-23-00075-41	10,000
Land Acquisition	70-100	3-23-00075-41	10,000
Land Acquisition	70-100	3-23-00075-49	670,000
Land Acquisition	70-100	3-23-00075-29	600,000
Item A14 Cargo Road B, I/A	70-100	3-23-00075-41	214,000
Land	70-100	3-23-00075-27	40,000
Land	70-100	3-23-00075-34	30,000
Land	70-100	3-23-00075-39	30,000
Land	70-100	3-23-00075-41	35,000
Land	70-100	3-23-00075-42	2,600,000
EAC: Airport Planning & Site & IS	70-100	3-23-00075-41	1,575,110
EAC: Site & Util and Airfield Lighting, Visual	70-100	3-23-00075-44	4,000,000
Business Safety Area	70-100	3-23-00075-45	3,125,740
ABFV Vehicle Area	70-100	3-23-00075-47	300,000
Land Acquisition	70-100	3-23-00075-48	400,000
Willis Access Road and Utilities	70-100	3-23-00075-49	3,738,440
Land Acquisition	70-100	3-23-00075-49	330,000
* Total Reimbursed Through the New Orleans Aviation Board			20,600,000
Total Department of Transportation			21,700,000

* Denotes a Major Program.

See the Notes to the Schedule of Federal Financial Assistance.

**CITY OF NEW ORLEANS
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR YEAR ENDED DECEMBER 31, 1996**

PROGRAM TITLE	CFDA NUMBER	PROJECT NUMBER	EXPENDITURES
FEDERALLY FUNDED GRANTS, CONTINUED			
Department of Justice			
Bioterror Investigation Program	16.580	9000000010	20,000
Violence Traffic Court	16.580	9000000011	97,570
C O P S Abuse	16.579	9000000008	87,000
C O P S Abuse	16.579	9000000009	51,000
Total Department of Justice			255,570
Department of Commerce			
Brown Tax Penetration Hall	NA	---	47,000
Multi-Purpose Land Information	11.300	000-01-01	160,000
Total Department of Commerce			207,000
Department of Health and Human Services			
Center for Disease Control	93.280	NA	41,000
Tribal/Grants Project	NA	---	33,000
Substance Abuse Prevention	93.104	9000000001	171,000
Substance Abuse Prevention	93.104	9000000002	4,000
Commodity Supp.Food	NA	2000000	790,000
Commodity Supp.Food	NA	2000000	90,000
Commodity Supp.Food	NA	2000000	171,000
Healthcare for the Homeless	93.151	00000001-00-0	53,000
Healthcare for the Homeless	93.151	00000002-00-0	7,000
Healthcare for the Homeless	93.151	00000003-00-0	900,000
Infirmary Network	93.004	104 1000000-00	3,000
Infirmary Network	93.004	104 1000000-00	920,000
Grant Expectations	93.000	00000001-00-0	100,000
Grant Expectations	93.000	00000002-00-0	8,000,000
Ryan White Clinic Refit	93.911	9000000010-00-0	1,271,500
Ryan White Clinic Refit	93.911	9000000011-00-0	491,000
Ryan White Clinic II	93.911	9000000012-00-0	161,000
Ryan White Clinic II	93.911	9000000013-00-0	8,000,000
Total Department of Health and Human Services			12,610,500
Department of Emergency Management			
Emergency Management	91.001	---	992,000
Total Department of Emergency Management			992,000
TOTAL FEDERAL FINANCIAL ASSISTANCE			20,870,000

* Denotes a Major Program

See See Notes to the Schedule of Federal Financial Assistance

CITY OF NEW ORLEANS
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR YEAR ENDED DECEMBER 31, 1996**

PROGRAM TITLE	CFDA NUMBER	PROJECT NUMBER	EXPENDITURE
LOUISIANA DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
Research, Infant/Children	93.009	11111	274,600
Research, Infant/Children	93.009	11111	11,290
Research, Infant/Children	93.009	11011	631,962
Low Risk Maternity	93.004	133431	21,902.5
Low Risk Maternity	93.004	133431	760
Low Risk Maternity	93.004	133431	27,540
EPFST Medical	NOA	141001 2 & 1300471	1,007,506
Infant Immunization	93.268	14391	207,600
Cancer High-Clinic	NOA	141001	75,720
Woodson/Prasad	NOA	0000041	51,000
Local Patient	93.000	1340001	171,000
R.T.N. School Clinic Medical	NOA	1406700	7,720
Healthy Communities	93.000	94-001-01-100	8,000
Hypertension Control	93.000	11000	60,000
Kyren White Title II	93.005	54000	272,000
Kyren White Title II	93.005	077110000	1,000
Mobile Dental	93.000	100011	100,100
EPFST Dental	93.718	100019	90,100
Urgy	NOA	13100	60,700
Cancer Clinic	NOA	070110001-06	20,544
R.T. Washington Clinic	NOA	1010111000	71,000
L.A. Emergency Shelter	14.111	070100	20,000
L.A. Emergency Shelter	14.111	0700101	211,001
L.A. Emergency Shelter	14.111	007710701-1-111	11,111
Substance Abuse Coordination	NOA	27010	21,700
Coinc Trauma Center	NOA	100001-01-070	40,000
Coinc Trauma Center	NOA	100001-20-000	11,000
Total Louisiana Department of Health and Human Resources			3,491,612
LOUISIANA DEPARTMENT OF EDUCATION			
YSC-Louisiana Program	93.101	00001	17,100
Total Louisiana Department of Education			17,100
LOUISIANA DEPARTMENT OF CULTURE, RECREATION AND TOURISM			
M.D.P.L. Title 44	94.004	1,3,5,6, Title 1	91,700
Total Louisiana Department of Culture, Recreation and Tourism			91,700
LOUISIANA DEPARTMENT OF FAMILY SECURITY			
Food Stamps	93.551	---	171,141,044
Food Stamps- Administrative Costs	93.551	---	1,007,000
Total Louisiana Department of Family Security			172,148,044
LOUISIANA DEPARTMENT OF PUBLIC SAFETY			
Red Light Enforcement	NOA	0700	7,000
Total Louisiana Department of Public Safety			7,000

* Denotes a Major Program.

See the Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR YEAR ENDED DECEMBER 31, 1996

PROGRAM TITLE	CFDA NUMBER	PROJECT NUMBER	EXPENDITURES
STATE OF LOUISIANA, FEDERAL AGENCIES CONTINUED			
Louisiana Commission on Law Enforcement			
Personnel Training Trip(s)	15-579	796-D-A-3-0000	1,000
Personnel Training Trip(s)	15-579	796-D-A-3-0000	11,202
Hardware Video Cam	15-579	9400000070001	11,478
Computer	15-579	95-09-01-1-0001	27,844
Information Systems Grant	15-579	9400000010070	9,783
Anti-Drug Administration	15-579	795-09-0000-0000	20,000
Transportation And Supplying II (NAB)	15-579	93-000-0007-0011	17,501
(NAB)	15-579	036-04-000	21,000
Crime (Help) Reduction-Child of Court	15-579	95-200-01-01-0014	15,948
Home Detention Program	15-579	95-09-01-01-0011	20,074
Home Detention Program	15-579	96-09-01-0001	61,000
Transportation and Supplying	15-579	79800000100000	17,071
Mobile Video Crime Lab	15-579	93-09004-00000	89,134
Drug Administration-Videoing Program (NAB)	15-579	9300000070070	11,050
(NAB)	15-579	036-04-000	1,000
DEP Keyboard Training Unit	15-579	93-0000100000	2,300
Police Training Supplement	15-579	94001000000	207,000
New Orleans Juvenile Center	15-579	899-00001	21,750
Crime Lab-Upgrade	15-579	1-95-0004	28,000
Lite Equipment Grant	15-579	90700-0001	17,148
F O S T Training	15-579	90704-0000	11,000
Total Louisiana Commission on Law Enforcement			1,703,499
Louisiana Department of Transportation and Development			
1 - 140-Sound Service	9676	150-03-0000	816,673
Eastern Project Management	9676	702-07-01	263,670
Eastern Corridor Sect 1	9676	702-07-01	12,000
Eastern Corridor Sect 2	9676	702-07-01	14,000
Eastern Corridor Sect 4	9676	702-07-01	15,747
Eastern Corridor Sect 5	9676	702-07-01	6,770
Eastern Corridor Sect 6	9676	702-07-01	22,077
Eastern Corridor Sect 7	9676	702-07-01	1,714,773
Eastern Corridor Sect 8	9676	702-07-01	29,620
Eastern Corridor Sect 9	9676	702-07-01	29,890
Eastern Corridor Sect 10	9676	702-07-01	4,739,700
Eastern Corridor Sect 11	9676	702-07-01	252,000
Eastern Corridor Sect 12	9676	702-07-01	147,000
Eastern Corridor Sect 13	9676	702-07-01	28,947
Eastern Corridor Sect 14	9676	702-07-01	880,700
Eastern Corridor Sect 15	9676	702-07-01	90,070
Eastern Corridor Sect 16	9676	702-07-01	629,300
Eastern Corridor Sect 17	9676	702-07-01	26,252
Eastern Corridor Sect 18	9676	702-07-01	37,260
Eastern Corridor Sect 19	9676	702-07-01	861,970
Eastern Corridor Sect 20	9676	702-07-01	200,400
Eastern Corridor Sect 21	9676	702-07-01	224,700
Total Louisiana Department of Transportation and Development			9,002,700

* Denotes a Major Program.

See the Notes to the Schedule of Federal Financial Assistance

**CITY OF NEW ORLEANS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR YEAR ENDED DECEMBER 31, 1998**

PROGRAM TITLE	CFDA NUMBER	PROJECT NUMBER	EXPENSES
DEPT. OF LOUISIANA PUBLIC SAFETY, CONTINUED			
Facility Planning and Control			
J.P. Sanchez Rehabilitation	NOA	86-6204-00B-1	394,732
Sturdy Park Improvement	NOA	75-6204-00B-12	299,878
Miller Barracks Repair	NOA	86-6204-00B-9	41,732
Uptown Irish Channel Crime Center	NOA	20-6204-00B-4	2,888
McDonough Comprehensive Clinic	NOA	86-6204-00B-10	873,000
Total Facility Planning and Control			1,592,230
Louisiana Department of Natural Resources			
Control Zoon Management	NOA	21-00-00-71	71,000
Total Louisiana Department of Natural Resources			71,000
Louisiana Department of Social Services			
Summer Youth Employment Initiative	NOA	150-01-00 (FY86-00002)	326,674
Total Louisiana Department of Social Services			326,674
Louisiana Department of Family Services			
Hearing Office Program	NOA	100-00004	271,234
Total Louisiana Department of Family Services			271,234
Louisiana Department of Labor			
FFA 00 (86-97)	11250	FY-86-11-00	1411,200
FFA 0A (84-04)	11250	FY-84-12-0A	11,046
FFA 0A (81-04)	11250	FY-81-11-0A	1,291,141
FFA 0A (80-07)	11250	FY-80-11-0A	664,291
FFA 0B (86-04)	11240	FY-85-00F	371,111
FFA 0B (86-01)	11240	FY-86-00F	611,267
FFA 0B (84-02) - (FL-0000)	11230	FY-84-00	276,234
Incentive Awards	11230	FY-84-00	41,410
Eight Percent (84-00)	11230	85-06-00, 175-0100	11,934
Eight Percent (84-07)	11230	4-06-075-1011-2	16,144
Eight Percent (85-06)	11230	175-0100, 175-0100-2	150,800
FFA 0C (84-01)	11250	FY-84-00	50,182
FFA 0C (80-04)	11230	FY-80-00	246,238
FFA 0C (86-01)	11250	FY-86-00	134,176
Total Louisiana Department of Labor			6,891,136
TOTAL STATE FINANCIAL ASSISTANCE			148,760,006
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			\$ 211,641,949

* Denotes a Major Program.

See the Notes to the Schedule of Federal Financial Assistance.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 1996

NOTE 1 - BACKGROUND:

The city of New Orleans, Louisiana, (the City) was incorporated in 1825. The City's system of government is established by its 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 administrative service. Education and welfare are administered by other governmental entities.

NOTE 2 - SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE:

The accompanying schedule of Federal Financial Assistance presents the activity of all Federal Financial Assistance programs of the City that were received directly from Federal agencies or passed through other local governmental agencies.

The City has prepared this Schedule of Federal Financial Assistance to comply with the provisions of Office of Management and Budget Circular A-129, Audits of State and Local Governments. OMB Circular A-129 stipulates that a schedule of Federal Financial Assistance be prepared showing total expenditures for each Federal Financial Assistance program as identified in the catalog of Federal Domestic Assistance and for other Federal financial assistance that has not been assigned a catalog number.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1996

NOTE 3 - BASIS OF ACCOUNTING/PRESENTATION:

Grant expenditures in the Schedule of Federal Financial Assistance 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 and indirect federal expenditures.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The preparation of the Schedule of Federal Financial Assistance in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amount of expenditures during the reporting period. Actual results could differ from these estimates.

NOTE 4 - QUESTIONED COSTS:

The City of New Orleans and certain sub-recipients who received funds from the City have expended certain federal grant funds in a manner that may have violated certain restrictive provisions of the related grants. The related questioned cost amounts pertinent to such actions are as follows:

FISCAL YEAR	Amount
City of New Orleans	
December 31, 1989 through	
December 31, 1995	\$1,488,349
December 31, 1996	828,611
Total	\$2,316,960

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1996

NOTE 4 - QUESTIONED COSTS, CONTINUED:

Sub-Recipients:	
As of December 31, 1994	\$1,390,138
As of December 31, 1995	____152,160
	\$1,442,298

The ultimate resolution or determination as to whether the questioned costs will be allowable or unallowable under the affected grants will be made by the various funding sources and cannot be determined at this time. As such, management of the City is presently unable to determine a reasonable estimate of the possible federal claims for refunds of the noted grant funds. Accordingly, no provision or adjustment has been made to the Schedule of Federal Financial Assistance.

NOTE 5 - INELIGIBLE/DISALLOWED AND QUESTIONED COSTS:

As of the date of this report, funding sources have reviewed the operations and activities of certain programs and have rendered determinations as detailed in the status of other audits performed by Federal Auditors. Such ineligible/disallowed and questioned costs aggregated \$19,234,485 and \$1,644,120, respectively as of December 31, 1996. When required, the repayment of the ineligible/disallowed costs is funded from non-federal funds.

However, the Schedule of Federal Financial Assistance has not been adjusted for any such repayments.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
(CONTINUED)
FOR THE YEAR ENDING DECEMBER 31, 1996

NOTE 4 - GRANTEE LOANS - UDAG:

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. Eleven individual loans are outstanding at December 31, 1996, totaling \$8,664,453 which bear interest at rates ranging from zero percent to 7 percent. These loans are receivable over a fifteen-to-thirty-year period and are recorded as deferred revenue at December 31, 1996. Once 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.

The future maturities of grantee loans receivable as of December 31, 1996, including interest receipts of \$19,044,809 are as follows (in thousands of dollars):

Year Ending December 31,	
1997	\$ 553,813
1998	553,813
1999	553,813
2000	553,813
2001	553,813
2002 and thereafter	24,368,950
	\$27,388,962

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1996

NOTE 7 - HUD SECTION 108 LOANS-

During both 1989 and 1990, the City 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 Hoffregalis and to the Historic Restoration, Inc., whose project includes the development of the "H. H. Holmes Property" for the following uses; namely, a first-class hotel, residential apartments, and a parking garage. These loans consist of notes originally totaling \$10,800,000 and bearing interest at either 8.70% to 8.75% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). As of December 31, 1996, the entire remaining balance of \$5,469,000 is recorded as a liability in the City of New Orleans' General Long-Term Debt Account Group.

The requirements to amortize the remaining Section 108 loan is as follows:

<u>H. H. Holmes Project</u>	<u>Interest</u>	<u>Principal</u>
1987	\$ 327,000	\$ 140,000
1988	328,000	175,000
1989	328,000	195,000
1990	317,000	210,000
2001	304,000	225,000
2002 thereafter	<u>288,000</u>	<u>5,469,000</u>
Total	\$1,922,000	\$5,469,000

TABLE 3

Culture and Recreation	Urban Development and Housing	Economic Development and Assistance	Debt Service	Total
\$ 13,977	\$ 11,661	\$ 6,832	\$ 43,470	\$ 69,939
14,689	11,848	8,836	49,359	84,532
13,693	13,815	9,628	52,324	89,460
15,378	15,350	11,427	51,334	93,489
16,393	3,371	-	21,864	41,628
18,760	245	-	36,338	55,343
17,812	-	-	45,539	63,351
15,469	4	-	44,796	59,269
18,714	221	-	48,759	67,694
17,824	358	-	45,128	63,310

CITY OF NEW ORLEANS, LOUISIANA

GENERAL AND COST SERVICE FUNDS EXPENDITURES BY FUNCTION
(GAAP BASIS)
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

Year	General Government (1)	Public Safety	Public Works	Health and Human Services
1987	\$ 75,300	\$ 89,038	\$48,355	\$12,856
1988	75,818	95,811	45,078	10,820
1989	75,350	103,769	46,608	10,320
1990	76,265	110,299	55,897	13,600
1991	128,815	110,405	95,600	14,264
1992	99,829	152,889	59,148	17,200
1993	88,627	134,272	57,850	15,819
1994	98,076	114,565	51,690	14,808
1995	101,588	115,126	95,686	12,570
1996	101,187	118,157	51,848	14,682

(1) General government expenditures include other financing uses.

TABLE 2

Interest Income	Contributions, Gifts and Donations (2)	Miscellaneous (3)	Debt Service	Total
\$12,965	\$ -	\$10,952	\$ 41,007	\$314,204
16,339	-	3,866	51,631	131,248
18,269	259	3,211	32,486	154,539
13,435	259	15,877	53,371	182,859
9,487	322	56,381	49,632	185,344
6,508	292	60,619	40,357	188,800
6,765	14,947	7,907	35,075	156,695
4,215	30,734	21,545	35,676	182,176
3,284	4,413	34,882	36,782	187,661
8,889	484	21,803	39,376	171,862

CITY OF NEW ORLEANS, LOUISIANA

GENERAL AND DEBT SERVICE FUNDS REVENUES BY SOURCE
(NON-GAAP BUDGETARY BASIS)
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

Year	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeits
1987	\$141,851	\$28,370	\$34,844	\$36,511	\$ 7,890
1988	146,308	31,459	38,389	34,514	7,328
1989	148,674	31,838	42,328	46,549	10,308
1990	171,324	31,752	50,370	33,526	6,684
1991	173,758	31,284	17,701	33,608	3,869
1992	183,234	32,591	30,630	37,434	11,682
1993	186,842	34,464	21,346	37,729	10,328
1994	187,337	32,139	18,345	36,637	10,834
1995	194,735	32,266	18,820	42,319	10,430
1996	198,265	34,639	17,008	41,778	10,498

(1) Other financing sources are included as miscellaneous income for years 1987 through 1995.

(2) Amounts for years 1985 through 1988 for contributions, gifts and donations are not available. Amounts are included in miscellaneous income.

TABLE 1

Culture and Recreation	Urban Development and Housing	Economic Development and Assistance	Debt Service	Total
\$14,339	\$30,963	\$ 8,762	\$ 43,176	\$311,151
14,876	11,173	8,169	48,340	322,554
13,687	33,815	9,628	32,324	345,647
19,384	35,156	11,427	31,334	387,773
18,384	1,658	-	25,064	372,516
18,767	232	-	36,128	354,233
17,145	2	-	48,339	396,662
17,885	2	-	46,796	383,362
18,838	243	-	40,338	381,713
17,869	336	-	6,414	333,346

CITY OF NEW ORLEANS, LOUISIANA

GENERAL AND DEBT SERVICE FUNDS EXPENDITURES BY FUNCTION
 (NON-GAAP BUDGETARY BASIS)
 LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

Year	General Government (1)	Public Safety	Public Works	Health and Human Services
1987	\$ 77,141	\$ 59,119	\$47,066	\$ 12,911
1988	78,480	60,666	48,367	12,654
1989	83,356	106,340	48,271	13,417
1990	79,688	123,640	55,245	15,686
1991	120,963	136,514	58,038	14,521
1992	82,318	152,717	57,383	16,738
1993	86,034	105,648	55,949	17,023
1994	81,321	125,634	57,684	14,830
1995	121,827	129,702	62,396	12,846
1996	105,856	128,800	49,748	14,381

(1) General government expenditures include other financing uses.

STATISTICAL SECTION
(Unaudited)

COMPONENT UNIT - PROPRIETARY FUNDS
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

Noncash financing activities:

During 1996, the New Orleans International Airport had noncash financing activities which consisted of \$7,100 of additions to property, plant and equipment which were directly funded by the Federal Aviation Administration.

(Continued)

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pointe-à- la-Croix Restoration Corporation	Géral Street Development Corporation	Total	
				1988	1989
\$ (28)	\$ (88)	\$ (7)	\$ (137)	\$ (131,346) (1,988)	\$ (88,704) 18,800
(118)	(173)	(4,943)	(5,224)	3,880 (20,341)	3,719 (12,892)
(38)	188	(488)	3,488	27,051 (20,384)	13,404 (21,888)
		(33)		6,073 9,508	8,719 21,845
				(1,544) (348)	- (248)
				11,448	18,751
				<u>25,243</u>	<u>(24,848)</u>
<u>(294)</u>	<u>(1,288)</u>	<u>(5,023)</u>	<u>(1,137)</u>	<u>(131,700)</u>	<u>(78,843)</u>
(1,448)	(5,218)	(378)	(187)	(87,348)	(84,832)
1,512	3,004	268		421,781	364,057
48	343	38		28,345	38,177
				-	1,280
<u>(290)</u>	<u>(273)</u>	<u>(278)</u>		<u>66,718</u>	<u>3,184</u>
340	44	(384)	37	(1,484)	2,384
<u>366</u>	<u>269</u>	<u>3,812</u>	<u>1,248</u>	<u>28,981</u>	<u>37,667</u>
<u>\$ 780</u>	<u>\$ 275</u>	<u>\$ 828</u>	<u>\$ 1,286</u>	<u>\$ 28,565</u>	<u>\$ 28,981</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

COMPONENT UNIT - PROPRIETARY FUNDS

COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

	Orleans Parish Communications District	Audubon Commission	New Orleans International Airport	Sewerage and Water Board
Cash flows from capital and related financing activities:				
Acquisition and construction of property and equipment	(1,443)	(8,878)	(56,985)	(43,514)
Increase in restricted assets		(1,558)		
Proceeds from property taxes allocated to construction		5,863		18
Principal payments on bonds payable		(1,800)	(4,435)	(9,890)
Capital contributed by Indians and state grants		1,619	24,987	501
Interest paid on bonds payable		(4,278)	(13,480)	(2,179)
Grants from Audubon Institute		6,873		
Proceeds from issuance of bonds		4,458		
Bond defeasance		(1,844)		
Bond issuance costs			359	
Passenger facilities charges collected			11,488	
Other		(318)	(3,883)	
Net cash used for capital and related financing activities	(1,443)	(7,320)	(34,143)	(54,353)
Cash flows from investing activities:				
Payments for purchase of investments				(379,456)
Proceeds from sale and maturities of investments	488		35,493	382,819
Interest and dividends on investments		1,072	7,426	39,271
Proceeds from repayment of loans made				
Net cash provided by (used for) investing activities	488	1,072	42,919	32,634
Net increase (decrease) in cash	305	(114)	(2,805)	181
Cash and cash equivalents, beginning of year	712	418	24,629	1,362
Cash and cash equivalents, end of year	\$ 1,017	\$ 304	\$ 21,824	\$ 1,543

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontaloe Building Restoration Corporation	Canal Street Development Corporation	Total	
				1995	1996
\$ 699	\$ 967	\$ 464	\$ 173	\$14,559	\$ 30,423
				(12,317)	(9,051)
187	371	231	315	44,035	41,669
				5,131	3,462
				1,079	996
				214	(217)
(5)	(24)	31	(279)	(5,481)	(2,799)
77	48		(866)	(33)	(4)
134		64		86	(225)
			(699)	(1,613)	(95)
	18	64	(5)	(103)	(498)
	4		368	38	368
				370	36
(64)	33	(33)	(37)	(1,254)	1,879
15	(5)		9	(5,244)	4,734
3		(39)		(94)	388
		(784)		(741)	(333)
				1,402	628
	18			18	(15)
<u>724</u>	<u>1,603</u>	<u>125</u>	<u>174</u>	<u>40,486</u>	<u>51,794</u>
		342		342	(136)
				-	792
				(299)	(299)
				1,999	2,147
				<u>1,815</u>	<u>1,817</u>
		<u>342</u>		<u>3,554</u>	<u>4,621</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

COMPONENT UNITS - PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Orleans Parish Communication District	Audubon Commission	New Orleans International Airport	Sewerage and Water Board
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (700)	\$ (1,878)	\$ 4,477	\$ 13,717
Less interest income received, included in investing activities				(13,317)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	408	4,808	13,366	25,098
Provision for claims				5,121
Provision for doubtful accounts			(306)	1,185
Decrease (increase) in current assets:				
Taxes receivable				214
Accounts receivable	(78)	68	(4,302)	(1,815)
Other receivables				89
Due from other funds	(21)			(81)
Due from primary government	(55)			
Inventory			188	(61)
Prepaid expenses and deposits			(43)	15
Other assets				
Increase (decrease) in current liabilities:				
Accounts payable	(418)	(878)	(814)	925
Other payable and accruals			(2,462)	(2,801)
Due to other funds	(28)			
Due to primary government	214		(210)	
Advances from other funds, net		1,412		
Deferred revenues	-----	-----	-----	-----
Net cash provided by (used for) operating activities	.. (310)	.. (468)	.. 9,842	.. 38,015
Cash flows from noncapital financing activities:				
Advances from primary government				
Payment of loans payable				
Essential equity transfers			608	
Other revenues	65			1,991
Dedicated taxes	1,815	-----	-----	-----
Net cash provided by (used for) noncapital financing activities	.. 1,880	-----	.. (608)	.. 1,991

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalite Building Restoration Corporation	Canal Street Development Corporation	Total	
				1996	1995
\$1,404	\$4,892	\$ 800	\$ 1,184	\$194,346	\$ 166,428
—	583	—	65	28,841	25,164
<u>1,404</u>	<u>5,475</u>	<u>—</u>	<u>1,249</u>	<u>223,187</u>	<u>191,592</u>
318	1,818	—	264	58,289	53,348
258	2,577	254	—	88,876	78,903
32	144	3	30	2,239	4,928
307	531	243	233	44,825	41,827
<u>5</u>	<u>—</u>	<u>18</u>	<u>198</u>	<u>12,628</u>	<u>11,822</u>
<u>802</u>	<u>4,630</u>	<u>266</u>	<u>647</u>	<u>208,029</u>	<u>181,822</u>
<u>498</u>	<u>987</u>	<u>494</u>	<u>521</u>	<u>14,081</u>	<u>20,426</u>
38	141	38	—	15,069	18,264
(358)	(441)	(644)	(151)	(22,199)	(23,312)
—	—	—	—	7,794	7,256
—	—	—	—	6,033	8,779
—	—	—	—	<u>12,734</u>	<u>11,433</u>
<u>(110)</u>	<u>81</u>	<u>(607)</u>	<u>(150)</u>	<u>18,451</u>	<u>22,696</u>
388	1,060	67	172	34,351	42,920
<u>388</u>	<u>(260)</u>	<u>—</u>	<u>—</u>	<u>(180)</u>	<u>—</u>
<u>388</u>	<u>800</u>	<u>67</u>	<u>172</u>	<u>34,171</u>	<u>42,920</u>
—	—	—	—	3,782	3,666
388	800	67	172	37,953	46,586
<u>2,632</u>	<u>3,382</u>	<u>5,724</u>	<u>694</u>	<u>949,658</u>	<u>803,373</u>
<u>\$3,823</u>	<u>\$6,922</u>	<u>\$4,781</u>	<u>\$ 868</u>	<u>\$987,841</u>	<u>\$ 848,922</u>

CITY OF NEW ORLEANS, LOUISIANA

COMPONENT UNITS - PROPRIETARY FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Orleans Parish Communication District	Audubon Commission	New Orleans International Airport	Sewerage and Water Board
Operating revenues:				
Charges for services		\$21,358	\$50,180	\$ 60,388
Tax revenues				18,941
Other	-----	388	-----	18,548
Total operating revenues	-----	21,746	50,180	141,727
Operating expenses:				
Personnel services	\$ 143	12,417	11,694	31,494
Contractual services	180	3,435	19,829	39,390
Materials and supplies	11	3,877	1,388	
Depreciation and amortization	408	4,008	13,386	25,098
Other	-----	280	-----	12,368
Total operating expenses	542	23,017	45,815	128,654
Operating income (loss)	(700)	15,059	4,477	13,113
Nonoperating revenues (expenses):				
Interest revenue	65	1,059	3,081	6,739
Interest expense		(4,184)	(14,794)	(2,244)
Dedicated taxes	1,916	3,861		17
Specific grants - The Audubon Institute, Inc.		6,073		
Other - net	-----	808	9,885	1,901
Total nonoperating revenues (expenses)	1,981	8,700	2,180	6,413
Income (loss) before transfers	1,279	4,683	6,607	30,146
Transfer out to primary government	1,279	4,683	6,607	30,146
Net income (loss)	-----	-----	-----	-----
Depreciation on fixed assets acquired by contributions	-----	-----	2,702	-----
Income (decrease) in retained earnings	1,279	4,683	18,269	30,146
Retained earnings/fund balance, beginning of year	3,818	65,885	35,497	821,209
Retained earnings/fund balance, end of year	\$ 5,097	\$ 70,568	\$ 53,766	\$ 851,355

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Peninsula Building Restoration Corporation	Canal Street Development Corporation	Total	
				1999	1998
	\$ 190	\$ 3	\$ 119	\$ 13,368	\$ 13,492
				3,252	3,944
\$ 115	396	32	9	23,245	24,120
				1,829	1,994
4	324	60		1,363	2,980
	26		5	21	33
<u>119</u>	<u>942</u>	<u>172</u>	<u>162</u>	<u>40,888</u>	<u>42,943</u>
				49	703
				6,923	9,896
	4	16		1,266	1,428
				3,175	7,950
60		170		6,585	4,371
	338			2,515	3,686
		36		5,822	6,966
<u>60</u>	<u>384</u>	<u>207</u>		<u>22,393</u>	<u>24,329</u>
<u>129</u>	<u>1,326</u>	<u>209</u>	<u>167</u>	<u>75,480</u>	<u>82,438</u>
				5,480	9,232
			6,222	6,283	6,293
2,420				61,089	67,323
	515	3,433		25,483	23,125
				(1,923)	(2,854)
				221,424	234,304
				1,456	1,244
<u>1,426</u>	<u>522</u>	<u>3,231</u>	<u>6,222</u>	<u>221,226</u>	<u>236,209</u>
<u>2,628</u>	<u>1,681</u>	<u>3,462</u>	<u>6,222</u>	<u>386,176</u>	<u>421,812</u>
	2,884		8,800	329,823	361,261
				188,962	99,216
				671,232	648,191
916	2,966			26,528	15,983
				68,286	83,947
<u>2,602</u>	<u>3,288</u>	<u>4,791</u>	<u>666</u>	<u>192,442</u>	<u>185,520</u>
<u>6,426</u>	<u>6,222</u>	<u>4,791</u>	<u>365</u>	<u>878,629</u>	<u>834,683</u>
<u>3,623</u>	<u>9,199</u>	<u>4,791</u>	<u>8,667</u>	<u>1,213,429</u>	<u>1,221,126</u>
<u>\$6,622</u>	<u>\$10,888</u>	<u>\$10,286</u>	<u>\$16,232</u>	<u>\$1,214,260</u>	<u>\$1,247,222</u>

CITY OF NEW ORLEANS, LOUISIANA

COMPONENT UNITS - PROPRIETARY FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Orleans Parish Communications District	Audubon Commission	New Orleans International Airport	Sewerage and Water Board
LIABILITIES AND EQUITY				
Current liabilities (payable from current assets)				
Accounts payable	\$ 150	\$ 1,049	\$ 4,508	\$ 6,420
Retainages payable				2,151
Other payables and accounts due to other component units	23	961	1,353	20,659
Due to primary government	206	367		180
Deferred revenues			189	128
Total current liabilities (payable from current assets)	379	1,417	6,050	29,738
Current liabilities (payable from restricted assets):				
Retainages payable				49
Capital projects payable			6,923	
Accrued interest		383	772	171
Limited tax bonds				7,179
Bonds payable, current portion		1,840	6,850	
Revenue bonds				2,159
Deposits and other		180		4,954
Total current liabilities (payable from restricted assets)		2,003	14,745	14,662
Total current liabilities	379	3,420	20,795	44,400
Long-term liabilities:				
Claims payable				3,499
Leases payable				
Limited tax bonds (not of current portion)		48,994		9,660
Revenue bonds (not of current portion)		12,682		7,115
Lease amortized discounts		(1,903)		
Refunding bonds (not of current portion and conventional lines on advance refunding)			223,434	
Other		890		560
Total long-term liabilities		60,563	223,434	21,234
Total liabilities	379	41,383	144,729	65,634
Equity:				
Contributed capital			187,234	150,794
Fund balances/reserved for employees' retirement system				198,960
Retained earnings:				
Reserved for property, plant and equipment				671,252
Reserved for bond debt service		2,290	16,708	16,344
Reserved for capital improvements			2,098	66,286
Unreserved	3,696	63,228	24,154	
Total retained earnings	3,696	65,518	42,954	183,882
Total fund equity	3,696	65,518	170,188	368,140
TOTAL LIABILITIES AND FUND EQUITY	\$3,420	\$134,408	\$426,827	\$1,033,644

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Peninsula Building Restoration Corporation	Coral Street Development Corporation	Total	
				1988	1989
\$ 347 539	\$ 214	\$ 318	\$ 386 1,080	\$ 1,890 15,539	\$ 31,526 9,788
	185			108,539	85,308
				88	300
28	133	41	588	19,715	25,282
	181		166	3,365	4,305
17			3	3,884	1,840
55			279	1,339	1,815
	29	17	8	6,386	6,270
				2,087	3,861
<u>846</u>	<u>713</u>	<u>386</u>	<u>2,273</u>	<u>162,963</u>	<u>156,841</u>
<u>484</u>		<u>30</u>		<u>4,480</u>	<u>3,849</u>
				4,953	4,671
				21,227	19,285
	108	1,088		30,823	2,341
	260			29,688	33,336
				2,800	2,080
	1,802			8,848	8,501
	888			126,777	177,314
				518	332
				8,888	8,453
<u>892</u>	<u>38</u>			<u>1,212</u>	<u>1,968</u>
<u>892</u>	<u>3,866</u>	<u>1,818</u>		<u>318,768</u>	<u>286,477</u>
<u>4,280</u>	<u>3,245</u>	<u>3,818</u>	<u>8,727</u>	<u>1,208,066</u>	<u>1,221,716</u>
	<u>36</u>	<u>314</u>	<u>8,227</u>	<u>24,936</u>	<u>28,039</u>
<u>\$6,632</u>	<u>\$10,480</u>	<u>\$11,285</u>	<u>\$16,207</u>	<u>\$1,214,280</u>	<u>\$1,453,212</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

COMPONENT UNITS - PROPRIETARY FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

ASSETS	Orleans Parish Communication District	Audubon Commission	New Orleans International Airport	Sewerage and Water Board
Current assets:				
Cash	\$ 961	\$ 302	\$ 3,789	\$ 1,271
Certificates of deposit			13,938	
Investments, at cost or amortized cost	150			108,191
Receivables (net of allowances for uncollectibles):				
Property taxes				88
Accounts	171	1,081	5,208	8,446
Accrued interest		69	3,846	2,220
Other	31			1,736
Due from other component units		887		140
Due from primary government	65		675	289
Inventory of supplies		383	243	3,778
Prepaid expenses and deposits		775	802	281
Total current assets	1,318	3,442	30,818	128,309
Advances to primary government			4,818	
Restricted assets - cash and investments:				
Customer deposits				4,850
Construction account				13,217
Current debt service account		4,500	3,827	498
Future debt service account			39,181	10,247
Debt redemption account				
Contingency (travel and replacement) account			2,001	
Operation and maintenance account		3,298	3,066	
Capital improvements		3,408	60,079	60,158
Borrow funds			319	
Health insurance reserve				8,508
Other				127
Total restricted assets		10,308	80,623	185,028
Property, plant and equipment - at cost, less accumulated depreciation	2,087	187,633	242,835	819,887
Other assets		17,853	4,431	2,087
TOTAL ASSETS	\$3,435	\$134,408	\$418,297	\$1,815,444

COMPONENT UNITS - PROPRIETARY FUNDS

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT G-3

COMPONENT UNITS - GOVERNMENTAL FUNDS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 YEAR ENDED DECEMBER 31, 1958 (AMOUNTS IN THOUSANDS)

	Downtown Development District	New Orleans Tourism Marketing Corporation	Total	
			1958	1957
REVENUES:				
Taxes	\$1,208	\$1,330	\$1,238	\$4,795
Interest income	415	18	434	395
Miscellaneous	5	1,800	1,805	1,819
Total revenues	<u>1,811</u>	<u>4,952</u>	<u>8,543</u>	<u>8,709</u>
EXPENDITURES:				
General government	1,770	1,410	3,187	3,968
Public works	1,871		1,871	770
Culture and recreation	40	1,281	1,321	1,285
Total expenditures	<u>3,681</u>	<u>4,708</u>	<u>7,991</u>	<u>7,041</u>
Excess of revenues over expenditures	306	46	352	1,168
Other, net	<u>(1,045)</u>	<u>46</u>	<u>(1,045)</u>	<u>(281)</u>
	(739)		(739)	287
FUND BALANCES, BEGINNING OF YEAR				
	<u>4,096</u>	<u>892</u>	<u>4,732</u>	<u>4,452</u>
FUND BALANCES, END OF YEAR				
	<u>\$1,924</u>	<u>\$ 709</u>	<u>\$4,648</u>	<u>\$ 4,719</u>

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT G-1

 COMPONENT UNITS - GOVERNMENTAL FUNDS
 COMBINED BALANCE SHEET
 DECEMBER 31, 1988 (AMOUNTS IN THOUSANDS)

ASSETS	Downtown Development District	New Orleans Tourism Marketing Corporation	Total	
			1988	1988
Cash	\$ 130	\$ 484	\$ 504	\$ 843
Investments, at cost or amortized cost	7,179		3,578	4,418
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	183		181	97
Accrued interest	76		76	-
Other	5		5	-
Due from other governments		456	465	456
Other assets	343	188	531	447
TOTAL ASSETS	\$8,216	\$1,118	\$9,437	\$8,305
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 10	\$ 338	\$ 348	\$ 476
Other payables and accruals	79	5	82	201
Due to primary government	3,645		3,645	350
Deferred revenues	27		27	27
Total liabilities	3,761	343	4,402	1,254
Contributed capital and other credits:				
Contributed capital		7	7	7
Investment in general fixed assets	324	61	385	315
Total contributed capital and other credits	324	68	392	322
Fund balance:				
Reserved for capital project	113		113	-
Unassigned:				
Designated for subsequent year's expenditures	3,284	76	3,284	3,191
Unassigned	614	613	1,247	963
Total fund balances	3,824	709	4,843	4,218
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$8,216	\$1,118	\$9,437	\$8,305

COMPONENT UNITS - GOVERNMENTAL FUNDS

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT F-1

SCHEDULE OF GENERAL BONDED SERVICE REQUIREMENTS UNTIL MATURITY
 DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

Year	General Obligations	
	Principal	Interest
1997	\$ 17,280	\$ 19,687
1998	16,000	18,460
1999	12,000	17,378
2000	10,000	16,307
2001	10,420	15,225
2002	10,870	14,143
2003	10,360	13,061
2004	10,074	12,056
2005	10,109	11,150
2006	10,008	10,244
2007	11,481	20,300
2008	11,609	20,771
2009	10,630	19,189
2010	10,348	18,499
2011	10,116	17,748
2012	9,817	17,047
2013	9,700	16,376
2014	9,590	15,705
2015	9,538	15,068
2016	9,458	14,418
2017	9,468	13,848
2018	9,534	13,298
2019	11,465	6,448
2020	10,465	4,500
2021	10,410	2,507
2022	1,535	480
2023	1,645	300
2024	1,760	200
2025	1,885	100
	<u>\$478,511</u>	<u>\$134,387</u>

DEBT SERVICE REQUIREMENTS

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
 YEAR ENDING DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

Function and Activity	General Fixed Assets January 1, 1998	Additions	Deductions	General Fixed Assets December 31, 1998
General government:				
The Council	\$ 532	\$ 45	\$ 1	\$ 576
The Mayor	4,634	202	4	4,832
Department of Law	69	38		107
Judicial and Paroleal	989	8		997
Department of Finance	1,215	27	3	1,249
Unattached Boards and Commissions	1,977	113		2,090
Department of Civil Service	132	6	1	137
General services	34			34
General government	<u>78,632</u>	<u>438</u>	<u>9</u>	<u>79,461</u>
Total general government	<u>88,044</u>	<u>458</u>	<u>9</u>	<u>88,481</u>
Public safety:				
Department of Police	16,535	2,434		18,969
Department of Fire	17,023	677		17,700
Department of Safety and Permits	1,887	3,512		5,399
Total public safety	<u>35,445</u>	<u>6,623</u>		<u>42,068</u>
Public works:				
Department of Public Works	6,157	378		6,535
Department of Sanitation	8,257	18		8,275
Department of Property Management	5,948	60		6,008
Department Utilities	80	2		82
Total public works	<u>20,442</u>	<u>458</u>		<u>20,903</u>
Health and human services:				
Department of Health	6,330	138	1	6,467
Department of Human Services	3,232	4		3,236
Total health and human services	<u>9,562</u>	<u>142</u>	<u>1</u>	<u>9,703</u>
Culture and recreation:				
Public Library	8,514	51		8,565
Cultural Commission	3,808			3,808
Department of Recreation	70,844	211		71,055
Total culture and recreation	<u>83,166</u>	<u>262</u>		<u>83,428</u>
Urban development and housing:	<u>3,151</u>	<u>51</u>		<u>3,202</u>
Economic development and assistance:	<u>62</u>			<u>62</u>
Construction in progress	<u>179,328</u>	<u>16,219</u>	<u>11,264</u>	<u>179,383</u>
Total general fixed assets	\$415,714	\$33,463	\$11,274	\$437,903

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT E-2

**SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
 DECEMBER 31, 1988 (AMOUNTS IN THOUSANDS)**

Function and Activity	Land	Buildings and Improvements	Equipment	Total
General government:				
The Council			\$ 536	\$ 536
The Mayor	\$ 448		4,844	4,844
Department of Law Judicial and Parochial			137	137
Department of Finance			997	997
Unaffiliated boards and commissions			1,249	1,249
Department of Civil Service		\$ 443	1,604	2,049
General services			137	137
General government	14,079	65,253	74	79,432
Total general government	<u>14,627</u>	<u>65,696</u>	<u>9,188</u>	<u>89,483</u>
Public safety:				
Department of Police	1,868	9,383	20,156	32,009
Department of Fire	893	7,893	8,813	17,689
Department of Safety and Permits		4,160	318	4,478
Total public safety	<u>2,761</u>	<u>21,438</u>	<u>29,279</u>	<u>54,028</u>
Public works:				
Department of Public Works		389	6,576	6,965
Department of Sanitation	17	6,464	1,366	8,217
Department of Property Management		1,852	1,097	4,024
Department Utilities			87	87
Total public works	<u>17</u>	<u>9,022</u>	<u>9,626</u>	<u>19,279</u>
Health and Human Services:				
Department of Health	49	4,852	1,867	6,871
Department of Human Services	180	3,352	403	4,335
Total health and human services	<u>229</u>	<u>8,204</u>	<u>2,270</u>	<u>10,929</u>
Culture and recreation:				
Public Library	478	7,879	1,036	9,364
Cultural Commission		3,582	339	3,964
Department of Recreation	12,224	84,814	2,897	99,935
Total culture and recreation	<u>12,702</u>	<u>91,465</u>	<u>4,272</u>	<u>108,439</u>
Urban development and housing			1,122	1,122
Economic development and assistance			82	82
Total general fixed assets allocated to functions	<u>\$ 30,516</u>	<u>\$ 172,588</u>	<u>\$ 38,149</u>	<u>248,420</u>
Construction in progress				178,381
Total general fixed assets				<u>\$ 427,801</u>

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT E-1

SCHEDULE OF GENERAL FIXED ASSETS BY ASSET CLASS AND SOURCE
DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

General fixed assets:	
Land	\$ 38,716
Buildings and improvements	172,535
Equipment	56,149
Construction in progress	<u>178,783</u>
Total general fixed assets	<u>\$ 446,183</u>
Investment in general fixed assets from:	
Special revenue funds	\$ 9,446
Capital projects funds:	
General obligation bonds	135,707
Federal grants	41,483
State grants	31,296
Miscellaneous capital funds	9,217
Gifts	2,840
Miscellaneous revenues	33,440
General fund revenues	80,337
Unidentified source [*]	<u>120,217</u>
Total investment in general fixed assets	<u>\$ 437,800</u>

* Purchases prior to January 1, 1982, for which a funding source could not be identified.

GENERAL FIXED ASSETS ACCOUNT GROUP

This account group is used to account for fixed assets which are not used in proprietary fund operations or accounted for in trust funds.

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT D-6

Page 2 of 2

AGENCY FUNDS

COMBINED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

	Balance January 1, 1996	Additions	Deductions	Balance December 31, 1996
ESCROW FUND				
ASSETS				
Cash	\$ 3,815	\$ 26,819	\$ 19,113	\$ 4,521
Certificates of deposit	18,815	4,734	6,988	16,561
Accounts receivable	15		15	-
Due from other funds	3	167	307	3
	<u>\$22,648</u>	<u>\$ 28,730</u>	<u>\$ 26,423</u>	<u>\$23,964</u>
LIABILITIES				
Accounts payable	\$ 524	\$ 75	\$ 86	\$ 513
Other payables and accruals	21,485	18,294	16,938	22,841
Due to other funds	799		565	234
	<u>\$22,808</u>	<u>\$ 18,369</u>	<u>\$ 17,589</u>	<u>\$23,588</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 28,172	\$ 198,139	\$ 206,425	\$ 20,886
Certificates of deposit	26,056	12,154	13,788	24,422
Accounts receivable	167	3,344	1,313	4,198
Due from other funds	8,196	24,393	25,089	7,500
Due from component units	28	458	391	65
Due from other governments	948	68	692	324
	<u>\$63,545</u>	<u>\$443,498</u>	<u>\$457,318</u>	<u>\$68,335</u>
LIABILITIES				
Accounts payable	\$ 3,118	\$ 3,435	\$ 4,760	\$ 793
Other payables and accruals	38,969	692,919	689,787	39,669
Due to other funds	28,561	31,833	29,344	30,049
Due to other governments	18,744	13,684	13,378	12,299
Due to component units	20	6,771	6,764	25
	<u>\$69,392</u>	<u>\$748,642</u>	<u>\$744,032</u>	<u>\$82,835</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT D-5

Page 1 of 2

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

	Balance January 1, 1996	Additions	Deductions	Balance December 31, 1996
CLEARING FUND				
ASSETS				
Cash	\$14,216	\$171,990	\$171,942	\$14,216
Certificates of deposit	3,808	3,808	6,808	3,808
Accounts receivable	132	4,313	666	3,909
Due from other funds	3,672	26,488	24,858	5,492
Due from component units	24	439	350	65
Due from other governments	660	66	404	322
	<u>\$18,512</u>	<u>\$418,584</u>	<u>\$409,962</u>	<u>\$48,395</u>
LIABILITIES				
Accounts payable	\$ 1,441	\$ 780	\$ 2,135	\$ 87
Other payables and accruals	4,096	679,356	669,386	5,116
Due to other funds	19,514	31,741	38,586	12,669
Due to other governments	30,194	12,684	11,179	31,699
Due to component units	70	6,721	6,766	71
	<u>\$55,315</u>	<u>\$731,372</u>	<u>\$728,052</u>	<u>\$48,395</u>
DEPOSIT FUND				
ASSETS				
Cash	\$ 641	\$ 3,485	\$ 4,476	\$ 1,858
Certificates of deposit	4,838	-	-	4,838
Accounts receivable	-	421	232	199
Due from other funds	531	-	249	278
Due from other governments	285	-	288	-
	<u>\$ 6,495</u>	<u>\$ 4,106</u>	<u>\$ 5,245</u>	<u>\$ 7,173</u>
LIABILITIES				
Accounts payable	\$ 174	\$ 2,582	\$ 2,542	\$ 174
Other payables and accruals	5,078	4,180	3,635	5,623
Due to other funds	288	81	94	275
	<u>\$ 5,470</u>	<u>\$ 6,774</u>	<u>\$ 6,271</u>	<u>\$ 6,172</u>

(Continued)

EXHIBIT D-8

Mrs. Otto Joachim	Sickles Legacy	Helen Adler Levy Library	Total	
			1986	1985
	\$ 29	\$ 4	\$ 33	\$ 33
	29	4	33	33
	29	4	33	33
\$ 1	102	25	127	127
\$ 1	\$ 172	\$ 29	\$ 201	\$ 201

CITY OF NEW ORLEANS, LOUISIANA

EXPENDABLE TRUST FUNDS - ENDOWMENT INCOME TRUST FUNDS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 YEAR ENDED DECEMBER 31, 1995 (AMOUNTS IN THOUSANDS)

	Isaac Delgado Memorial	John McDonogh School	Lafayette Cemetery No. 1 Under Will of Lilly Violet	Rehelle Zimmerman Trust
REVENUES:				
Contributions, gifts and donations	\$ 8			
Interest income	<u>11</u>			
Total revenues	<u>19</u>			
EXCESS OF REVENUES OVER EXPENDITURES	28			
FUND BALANCES, BEGINNING OF YEAR	<u>288</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 2</u>
FUND BALANCES, END OF YEAR	<u>\$ 316</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 2</u>

EXHIBIT D-4

Mrs. Otha Joachim	Ebbie's Legacy	Helen Aulter Levy Library	Total	
			1988	1995
	\$ 25		\$ 33	\$ 35
\$ 1	147	\$ 30	488	537
—	—	2	4	1
—	—	—	—	72
<u>\$ 1</u>	<u>\$ 172</u>	<u>\$ 32</u>	<u>\$ 524</u>	<u>\$ 643</u>
—	—	\$ 1	\$ 3	\$ 4
—	—	— 3	— 3	— 4
\$ 1	\$ 173	— 29	521	648
— 1	— 173	— 29	521	648
<u>\$ 1</u>	<u>\$ 173</u>	<u>\$ 32</u>	<u>\$ 524</u>	<u>\$ 647</u>

CITY OF NEW ORLEANS, LOUISIANA

EXPENDABLE TRUST FUNDS - ENDOWMENT INCOME TRUST FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 1966 (AMOUNTS IN THOUSANDS)

ASSETS	Isaac Delgado Memorial	John McDonogh School	Lafayette Cemetery No. 1 Under Will of Lily Violet	Mehala Zimmerman Tomb
Cash	\$ 1			
Certificates of deposit	297	\$ 7	\$ 4	\$ 2
Accounts receivable	1			
Due from other funds	—	—	—	—
TOTAL ASSETS	\$ 306	\$ 7	\$ 4	\$ 2
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	—	—	—	—
Total liabilities	—	—	—	—
FUND BALANCES:				
Unreserved - undesignated	\$ 306	\$ 7	\$ 4	\$ 2
Total fund balances	306	7	4	2
TOTAL LIABILITIES AND FUND BALANCES	\$ 306	\$ 7	\$ 4	\$ 2

EXHIBIT D-3

Simon Hardware	Kivents Club Lee Circle Sprinkler System	Ella West Freeman Foundation	Endowment Income	Total	
				1990	1989
\$ 1			\$ 45	\$ 163	\$ 374
<u>3</u>			<u>8</u>	<u>900</u>	<u>909</u>
<u>4</u>			<u>58</u>	<u>1,363</u>	<u>1,743</u>
				-	28
				13	71
				<u>593</u>	<u>1,840</u>
				<u>804</u>	<u>1,936</u>
4			50	409	(590)
<u>45</u>	<u>\$ 3</u>	<u>\$ 6</u>	<u>48</u>	<u>2,009</u>	<u>2,302</u>
<u>\$ 49</u>	<u>\$ 3</u>	<u>\$ 6</u>	<u>\$ 51</u>	<u>\$ 2,028</u>	<u>\$ 2,369</u>

EXHIBIT D-2

Simon Hersheim	Kiventa Club Lee Circle Sprinkler System	Ella West Freeman Foundation	Endowment Income	Total	
				1998	1999
\$ 3 46	\$ 7	\$ 8	\$ 32 488	\$ 145 3,711	\$ 403 6,401
					18
			4	135	144
				-	16
				8	819
				1	-
				<u>12</u>	<u>12</u>
<u>\$ 48</u>	<u>\$ 7</u>	<u>\$ 8</u>	<u>\$ 324</u>	<u>\$ 8,002</u>	<u>\$ 7,608</u>
			\$ 3	\$ 3	\$ 3
				1	37
				-	<u>3</u>
			<u>3</u>	<u>4</u>	<u>38</u>
<u>\$ 49</u>	<u>\$ 7</u>	<u>\$ 8</u>	<u>511</u>	<u>8,018</u>	<u>7,646</u>
<u>49</u>	<u>7</u>	<u>8</u>	<u>511</u>	<u>8,018</u>	<u>7,646</u>
<u>\$ 49</u>	<u>\$ 7</u>	<u>\$ 8</u>	<u>\$ 524</u>	<u>\$ 8,032</u>	<u>\$ 7,684</u>

CITY OF NEW ORLEANS, LOUISIANA

EXPENDABLE TRUST FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 1995 (AMOUNTS IN THOUSANDS)

	Delgado- Alberici Commission	Edward Blinner	Institute of Mental Hygiene	LaFayette Music	Pierre DeFrance- Jean of Arc
ASSETS					
Cash	\$ 14	\$ 98	\$ 5		
Certificates of deposit Investments, at cost or amortized cost	2,879	4,993	83	\$ 7	\$ 4
Receivables:		131			
Accounts					
Account interest					
Due from other funds	8				
Due from component units	1				
Other assets	13				
TOTAL ASSETS	<u>\$2,915</u>	<u>\$4,793</u>	<u>\$ 88</u>	<u>\$ 7</u>	<u>\$ 4</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					
Due to other funds	\$ 3				
Due to component units					
Total liabilities	3				
FUND BALANCES:					
Reserved for contingencies					
Unreserved - undesignated	2,912	4,793	88	7	4
Total fund balances	2,912	4,793	88	7	4
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,915</u>	<u>\$4,793</u>	<u>\$ 88</u>	<u>\$ 7</u>	<u>\$ 4</u>

Nonexpendable Trust Fund	Expendable Trust Funds	Agency Funds			Total	
		Clearing	Deposit	Encure	1996	1997
\$ 0	\$ 150	\$24,415	\$1,050	\$ 4,801	\$ 32,263	\$ 31,866
182	7,721	3,800	4,020	18,762	32,603	32,609
40					480,824	340,872
	150	3,800	390		4,210	311
					2,412	2,402
					4,898	1,130
	0	9,897	270	3	9,909	8,713
	1	65			66	26
		212			212	1,841
<u>1</u>	<u>12</u>	<u>38,384</u>	<u>4,760</u>	<u>18,765</u>	<u>61,909</u>	<u>59,832</u>
<u>\$280</u>	<u>\$8,032</u>	<u>\$46,308</u>	<u>\$6,152</u>	<u>\$23,366</u>	<u>\$117,024</u>	<u>\$419,076</u>
	\$ 0	\$ 87	\$ 174	\$ 521	\$ 1,877	\$ 3,277
\$ 1		5,218	3,810	32,762	34,699	32,965
	1	22,609	296	83	23,849	20,929
		13,299			12,299	10,244
		35			35	32
<u>1</u>	<u>4</u>	<u>48,888</u>	<u>6,110</u>	<u>32,846</u>	<u>79,899</u>	<u>68,432</u>
300					205	204
					418,033	344,891
	<u>8,038</u>	<u>3,800</u>	<u>4,020</u>	<u>18,762</u>	<u>8,038</u>	<u>2,569</u>
<u>300</u>	<u>8,038</u>	<u>3,800</u>	<u>4,020</u>	<u>18,762</u>	<u>445,266</u>	<u>352,734</u>
<u>\$306</u>	<u>\$8,032</u>	<u>\$49,388</u>	<u>\$6,152</u>	<u>\$23,366</u>	<u>\$117,150</u>	<u>\$419,136</u>

CITY OF NEW ORLEANS, LOUISIANA

TRUST AND AGENCY FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

ASSETS	Pension Trust Funds			Employee/ Retirement System
	Fire Fighters'		Police Old System	
	Old System	New System		
Cash	\$ 819	\$ 384	\$ 173	\$ 485
Certificates of deposit				
Investments	3,339	150,944	1,461	279,799
Receivables:				
Accounts				
Accrued interest	19	844	7	1,583
Other	2,894	489	196	577
Due from other funds				123
Due from component units				
Due from other governments				
Other assets	_____2	_____	_____2	_____364
TOTAL ASSETS	<u>\$3,861</u>	<u>\$152,261</u>	<u>\$1,879</u>	<u>\$278,889</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 39	\$ 183		\$ 48
Other payables and accruals	174	196		396
Due to other funds				
Due to other governments				
Due to component units	_____	_____	_____	_____
Total liabilities	<u>_____213</u>	<u>_____381</u>	<u>_____</u>	<u>_____444</u>
FUND BALANCES				
Reserved for:				
Endowments				
Employee retirement systems	5,658	151,980	\$ 1,879	178,446
Unreserved - undesignated	_____	_____	_____	_____
Total fund balances	<u>_____5,658</u>	<u>_____151,980</u>	<u>_____1,879</u>	<u>_____178,446</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$5,861</u>	<u>\$152,261</u>	<u>\$1,879</u>	<u>\$278,889</u>

TRUST AND AGENCY FUNDS

Pension trust funds are used to account for the accumulation of resources to be used for retirement annuities and death and disability benefits to employees covered by the various plans. Resources are contributed by employees at rates fixed by law, and by the City at amounts determined by actuarial study.

The nonresponsible trust fund is used to account for all monies and all property acquired by donation and to be held intact. Monies are to be invested with the principal remaining intact and income accounted for in separate responsible trust funds.

Expendable trust funds are used to account for all monies and all property acquired by donation for a designated purpose, not required to be held intact. Significant responsible trust funds are as follows:

Delgado-Alvarado Plantation Commission - Used to account for funds generated from the operation of a sugar cane plantation.

Edward Wigner - Used to account for approximately 13,000 acres of land and waterbottoms in Jefferson, St. John the Baptist and Lafourche Parishes, Louisiana from the estate of Edward Wigner to the City of NEW ORLEANS, LOUISIANA, as Trustee, for a 100 year charitable trust. The beneficiaries of the trust include the City of NEW ORLEANS, LOUISIANA as beneficiary for general charitable purposes, Charity Hospital of NEW ORLEANS, LOUISIANA, Tulane University and The Salvation Army. Specific portions of the land or the income from the land were also set aside for the establishment and maintenance of specified structures for certain other organizations operating within the City of NEW ORLEANS, LOUISIANA. This trust was created by an Act of Donation dated August 4, 1814.

Isaac Delgado-Alvarado - Used to account for funds which will benefit Delgado Community College.

Siddles Legacy - Used to account for funds designated to establish a city dispensary for gratuitous dispensing of medicine and medical advice to the poor.

Agency funds are used to account for all monies held by the City in a custodial capacity. Such monies are recorded as assets and equally offset by liabilities. These funds do not measure revenues, expenditures or expenses. The City's agency funds are as follows:

Clearing Fund - Used to account for money being held pending payment thereof to other funds as provided by law.

Deposit Fund - Used to account for money deposited under any ordinance or contract in connection with the exercise of any right or privilege for the purpose of guaranteeing performance of any obligation.

Excess Fund - Used to account for money paid to or deposited with any officer, department or board under protest or held subject to the proper determination of the rights of the City.

EXHIBIT G-4

Page 2 of 2

Private Grants	Federal Department of Social Service	Total	
		1995	1996
	1640	\$48,712	\$45,419
		1,459	1,214
		29	30
		674	718
		<u>5</u>	<u>-</u>
	841	85,998	85,480
	841	1,082	818
		1,280	1,258
		46	78
		11,260	14,679
		81	87
		14,837	16,947
		<u>6,899</u>	<u>8,598</u>
	841	48,715	43,761
		<u>2,114</u>	<u>1,640</u>
		87	-
		<u>2320</u>	<u>2320</u>
		<u>848</u>	<u>2320</u>
		1,180	1,179
<u>8 - 1</u>		<u>11,794</u>	<u>11,454</u>
<u>8 - 1</u>	<u>8 -</u>	<u>1,01,091</u>	<u>1,01,709</u>

(Continued)
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CITY OF NEW ORLEANS, LOUISIANA

**GRANT RECIPIENT FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)**

	Department of Education	Department of Culture, Recreation and Tourism	Department of Labor	Department of Resources	Traffic Court
REVENUES:					
Intergovernmental	\$ 28	\$ 91	\$ 1,188	\$ 37	
Program income					
Fees and forfeits					1 28
Interest income					
Contributions, gifts and donations	—	—	—	—	—
Total revenues	28	91	1,188	37	1 28
EXPENDITURES:					
General government					
Public safety					
Public works				17	29
Health and human services	24				
Culture and recreation		90			
Urban development and housing					
Economic development and assistance			1,189		
Total expenditures	24	90	1,189	17	29
Excess (deficiency) of revenues over expenditures	4				
Other financing uses:					
Operating transfers in					
Operating transfers out					
Total other financing uses	—	—	—	—	—
Excess of revenues and other financing sources over expenditures and other financing uses	4				
FUND BALANCES, BEGINNING OF YEAR	1	3	400	1	—
FUND BALANCES, END OF YEAR	5	3	400	1	—

Federal UDAG	Department of Economic Development	Federal Energy Grant	Louisiana Commission on Law Enforcement	Department of Health and Human Resources	Environmental Protection Agency	Louisiana Department of Public Safety
\$ 1,415			\$ 1,216	\$ 1,668	\$ 99	\$ 6
678						
<u>6</u>						
<u>1,315</u>			<u>1,216</u>	<u>1,668</u>	<u>99</u>	<u>6</u>
			1,164			6
				1,430	99	
167						
<u>151</u>			<u>1,264</u>	<u>1,430</u>	<u>99</u>	<u>6</u>
<u>1,478</u>				<u>149</u>		
				87		
<u>(588)</u>				<u>(116)</u>		
<u>(588)</u>				<u>(128)</u>		
1,279						
<u>10,478</u>	<u>\$.</u>	<u>\$.21</u>	<u>1,760</u>			
<u>\$11,312</u>	<u>\$.</u>	<u>\$.21</u>	<u>\$ 1,760</u>	<u>\$.</u>	<u>\$.</u>	<u>\$.</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

GRANT RECIPIENT FUNDS
 COMPARING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 YEAR ENDED DECEMBER 31, 1995 (AMOUNTS IN THOUSANDS)

	Department of Housing and Urban Development	Federal Justice Administration	Federal Emergency Management	Federal Health Administration	Education, Training, Employment and Social Services
REVENUES					
Intergovernmental	\$ 24,580	524		\$ 11,800	
Program income					
Fines and forfeits					
Interest income					
Contributions, gifts and donations					
Total revenues	<u>24,580</u>	<u>524</u>		<u>11,800</u>	
EXPENDITURES:					
General government		243			
Public safety					
Public works					
Health and human services				11,800	
Culture and recreation					
Urban development and housing	24,330				
Economic development and assistance					
Total expenditures	<u>24,330</u>	<u>243</u>		<u>11,800</u>	
Excess (deficiency) of revenues over expenditures					
Other financing uses:					
Operating transfers in					
Operating transfers out					
Total other financing uses					
Excess of revenues and other financing sources over expenditures and other financing uses					
FUND BALANCES, BEGINNING OF YEAR	<u>4</u>	<u>12</u>	<u>0</u>	<u>77</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 4</u>	<u>\$ 12</u>	<u>\$ 0</u>	<u>\$ 77</u>	<u>\$ 0</u>

EXHIBIT 6-1

Page 2 of 2

Private Grants	Federal Department of Social Service	Total	
		1990	1995
	\$ 144	\$ 4,349	\$ 5,765
		5,699	4,499
		10,048	10,269
\$ 1		1,079	716
	767	15,613	15,412
		-	372
<u>\$ 1</u>	<u>\$ 911</u>	<u>\$16,712</u>	<u>\$16,878</u>
	\$ 7	\$ 1,606	\$ 2,213
	904	13,131	14,657
		23	165
		<u>30,528</u>	<u>33,082</u>
	<u>911</u>	<u>31,439</u>	<u>33,247</u>
<u>\$ 1</u>		<u>12,992</u>	<u>11,794</u>
<u>1</u>		<u>12,992</u>	<u>11,794</u>
<u>\$ 1</u>	<u>\$ 911</u>	<u>\$16,712</u>	<u>\$16,878</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

GRANT RECIPIENT FUNDS

COMBING BALANCE SHEET

DECEMBER 31, 1994 (AMOUNTS IN THOUSANDS)

	Department of Education	Department of Culture, Recreation and Tourism	Department of Labor	Department of Resources	Traffic Court
ASSETS					
Cash	\$ 2				\$ 6
Certificates of deposit					
Grants from receivable					
Due from other funds	3	\$ 2	\$ 114		14
Due from other governments			1,043	\$ 37	
Due from component units	—	—	—	—	—
TOTAL ASSETS	\$ 5	\$ 2	\$ 1,157	\$ 37	\$ 20
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable			\$ 330		
Due to other funds			439	\$ 16	\$ 12
Due to other governments					25
Deferred revenues	—	—	—	—	—
Total liabilities	—	—	769	16	37
Fund balances:					
Unexpended:					
Designated for subsequent year's expenditures	\$ 5	\$ 2	400	1	—
Total fund balances	5	2	400	1	—
TOTAL LIABILITIES AND FUND BALANCES	\$ 5	\$ 2	\$ 1,169	\$ 17	\$ 37

Federal LEADS	Department of Economic Development	Federal Energy Grant	Louisiana Commission on Law Enforcement	Department of Health and Human Resources	Environmental Protection Agency	Louisiana Department of Public Safety
\$ 434 5,000 10,000		\$ 0	\$ 340	\$ 0,000		
5,168	\$ 15	07	1,004	160	\$ 20	\$ 0
<u>\$21,604</u>	<u>\$ 15</u>	<u>\$ 07</u>	<u>\$1,344</u>	<u>\$0,160</u>	<u>\$ 20</u>	<u>\$ 0</u>
\$ 1 100	\$ 15	\$ 0	\$ 21 600	\$ 60 1,110	\$ 20	\$ 0
<u>10,370</u>						
<u>10,000</u>	<u>15</u>	<u>0</u>	<u>604</u>	<u>1,170</u>	<u>20</u>	<u>0</u>
<u>11,371</u>		<u>07</u>	<u>700</u>			
<u>11,371</u>		<u>07</u>	<u>700</u>			
<u>\$22,600</u>	<u>\$ 15</u>	<u>\$ 07</u>	<u>\$1,364</u>	<u>\$1,330</u>	<u>\$ 20</u>	<u>\$ 0</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

GRANT RECIPIENT FUNDS
 COMBINED BALANCE SHEET
 DECEMBER 31, 1999 (AMOUNTS IN THOUSANDS)

	Department of Housing and Urban Development	Federal Justice Administration	Federal Emergency Management	Federal Health Administration	Education, Training, Employment and Social Services
ASSETS					
Cash	\$1,174	\$ 15			
Certificates of deposit					
Due from receivables					
Due from other funds	100			\$ 188	
Due from other governments	6,000	389	\$ 48	1,115	\$ 24
Due from component units	—	—	—	—	—
TOTAL ASSETS	\$8,274	\$304	\$ 48	\$1,303	\$ 24
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 349	\$ 2		\$ 608	
Due to other funds	6,470	190	\$ 48	615	\$ 24
Due to other governments	—	—	—	—	—
Deferred revenues	—	—	—	—	—
Total liabilities	6,819	192	\$ 48	1,223	24
Fund balances:					
Unexpended:					
Designated for subsequent year's expenditures	—	12	—	27	—
Total fund balances	—	12	—	27	—
TOTAL LIABILITIES AND FUND BALANCES	\$8,818	\$204	\$ 48	\$1,250	\$ 24

SPECIAL REVENUE FUNDS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 YEAR ENDED DECEMBER 31, 1995 (AMOUNTS IN THOUSANDS)

	Plant A-Tree Campaign	Municipal Endowment- Coe Cable	Capital Improvement and Infrastructure	Grant Resident Funds	Total	
					1995	1994
REVENUES:						
Taxes			\$ 860		\$ 4,215	\$ 4,087
Intergovernmental				\$48,742	48,742	43,419
Program income				1,483	1,990	1,214
Fines and forfeits				29	2,112	2,371
Interest income	\$ 11			634	1,303	1,394
Contributions, gifts and donations		\$1,245		4	3,481	1,769
Miscellaneous					80,428	2,968
Total revenues	11	2,245	860	50,598	51,663	56,213
EXPENDITURES:						
General government				1,093	4,857	4,371
Public safety				1,350	1,335	1,968
Public works				46	962	78
Health and human services	35			13,240	13,488	14,802
Culture and recreation		35		93	208	1,219
Urban development and housing				24,837	26,755	26,314
Economic development and assistance				5,108	18,822	13,828
Total expenditures	35	35		46,275	58,727	56,219
Excess (deficiency) of revenues over expenditures	(94)	2,210	860	3,323	13,936	2,895
Other financing sources (uses):						
Operating transfers in				83	2,080	2,182
Operating transfers out				(832)	(11,189)	(3,483)
Total other financing sources (uses)				(749)	(9,109)	(1,301)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(94)	2,210	860	2,574	2,227	2,796
FUND BALANCES, BEGINNING OF YEAR	288	324	-	11,764	23,484	19,764
FUND BALANCES, END OF YEAR	\$245	\$2,824	\$860	\$13,987	\$25,787	\$ 21,564

New Orleans Film Commission	New Orleans Special Events	Vieux Carre Commission	Vieux Carre Restoration	Public Library Donations	Sanitation Recycling
\$ 1	\$ 2			\$ 9	\$ 1
<u>143</u>	<u>2</u>	<u>---</u>	<u>---</u>	<u>8</u>	<u>1</u>
<u>144</u>	<u>2</u>	<u>---</u>	<u>---</u>	<u>8</u>	<u>1</u>
300				4	
<u>300</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>4</u>	<u>---</u>
<u>48</u>	<u>2</u>	<u>---</u>	<u>---</u>	<u>3</u>	<u>1</u>
<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
41	2			5	1
<u>26</u>	<u>\$ 35</u>	<u>\$ 37</u>	<u>1</u>	<u>12</u>	<u>40</u>
<u>\$ 67</u>	<u>\$ 37</u>	<u>\$ 37</u>	<u>\$ 1</u>	<u>\$ 17</u>	<u>\$ 41</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

SPECIAL REVENUE FUNDS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

	New Orleans Police Department - Crime Prevention	New Orleans Police - Officer's Friends	Asset Seizure	New Orleans Star on Drugs	New Orleans Recreation Department
REVENUES:					
Taxes					
Intergovernmental					
Program income					
Fees and forfeits					
Interest income		\$ 1	\$ 27		
Contributions, gifts and donations			160		
Miscellaneous	---	---	---	---	---
Total revenues	---	1	187	---	---
EXPENDITURES:					
General government					
Public safety			65		
Public works					
Health and human services					
Culture and recreation					
Urban development and housing					
Economic development and assistance					
Total expenditures	---	---	65	---	---
Excess (deficiency) of revenues over expenditures	---	1	45	---	---
Other financing sources (uses):					
Operating transfers in					
Operating transfers out	---	---	---	---	---
Total other financing sources (uses)	---	---	---	---	---
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		1	45		
FUND BALANCES, BEGINNING OF YEAR	<u>\$ 1</u>	<u>-</u>	<u>502</u>	<u>\$ 8</u>	<u>\$ 49</u>
FUND BALANCES, END OF YEAR	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 547</u>	<u>\$ 8</u>	<u>\$ 49</u>

Traffic Court Judicial Expenses	Municipal Court Judicial Expenses	Sidewalk Paving and Repairing	Paving and Lien Service R & Prior	Special Event	Adopt a Pothole Program	Department of Safety and Permits - Demolition
\$1,200	\$ 348				\$ 34	
<u>1,200</u>	<u>348</u>	<u>---</u>	<u>---</u>	<u>\$ 34</u>	<u>34</u>	<u>---</u>
2,391	1,466		\$ 36	18	85	
<u>2,391</u>	<u>1,466</u>	<u>---</u>	<u>36</u>	<u>18</u>	<u>85</u>	<u>---</u>
<u>(1,880)</u>	<u>880</u>	<u>---</u>	<u>(36)</u>	<u>3</u>	<u>(29)</u>	<u>---</u>
<u>1,112</u>	<u>881</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<u>1,892</u>	<u>881</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
31	(88)		(34)	3	(29)	
<u>9</u>	<u>48</u>	<u>\$ -</u>	<u>36</u>	<u>-</u>	<u>48</u>	<u>\$ 78</u>
<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 16</u>	<u>\$ 78</u>

CITY OF NEW ORLEANS, LOUISIANA

SPECIAL REVENUE FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	New Orleans Economic Development	Neighborhood Housing Improvement	Environment Improvement	Rivergate Special Fund	Rivergate Development Corporation
REVENUES:					
Taxes	\$ 1,618	\$ 1,600			
Intergovernmental					
Program income	135				
Fees and forfeits			\$ 333		
Interest income	479	300			
Contributions, gifts and donations					
Miscellaneous		178			\$ 10,244
Total revenues	<u>3,272</u>	<u>3,048</u>	<u>333</u>	<u>—</u>	<u>10,244</u>
EXPENDITURES:					
General government					
Public safety					
Public works					
Health and human services			128		
Culture and recreation					
Urban development and housing		1,918			
Economic development and assistance	3,930			\$ 20	723
Total expenditures	<u>3,930</u>	<u>1,918</u>	<u>128</u>	<u>20</u>	<u>723</u>
Excess (deficiency) of revenues over expenditures	<u>(1,658)</u>	<u>— 28</u>	<u>205</u>	<u>(20)</u>	<u>6,521</u>
Other financing sources (uses):					
Operating transfers in					
Operating transfers out					<u>(10,244)</u>
Total other financing sources (uses)					<u>(10,244)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,658)</u>	<u>28</u>	<u>205</u>	<u>(20)</u>	<u>(713)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,212</u>	<u>1,190</u>	<u>245</u>	<u>698</u>	<u>1,647</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,554</u>	<u>\$ 1,218</u>	<u>\$ 450</u>	<u>\$ 678</u>	<u>\$ 934</u>

SPECIAL REVENUE FUNDS
COMBINED BALANCE SHEET
DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

	Plant a-Tree Campaign	Municipal Endowment- Coe Cable	Capital Improvement and Infrastructure	Grant Recipient Funds	Total	
					1996	1995
ASSETS						
Cash	\$ 45	\$ 412	235	\$ 4,289	\$ 8,678	\$ 8,167
Certificates of deposit	280	97		5,696	16,283	8,656
Investments, at cost or amortized cost					5,454	13,266
Accounts receivable (net, where applicable, of allowances for uncollectibles)			16		674	516
Grants from receivable				19,378	10,178	13,889
Due from other funds		2,369		1,179	6,253	2,813
Due from other governments				16,673	16,673	13,412
Due from component units	-----	-----	-----	-----	303	412
TOTAL ASSETS	\$245	\$2,824	\$892	\$38,125	\$68,469	\$63,611
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable				\$ 1,686	\$ 1,996	\$ 4,269
Due to other funds				13,131	26,057	21,260
Due to other governments				25	25	866
Deferred revenues				18,378	10,378	13,168
Advances from other funds					353	262
Due to component units	-----	-----	-----	-----	86	-----
Total liabilities	-----	-----	-----	35,180	38,793	39,617
Fund balances:						
Reserved for encumbrances					138	5,664
Unreserved:						
Designated for subsequent years' expenditures	\$ 18		\$ 892	13,987	16,310	12,565
Undesignated	215	\$2,824		-----	9,321	3,785
Total fund balances	245	2,824	892	13,987	25,767	23,214
TOTAL LIABILITIES AND FUND BALANCES	\$245	\$2,824	\$892	\$38,125	\$68,469	\$63,611

(Continued)

New Orleans Film Commission	New Orleans Special Events	Vieux Carre Commission	Vieux Carre Restoration	Public Library Donations	Sanitation Recycling
\$ 3 60	\$ 3 54	\$ 57	\$ 1	\$ 18	\$ 4 37
1					
3					
<u>\$ 67</u>	<u>\$ 57</u>	<u>\$ 57</u>	<u>\$ 1</u>	<u>\$ 18</u>	<u>\$ 41</u>
				\$ 1	
---	---	---	---	---	---
---	---	---	---	<u>1</u>	---
\$ 67	\$ 57	\$ 57	\$ 1	<u>18</u>	\$ 41
<u>67</u>	<u>57</u>	<u>57</u>	<u>1</u>	<u>17</u>	<u>41</u>
<u>\$ 67</u>	<u>\$ 57</u>	<u>\$ 57</u>	<u>\$ 1</u>	<u>\$ 18</u>	<u>\$ 41</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

SPECIAL REVENUE FUNDS
 COMBINED BALANCE SHEET
 DECEMBER 31, 1988 (AMOUNTS IN THOUSANDS)

	New Orleans Police Department - Crime Prevention	New Orleans Police Department - Officer's Funds	Asset Seizure	New Orleans War on Drugs	New Orleans Recreation Department
ASSETS					
Cash		\$ 1	\$ 43	\$ 8	\$ 49
Certificates of deposit	\$ 1		967		
Investments, at cost or amortized cost					
Accounts receivable (net, where applicable, of allowance for uncollectible)					
Grants receivable					
Due from other funds					
Due from other governments					
Due from component units	—	—	—	—	—
TOTAL ASSETS	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 980</u>	<u>\$ 8</u>	<u>\$ 49</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					
Due to other funds					
Due to other governments					
Deferred revenues					
Advances from other funds					
Due to component units	—	—	—	—	—
Total liabilities	—	—	—	—	—
Fund balances:					
Reserved for encumbrances					
Unreserved:					
Designated for subsequent year/ expenditures					
Undesignated	\$ 1	\$ 1	\$ 980	\$ 8	\$ 49
Total fund balances	<u>1</u>	<u>1</u>	<u>980</u>	<u>8</u>	<u>49</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 980</u>	<u>\$ 8</u>	<u>\$ 49</u>

Traffic Court Judicial Expense	Municipal Court Judicial Expense	Sidewalk Paving and Repairing	Paving and Lies <u>2000</u> R & Prior	Special Event	Adopt a Pothole Program	Department of Safety and Permits - Demolition
\$115 668		\$ 1 1		\$ 1 5	\$ 3 13	\$ 33 904
4	\$ 353					281
85	883					14
<u>10</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> 3</u>
<u>\$951</u>	<u>\$1,234</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 16</u>	<u>\$428</u>
\$ 67 844	\$ 46 1,902					\$160
	86	\$ 2				390
<u>691</u>	<u>1,988</u>	<u> 2</u>	<u> </u>	<u> </u>	<u> </u>	<u>390</u>
<u> 10</u>	<u> </u>	<u> </u>	<u> </u>	<u>\$ 3</u>	<u>\$ 16</u>	<u> 53</u>
<u> 20</u>	<u> </u>	<u> </u>	<u> </u>	<u> 3</u>	<u> 16</u>	<u> 79</u>
<u>\$951</u>	<u>\$1,234</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 16</u>	<u>\$428</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

SPECIAL REVENUE FUNDS
 COMBINED BALANCE SHEET
 DECEMBER 31, 1986 (AMOUNTS IN THOUSANDS)

	New Orleans Economic Development	Neighborhood Housing Improvement	Environmental Improvement	Rivergate Special Fund	Rivergate Development Corporation
ASSETS					
Cash		\$ 343	\$ 85	\$ 79	\$ 1,903
Certificates of deposit investments, at cost or amortized cost		1,367	315	608	1,478
Accounts receivable (net, when applicable, of allowances for uncollectibles)	\$4,047				
Grants receivable	9	19			
Due from other funds	22	90	43		1,558
Due from other governments			8		172
Due from component units					
TOTAL ASSETS	<u>\$4,125</u>	<u>\$2,001</u>	<u>\$441</u>	<u>\$687</u>	<u>\$3,611</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 37	\$ 15			\$ 4
Due to other funds	472	244			18,241
Due to other governments					
Deferred revenues					
Advances from other funds					
Due to component units					
Total liabilities	<u>509</u>	<u>259</u>			<u>18,245</u>
Fund balances:					
Reserved for encumbrances Unassigned:	125				
Designated for subsequent year's expenditures	1,791	482	\$ 97	\$ 12	56
Unassigned	<u>1,998</u>	<u>1,258</u>	<u>484</u>	<u>662</u>	<u>899</u>
Total fund balances	<u>3,814</u>	<u>1,724</u>	<u>481</u>	<u>674</u>	<u>955</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$4,125</u>	<u>\$2,001</u>	<u>\$441</u>	<u>\$678</u>	<u>\$3,611</u>

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Significant special revenue funds are as follows:

New Orleans Economic Development - Used to account for funds allocated to programs designed to alleviate economic development problems, improve quality of life and provide jobs for the citizens of New Orleans.

Neighborhood Housing Improvement - Used to account for funds allocated to programs which repair and renovate housing in low income areas.

Rivergate Special Fund - Used to account for funds received from the Rivergate parking facilities which have been earmarked for payment to the Audubon Commission as per the "Riverfront Economic Development Agreement."

Rivergate Development Corporation - Used to account for and oversee the development of the future land-based casino site.

Asset Seizure - Used to account for property confiscated from drug dealers by the police department to be used for crime fighting measures.

Grant Acquired Funds - Used to account for grants and other state and federal financial assistance.

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL,

YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Urban development and housing general services - community development:			
Personal services	329	329	-
Other operating expenditures	<u>15</u>	<u>12</u>	<u>3</u>
Total urban development and housing	<u>329</u>	<u>326</u>	<u>3</u>
Debt service:			
Principal	4,045	4,045	-
Interest and fiscal charges	<u>2,369</u>	<u>2,369</u>	<u>-</u>
Total debt service	<u>6,414</u>	<u>6,414</u>	<u>-</u>
Total expenditures	<u>329,036</u>	<u>329,346</u>	<u>3,790</u>
Other financing uses:			
Operating transfers out	3,983	3,989	(6)
Appropriations from prior year's fiscal balance	10,386	10,386	-
Other, net	<u> </u>	<u>719</u>	<u>(719)</u>
Total other financing uses	<u>12,369</u>	<u>12,736</u>	<u>(367)</u>
Total expenditures and other financing uses	<u>\$341,405</u>	<u>\$342,082</u>	<u>\$ 5,173</u>

(Continued)

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET (FUND-GAAP BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Culture and recreation:			
Public Library:			
Personal services	4,488	4,488	400
Other operating expenditures	1,727	1,728	1
	<u>5,165</u>	<u>5,168</u>	<u>401</u>
Historical District Landmarks Commission:			
Personal services	384	380	4
Other operating expenditures	47	30	17
	<u>351</u>	<u>390</u>	<u>21</u>
Vieux Carré Commission:			
Personal services	373	332	1
Other operating expenditures	24	21	3
	<u>397</u>	<u>393</u>	<u>4</u>
Museum of Art:			
Other operating expenditures	313	317	-
	<u>313</u>	<u>317</u>	<u>-</u>
Paribus and Parks Commission:			
Personal services	4,888	4,971	12
Other operating expenditures	1,046	1,174	15
	<u>6,173</u>	<u>6,188</u>	<u>27</u>
Department of Recreation:			
Personal services	4,338	4,316	16
Other operating expenditures	1,118	1,100	17
	<u>5,448</u>	<u>5,417</u>	<u>31</u>
Total culture and recreation	<u>18,552</u>	<u>17,868</u>	<u>484</u>

(Continued)

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Public works (continued):			
Department of Sanitation:			
Personal services	1,725	1,708	17
Other operating expenditures	16,674	16,472	202
	<u>18,400</u>	<u>18,180</u>	<u>220</u>
Department of Property Management:			
Personal services	6,769	6,712	57
Other operating expenditures	3,220	3,058	162
	<u>10,000</u>	<u>9,770</u>	<u>230</u>
Department of Utilities:			
Personal services	104	106	(2)
Other operating expenditures	4,036	4,016	20
	<u>4,140</u>	<u>4,122</u>	<u>18</u>
Total public works	<u>38,540</u>	<u>38,140</u>	<u>400</u>
Health and human services:			
Department of Health:			
Personal services	8,559	8,558	1
Other operating expenditures	3,720	3,536	184
	<u>12,279</u>	<u>12,094</u>	<u>185</u>
Department of Human Services:			
Personal services	1,040	1,005	35
Other operating expenditures	336	331	9
	<u>1,376</u>	<u>1,336</u>	<u>40</u>
Total health and human services	<u>13,655</u>	<u>13,430</u>	<u>225</u>

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (unfavorable)
General government (continued):			
Department of Civil Service:			
Personal services	1,655	1,652	3
Other operating expenditures	<u>148</u>	<u>148</u>	<u>0</u>
	<u>1,804</u>	<u>1,800</u>	<u>4</u>
General services:			
Personal services			
Other operating expenditures	<u>815</u>	<u>815</u>	<u>0</u>
	<u>815</u>	<u>815</u>	<u>0</u>
Total general government	<u>105,292</u>	<u>105,886</u>	<u>3,486</u>
Public safety:			
Department of Police:			
Personal services	75,055	75,055	
Other operating expenditures	<u>7,385</u>	<u>7,866</u>	319
	<u>82,440</u>	<u>82,921</u>	319
Department of Fire:			
Personal services	55,844	55,442	402
Other operating expenditures	<u>2,445</u>	<u>2,445</u>	-
	<u>58,289</u>	<u>57,887</u>	402
Department of Safety and Permits:			
Personal services	2,505	2,504	1
Other operating expenditures	<u>175</u>	<u>197</u>	18
	<u>2,680</u>	<u>2,701</u>	19
Total public safety	<u>139,140</u>	<u>139,980</u>	740
Public works:			
Department of Public Works:			
Personal services	9,219	9,198	21
Other operating expenditures	<u>7,407</u>	<u>7,277</u>	30
	<u>16,626</u>	<u>16,475</u>	31

(Continued)

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED DECEMBER 31, 1995 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
General government:			
The Council:			
Personal services	\$ 2,946	\$ 2,945	\$ 11
Other operating expenditures	4,568	4,241	327
	<u>7,514</u>	<u>7,186</u>	<u>328</u>
The Mayor:			
Personal services	9,454	9,782	79
Other operating expenditures	26,183	27,538	2,298
	<u>35,637</u>	<u>37,320</u>	<u>2,671</u>
Department of Law:			
Personal services	3,189	3,139	18
Other operating expenditures	1,933	1,828	105
	<u>5,122</u>	<u>4,967</u>	<u>112</u>
Judicial and paraprof:			
Personal services	4,714	4,700	1
Other operating expenditures	27,696	26,989	144
	<u>32,410</u>	<u>31,689</u>	<u>147</u>
Department of Finance:			
Personal services	8,543	8,542	1
Other operating expenditures	23,467	23,487	-
	<u>32,010</u>	<u>32,029</u>	<u>1</u>
Unattached boards and committees:			
Personal services	1,835	1,829	6
Other operating expenditures	841	714	117
	<u>2,676</u>	<u>2,543</u>	<u>123</u>

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Other financing sources:			
Opening transfers in	30	11,398	11,145
Transfers in from component unit		500	500
Reduction in prior year's outstanding contingencies		<u>5,452</u>	<u>5,452</u>
Total other financing sources	<u>30</u>	<u>17,350</u>	<u>17,097</u>
 Total revenues and other financing sources	 <u>\$135,843</u>	 <u>\$190,633</u>	 <u>\$ 54,790</u>

(Continued)

Subsequent Event - On January 1, 1997, the City issued \$50,000,000 in Public Improvement Bonds. The Bonds are being issued for improvements to streets, parks, court buildings, House of Detention and central hall-way, and the acquisition, construction, improvements and renovation to public buildings.

Other General Long-term Debt - The following is a summary of other liabilities recorded in the general long-term debt account group for the year ended December 31, 1995 (amounts in thousands):

	Balance January 1, 1995	Additions	Debitons	Balance December 31, 1995
Claims and judgments (Note 11)	\$ 111,633	\$48,537	\$ 42,483	\$ 117,797
Landfill closing costs (Note 12)	15,278		1,800	13,468
Accrued annual and work lease (Note 1)	48,804	1,181		49,985
Payment due to the Auditing Commission (Note 8)	1,824		56	1,790
State of Louisiana World Exposition loans (see below)	9,013		825	8,188
Due to Municipal and State Police Employees' Retirement System (MSPERS) (see below)	80,619	4,379	2,614	82,375
BLUD Section 308 loan (see below)	3,600		140	3,460
Contributions of individuals (see below)	33,908		4,045	30,453
BLUD and BDL for disallowed costs (see below)	<u> </u>	<u>18,850</u>	<u> </u>	<u>18,850</u>
Total	<u>\$ 385,279</u>	<u>\$ 63,901</u>	<u>\$ 51,923</u>	<u>\$ 438,658</u>

The City established a \$15,800,000 line of credit, bearing interest at 8.1% to 8.65% with the State of Louisiana (the State) to provide funds for public works, repairs, affectation of services and renovations related to the 1984 Louisiana World Exposition (the Exposition) with an interest rate equal to the rate paid by the State on its general obligation bonds to which the line of credit is related. The line of credit was secured by funds generated from a special tax that was added to the price of admission tickets to the Exposition and a special sales tax on purchases made within the boundaries of the Exposition site. As of December 31, 1995, the amount owed to the State under this line of credit is \$8,182,000, all of which is recorded as a liability in the general long-term debt account group.

The City's debt service fund is held by the Board of Liquidation, City Debt (the Board of Liquidation), an autonomous, self-perpetuating board created under the Louisiana Constitution of 1874. 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.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. At December 31, 1996, the City is in compliance with all such significant limitations and restrictions.

Advance Refundings - 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 combined balance sheet. Refunded bonds at December 31, 1996 are as follows (amounts in thousands):

1986 General Obligation Bonds	\$ 31,389
1987 Public Improvement General Obligation Bonds	45,470
1988 Public Improvement General Obligation Bonds	35,160
1992 Public Improvement General Obligation Bonds	28,905
	<u>\$140,924</u>

Bonds payable at December 31, 1996 are comprised of the following (all bonds are serial bonds):

Description	Original Issue (in thousands of dollars)	Range of Average Interest Rates	Amount Outstanding (in thousands of dollars)
General obligation bonds:			
1968-69 Public Improvement Bonds, due in annual installments ranging from \$11,340,000 to \$285,080 through November 2029	\$ 539,150	4.50 to 7.88	\$ 47,710
1986 General Obligation Refunding Bonds, due in annual installments ranging from \$760,080 to \$4,151,510 through December 2004	135,503	7.24	2,260
1991 General Obligation Refunding Bonds, due in annual installments ranging from \$1,648,000 to \$24,282,000 commencing September 2004 through September 2021	179,881	7.87	179,881
1995 General Obligation Refunding Bonds, due in annual installments ranging from \$1,058,000 to \$21,498,000 through October 1, 2001	167,340	6.85	164,895
1996 Limited Tax Bonds, due in annual installments from \$1,240,000 to \$1,978,000 commencing March 1997 through March 1, 2026	15,800	4.82	<u>15,800</u>
Total general obligation bonds			<u>\$ 438,511</u>

The requirements to amortize all bonds outstanding as of December 31, 1996, including interest payments of \$514,387,000 are as follows (amounts in thousands):

1997	\$ 36,897
1998	34,538
1999	38,448
2000	38,612
2001	38,638
2002 - 2006	188,648
2007 - 2011	188,895
2012 - 2016	188,459
2017 - 2021	188,895
2022 - 2026	<u>7,866</u>
	<u>\$ 964,895</u>

General fixed assets construction in progress is composed of the following, by department (amounts in thousands):

	Project Authorizations	Expended to December 31,	
		1996	Committed
Mayor (CAO)	\$ 74,899	\$ 43,813	\$ 11,276
Police	13,808	10,802	4,886
Fire	16,437	6,979	3,454
Property Management	43,739	37,888	6,642
Recreation	23,607	10,289	17,534
Human Services	4,238	3,275	963
Parks and Pathways	17,888	15,024	3,669
Utilities	297	49	294
Public Library	6,318	6,312	407
Isaac Delgado Museum	6,811	3,798	219
Sanitation Department	13,479	11,388	1,889
Safety and Permits	1,032	68	3,534
Mosquito Control Board	1,062	802	268
Health	3,820	3,759	61
City Planning Commission	3,938	3,591	1,838
	<u>\$232,289</u>	<u>\$178,183</u>	<u>\$53,908</u>

6. LONG-TERM DEBT

Bond Transactions - The following is a summary of bond transactions for the City for the year ended December 31, 1996 (amounts in thousands):

	General Obligation
Bonds payable at January 1, 1996	\$ 432,261
Bonds issued in 1996	13,800
Bonds retired	<u>(13,500)</u>
Bonds payable at December 31, 1996	<u>\$ 432,561</u>

The City's legal debt limit for general obligation bonds is \$978,311,000. At December 31, 1996, the City's legal debt margin (after the reduction for outstanding general obligation bonds of \$432,561,800, less \$39,161,000 available in Debt Service Funds) was \$506,588,200.

The future maturities of grantor loans receivable as of December 31, 1996, including interest receipts of \$18,797,000, are as follows (amounts in thousands):

Year Ending December 31,	
1997	\$ 601
1998	601
1999	601
2000	601
2001	601
2002 and thereafter	<u>16,170</u>
	<u>\$23,173</u>

One of the grantor loans receivable, amounting to \$7,623,801, relates to the development of the Riverfront Marketplace. In addition to the stated interest of 6.95% on this loan, the City participates in 30% of the net annual cash flows of the project. The City's participation interest is receivable 120 days after the project's year end. This brings the cumulative annual effective yield on the loan up to a maximum of 10%. The cumulative annual effective yield on the loan cannot be less than 8.5%. The City will also participate in 30% of the net proceeds of any sale, refinancing or other disposition of the project, in whole or in part. The Riverfront Marketplace began operations in September 1995. No amounts were due at December 31, 1996.

8. FIXED ASSETS

A summary of changes in general fixed assets (amounts in thousands) is as follows:

	Balance January 1, 1996	Additions	Deletions	Balance December 31, 1996
Land	\$ 30,716			\$ 30,716
Buildings and improvements	167,979	\$ 4,576		172,555
Equipment	35,681	2,468	\$ 10	38,139
Construction in progress	<u>179,328</u>	<u>16,218</u>	<u>11,264</u>	<u>178,282</u>
	<u>\$413,704</u>	<u>\$23,262</u>	<u>\$11,274</u>	<u>\$425,692</u>

The City levies a tax on real and personal property. A portion 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 of New Orleans 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 statute to levy taxes up to \$31.38 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, 1996 are as follows:

General:	
General governmental services	\$ 14.93
Dedicated for fire and police	5.48
Public library	4.32
Fire and police	13.47
Pathways and parks and recreation department	3.08
Street and traffic control device maintenance	1.98
Special revenue:	
Neighborhood housing improvement fund	1.25
New Orleans economic development fund	1.25
Debt service	<u>22.48</u>
	<u>\$ 72.98</u>

Property taxes levied during 1996, collected during 1996, or expected to be collected within the first 60 days of 1997, are recognized as revenues in 1996. Taxes receivable, estimated to be collected subsequent to the first 60-days of 1997, in the amount of \$3,375,080 are recorded as deferred revenues. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes paid under protest are held in escrow until resolution of the dispute.

4. GRANTEE LOANS

The City has received certain grant awards from the United States Department of Housing and Urban Development (HUD) for the purposes of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Eleven individual loans are outstanding as December 31, 1996 totaling \$18,378,080 which bear interest at rates ranging from 0% to 7%. These loans are receivable over a fifteen to thirty year period and are recorded as deferred revenues as December 31, 1996. Once loan payments 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.

Investments - State statutes authorize the City, except for the pension trust funds, to invest in U.S. bonds, treasury notes and other federally-insured investments. The City also may invest in repurchase agreements secured by U.S. Government obligations. In addition to the above securities, the pension trust funds are authorized under State statutes to invest in annuity contracts, equity securities and certain other insured investments.

The City's investments (primary government only) are categorized below (amounts in thousands) to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered, or held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution or by its trust department, or agent, but not in the City's name.

	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government securities and instruments	\$ 81,144			\$ 81,144	\$ 81,144
Corporate bonds	375	\$ 68,420		68,995	68,999
Equity securities	72,983	143,589		216,562	216,562
Cash equivalent trusts		28,699		28,699	28,699
	<u>\$154,712</u>	<u>\$212,608</u>	<u>\$ -</u>	<u>387,400</u>	<u>387,400</u>
Mortgages				50,173	50,173
Total investments				<u>\$437,573</u>	<u>\$437,573</u>

3. TAX REVENUES

Tax revenues by fund type for the year ended December 31, 1996 are as follows (amounts in thousands):

	General	Special Revenue	Debt Service
Sales	\$128,240		
Road and personal property	18,710	\$4,215	\$16,847
Dedicated tax millage	28,180		
Fees and interest on delinquent taxes	2,356		
Utilities	5,623		
Beverage excise	725		
Amusement	1,847		
Fishing	1,833		
Documentary transaction	4,733		
Other	713		
	<u>\$198,617</u>	<u>\$4,215</u>	<u>\$16,847</u>

At December 31, 1996, the total sales tax levied in the City is nine percent. Four percent is state sales tax. One and one-half percent is levied by the Orleans Parish School Board (the School Board). One percent is dedicated for transportation and is levied by the Regional Transit Authority (RTA). The remaining two and one-half percent is used to fund the general operations of the City. The City administers and collects the entire five percent 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.

Statement of Cash Flows - For purposes of the Statement of Cash Flows, the nonexpendable trust fund and all discretely presented proprietary component units consider all highly liquid investments with an original maturity of sixty days or less when purchased to be cash equivalents. The nonexpendable trust fund cash and cash equivalents consists of \$1,800 in cash. The discretely presented proprietary component unit accounts are as follows as December 31, 1996 (amounts in thousands):

	General Fund	New Orleans International Airport	Severage and Waste Board	Montreal Trust Market Management Company	Ports Market Company	New Orleans Building Restructuring Company	East West Development Company	Total
Cash	\$100	\$ 1,700	\$1,275	\$107	\$279	\$ 810	\$ 1,185	\$ 3,556
Certificates of Deposit	—	13,978	—	181	—	—	1,000	14,159
Restricted cash	—	—	—	—	—	—	—	—
Cash and cash equivalents per Statement of Cash Flows	<u>\$100</u>	<u>\$ 1,700</u>	<u>\$ 1,275</u>	<u>\$ 288</u>	<u>\$ 279</u>	<u>\$ 810</u>	<u>\$ 1,185</u>	<u>\$ 3,550</u>

Memorandum Items - Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND INVESTMENTS

Cash and Certificates of Deposit - The City is authorized by state statute to open depositaries in only those banks with branch offices within the City's limits. Investments in certificates of deposit can be placed with Louisiana state banks or with national banks having their principal offices in the state.

As December 31, 1996, the carrying amount of the City's (primary government only) deposits was \$234,423,808, and the bank balance was \$244,348,805. The City's bank balance is categorized below (amounts in thousands) to give an indication of the level of risk assumed by the City at year end. Category 1 includes insured or collateralized cash with securities held by the City or by its agent in the City's name. Category 2 includes collateralized cash with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

	Category			Total
	1	2	3	
Bank balance:				
Cash	\$ 3,465	\$ 63,891	\$ 1,085	\$ 68,441
Certificates of deposit	—	178,282	—	178,282
	<u>\$ 3,465</u>	<u>\$ 242,173</u>	<u>\$ 1,085</u>	<u>\$ 246,723</u>

Fully depreciated fixed assets are included in the property, plant and equipment 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 general purpose financial statements.

Long-Term Liabilities - Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group.

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 can 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 reserving accrued sick leave to additional years of service.

For governmental funds, annual and sick leave expenditures are recorded when paid, and any unpaid current liability is considered to be immaterial to the related governmental funds. Accordingly, the liability related to governmental funds, which amounted to \$49,512,000 on December 31, 1998, is reported in the general long-term debt account group.

Litigation - Governmental funds recognize claims and judgments as expenditures according to Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," and National Council on Governmental Accounting Statement No. 4, "Accounting and Financial Reporting for Claims and Judgments and Compensated Absences." Therefore, the amount of expenditures for claims and judgments recorded is the amount accrued during the year that would normally be liquidated with expendable available financial resources. Other liabilities not expected to be liquidated with expendable available financial resources are reported as liabilities in the general long-term debt account group. 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.

Reserves - Reserves are reported in the various funds to indicate that a portion of the fund balances/retained earnings is not appropriate for expenditures/expense or is legally segregated for a specific future use.

Component Unit/ Tax Revenue - The Sewerage and Water Board includes the operations of the City's drainage system. Because of the peculiar geography of the City, the provision for drainage service is essential for the operation of the water and sewerage systems. The drainage system is financed by property tax levies (recorded as operating revenues), not by user charges, the usual revenue source for a proprietary fund activity. However, because of the unique character of services provided by the drainage system, proprietary fund accounting is necessary to provide meaningful measurement of cost of services and capital maintenance of the system.

Advances to Other Funds - Long-term advances to other funds are recorded as a receivable and as a reversion of fund balance in the governmental fund types to indicate that these assets do not constitute "expendable available financial resources."

Component Unit Restricted Assets - Restricted assets are established in the component unit proprietary funds in accordance with bond indentures.

General Fund Assets - General fund assets have been acquired for general governmental purposes of the City as a whole. Assets purchased are recorded as expenditures in the general, special revenue and capital projects funds and are capitalized in the general fund assets account group. All purchased fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are recorded at estimated fair market value at the time received.

Public domain general fund assets, consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks and lighting systems, are not capitalized, and are not included in the general fund assets account group. Such assets normally are immovable and of value only to the City; therefore, the purpose of accountability for these capital expenditures is satisfied without recording such assets.

No depreciation has been provided on general fund assets, and interest has not been capitalized due to insignificance.

Component Unit Property, Plant and Equipment - Property, plant and equipment associated with the activities of the proprietary component unit funds are recorded as assets of those funds and are stated at historical cost, if purchased, or at fair market value at date of gift, if donated.

Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. The interest cost of borrowed funds used to finance construction projects is capitalized.

For the New Orleans International Airport, depreciation recognized on property, plant and equipment acquired through intergovernmental grants, endowments, or shared revenues externally restricted to capital acquisitions, is included as an operating expense and a reduction of contributed capital.

Depreciation is provided over the estimated useful lives using the straight-line method. The estimated useful lives (in years) used for computing depreciation for the City's proprietary component units are as follows:

	Police Component Unit District	Police Commission	New Orleans International Airport	Storage and Waste Fund	Marine Yacht Club Management Component	Port of New Orleans Component	Upper Mercedes Building Management Component	Lower Mercedes Building Management Component
Fires and land marks	-	-	-	-	100	-	-	-
Cables	-	-	-	100	-	-	-	-
Roadways, signs, etc.	-	-	5.25	-	-	-	-	-
Buildings and improvements	-	10-33	5.25	21.07	25-500	10-50	25-40	20
Machinery and equipment	3-25	5	5-10	11-40	5	5-10	5	-
Utility systems	-	-	10-20	10-20	-	-	-	-

- (7) The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Actual and Budget (Exhibit A-3) presents comparisons of the legally adopted 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 of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 4,550
Adjustments:	
To adjust revenues for accruals and deferrals	990
To reverse December 31, 1994 encumbrances recorded as expenditures on the budgetary basis in 1994	21,967
Reduction in prior year's outstanding encumbrances	(5,912)
To add back prior year's encumbrances paid in 1994, but not recorded as expenditures on the budgetary basis in 1994	(20,240)
Other items	212
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 1,657</u>

Additionally, appropriations of \$18,385,000 from prior year's fund balance are reflected as encumbrances-revenues and other financing uses in Exhibit A-3 in accordance with the City Charter.

- (8) 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.

Encumbrances - In accordance with the City's Charter, an encumbrance is established when a valid requisition is properly approved. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the general, special revenue and capital projects funds. Appropriations are valid only for the year in which made. Encumbrances outstanding at year end are reported as reservations of fund balances since the commitments will be honored through subsequent year's budget appropriations. Encumbrances do not constitute expenditures or liabilities on a GAAP basis.

Investments - Investments are stated at cost or amortized cost except for pension trust funds which are stated at market value. Discounts are amortized over the life of the investment.

Allowance for Estimated Uncollectible Receivables - An allowance for estimated uncollectible property taxes and other receivables is established based upon historical collection experience and other relevant circumstances. The general fund allowance for estimated uncollectible receivables at December 31, 1994 was \$1,451,000.

Component Unit Inventory - Inventory of supplies of the proprietary component units is stated at the lower of cost or market as determined by the first-in, first-out method. Such inventory of supplies is charged to expense when consumed.

In applying the "acceptable-to-accrual" concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidelines. These are essentially two types of such revenues. In one, monies must be expended for the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditures and are usually receivable only for failure to comply with prescribed compliance requirements. Such revenues are recognized at the time of receipt or earlier if the "acceptable-to-accrual" criteria are met.

All proprietary funds and nonexpendable trust funds and pension trust funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. These revenues are recognized when earned, and their expenses are recognized when incurred. Unbilled utility service receivables of the Sewerage and Water Board are not recorded in the general purpose financial statements as management considers the effect of not recording such unbilled receivables to be insignificant in relation to the proprietary component unit financial statements. Under the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the City has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 18, 1989.

Budgetary Note - The procedures used by the City in establishing the budgetary data recorded in the general purpose financial statements are as follows:

- (1) 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.
- (2) Public hearings are conducted, after proper official public notification, to obtain taxpayer comments.
- (3) Not later than December 1, the budget is legally enacted through passage of an ordinance.
- (4) 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.

Budgetary comparisons are presented in the individual fund financial statements at this level of detail. 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. The total effect of these amendments was immaterial. Budgeted amounts reflected in Exhibit A-3 are as finally amended by the City Council.

- (5) The City utilizes formal budgetary integration as a management control device during the year for the general and capital projects funds. The capital budget ordinances which encompass the capital projects fund present cumulative budgets by project as opposed to annual budget amounts; thus, budget and actual comparisons are not reported in the general purpose financial statements for these 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.
- (6) The budget, non-GAAP budgetary basis, and actual comparisons presented in Exhibit A-9 in the general purpose financial statements include the general fund. The budget for the general fund is included in the operating budget which is legally adopted by the City Council.

Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. They are self-balancing groups of accounts that are concerned only with the measurement of financial position, not with the measurement of results of operations. The following are the City's account groups:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City (primary government only).

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the City (primary government only).

Component Units

Component units of the City are accounted for in either governmental funds or proprietary funds based upon their activities and measurement focus.

Governmental Funds - Governmental funds are those through which most governmental functions are financed. The measurement focus is upon determination of changes in financial position, rather than determination of net income.

Proprietary Funds - Proprietary funds are used to account for ongoing activities which are similar to those found in the private sector. Such funds are used (a) where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public be financed and recovered through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting - All governmental funds (including governmental component units), expendable trust and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., both measurable and available). Available means currently due and expected to be collected within the next two months for property taxes and generally the next twelve months for other revenues. Revenues not considered available are recorded as deferred revenues. Significant revenues which are considered susceptible to accrual include sales and franchise tax revenues which are based upon actual collections of December taxes made during January and February of the following year, property taxes, interest, certain charges for services and intergovernmental revenues. Anticipated refunds of taxes are recorded as liabilities and reductions of revenues when they are measurable and their validity is reasonably assured. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, vacation and sick leave and claims and judgments which are recognized when paid. Prepaid insurance and similar items are not normally recorded as assets.

Licenses and permits, certain charges for services, fees and forfeits and miscellaneous other revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable or available until actually received. Investment earnings are recorded as earned since they are measurable and available.

Basis of Presentation - The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity and is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

The City's charter establishes eight categories of funds to record the City's financial transactions. For financial reporting purposes, the following fund categories (further divided by fund type) and account groups are used by the City:

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 measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental funds:

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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - Capital projects funds are 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 Funds

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

Trust and Agency Funds - Trust and agency funds include expendable, nonexpendable, pension trust and agency funds. Nonexpendable and pension trust funds are accounted for in essentially the same manner as proprietary funds (see discussion of proprietary funds under "Component Units" below) since capital maintenance is critical. Expendable trust funds and agency funds are accounted for in essentially the same manner as governmental funds except that agency funds are accounted in nature (assets equal liabilities) and do not involve measurement of results of operations.

Implementation of Statements Issued by the Governmental Accounting Standards Board - In November 1994, the GASB issued Statement No. 15, "Financial Reporting for Defined Benefit Pension Plans and Net Disclosures for Defined Contribution Plans," (required for fiscal year 1997), and Statement No. 17, "Accounting for Pensions by State and Local Governmental Employers," (required for fiscal year 1998). Early implementation is encouraged; accordingly, the City has elected early implementation of both of these Statements for fiscal year 1996.

Condensed Statement of Revenues, Expenses, and Changes in Retained Earnings (Amounts in thousands):

	Ambrose Commission	New Orleans International Airport	Beverage and Water Board	Other	Total
Other operating revenues	\$ 22,947	\$ 59,800	\$ 112,836	\$ 2,171	\$ 197,854
Tax revenues			28,541		28,541
Operating and other expenses	(24,000)	(32,219)	(102,860)	(2,877)	(161,956)
Depreciation	(2,000)	(12,265)	(12,000)	(1,200)	(27,565)
Operating income (loss)	(2,053)	4,477	11,711	1,781	15,916
Nonoperating revenues, net	2,630	2,130	4,433	1,189	10,382
Specific grants	(5,873)	-	-	-	(5,873)
Net income (loss)	4,833	6,607	26,144	2,969	34,553
Transfers out to primary government				(500)	(500)
Depreciation on consolidated fixed assets		2,790			2,790
Retained earnings/fund balance, beginning of year	40,882	15,417	817,200	36,407	919,906
Retained earnings/fund balance, end of year	\$ 45,715	\$ 18,814	\$ 843,344	\$ 39,367	\$ 947,040

Related and Jointly Governed Organizations

Related organizations and jointly governed organizations provide services within the City that are administered by separate boards or commissions, but the City is not financially accountable, and such organizations are therefore not component units of the City, even though the Mayor and/or City Council may appoint a voting majority of an organization's board. Consequently, financial information for the following entities is not included within the scope of these financial statements.

Related Organizations - For the following organizations, the Mayor and/or City Council appoints a voting majority of the members of the respective boards:

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

Jointly Governed Organizations - The City is a participant in other jointly governed organizations. The Mayor and/or City Council appoints members of the boards for the following organizations. Such appointments represent less than a voting majority of the respective boards.

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

Condensed Balance Sheet (amounts in thousands):

	Baldwin Commission	New Orleans International Airport	Beverage and Water Board	Other	Total
ASSETS:					
Current assets	\$ 2,362	\$ 29,262	\$ 236,829	\$ 4,936	\$ 269,889
Due from primary government		674	280	623	1,577
Property, net	107,417	247,815	819,887	30,387	1,205,506
Other assets	20,112	99,884	307,898	11,621	749,515
Due from other component units	867		360	21	1,248
Total assets	\$138,438	\$476,937	\$1,055,444	\$47,568	\$1,718,387
Liabilities:					
Current liabilities:					
Deferred revenues	\$ 7,553	\$ 28,134	\$ 44,000	\$ 1,366	\$ 79,053
Long-term bonds payable	26,664	223,434	16,780	14,809	311,687
Due to other component units	667		149	22	1,038
Due to primary government		199	234	826	1,259
Other liabilities	691		6,653		7,344
Total liabilities	35,575	251,767	67,716	16,722	311,780
Equity and other credits:					
Contributed capital		187,534	138,794	23,689	349,917
Retained earnings, reserved	2,290	21,780	748,184	3,822	776,076
Residual earnings, unreserved	63,238	24,134		25,065	112,447
Fund balance			169,263		169,263
Total equity and other credits	65,528	213,448	956,241	29,576	1,264,893
Total liabilities, equity and other credits	\$101,103	\$465,215	\$1,055,444	\$46,301	\$1,718,283

Condensed Statement of Revenues, Expenditures, and Changes in Fund Balance (amounts in thousands):

	Downtown Development District	New Orleans Tourism Marketing Corporation	Total
Revenues	\$ 3,831	\$ 4,752	\$ 8,583
Expenditures	3,935	4,708	8,643
Excess (deficiency) of revenues over expenditures	0(122)	44	(78)
Fund balance, beginning of year	4,816	663	5,479
Fund balance, end of year	\$ 4,694	\$ 707	\$ 5,401

Condensed Financial Statements - The following are condensed financial statements of discretely presented component units discussed above. Complete financial statements of the individual component units can be obtained directly from their administrative offices.

Condensed Balance Sheet (amounts in thousands):

	Downtown Development District	New Orleans Tourism and Marketing Corporation	Total
Assets			
Current assets:			
Due from other government:	\$7,373	\$ 464	\$8,436
Other assets:	347	188	535
Total assets	\$8,720	\$1,158	\$8,437
Liabilities:			
Current liabilities/deferred revenues:			
Due to primary government:	\$ 336	\$ 341	\$ 457
Total liabilities:	4,861	341	4,652
Equity and other credits:			
Investment in general fixed assets:	314	88	392
Fund balance:	3,824	789	4,683
Total equity and other credits:	4,238	777	5,055
Total liabilities, equity and other credits	\$8,720	\$1,158	\$8,437

Discretely Presented Component Units - The general purpose financial statements of the City include all government activities, organizations and functions for which the City is financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Based upon the foregoing criteria, the financial statements of the following associated organizations are included in the general purpose financial statements.

Audubon Commission (formerly Audubon Park Commission)
Canal Street Development Corporation
Downtown Development District
French Market Corporation
Municipal Trade Harbor Management Corporation
New Orleans International Airport
New Orleans Tourism Marketing Corporation
Orleans Parish Communication District
Upper Pontalba Building Restoration Corporation
Sewerage and Water Board of New Orleans

CITY OF NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1999

L. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of New Orleans, Louisiana (the "City") have been prepared in conformity with 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 the 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 1934 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, streets, sanitation, water and sewerage, planning and zoning, recreation, and general administrative services. Education and welfare are administered by other governmental entities.

The financial statements of the reporting entity include those of the City (the primary government) and its component units in conformity with GASB Statement No. 14, "The Financial Reporting Entity." Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

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. Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

Blended Component Units - For financial reporting purposes, the following entities are included (blended) in the operations and activities of the City because these entities provide services substantially for the benefit of the City: Board of Liquidation, City Debt and the Rivergate Development Corporation.

**NOTES TO
GENERAL PURPOSE
FINANCIAL STATEMENTS**

**COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 1998 (IN THOUSANDS)**

	Fire Fighters' Old System	New System	Police Old System	Employees' Retirement System	Total
Additions					
CONTRIBUTIONS:					
Employer	\$ 16,390	\$ 3,036	\$ 970	\$ 3,859	\$ 24,255
Member		948	6	2,361	3,315
Member repayment of refunds			43		43
Drivers' and chauffeurs' licenses			180		180
Fire insurance refund	827				827
Other				12	12
Total contributions	<u>17,217</u>	<u>4,084</u>	<u>1,209</u>	<u>6,233</u>	<u>28,743</u>
INVESTMENT INCOME:					
Net appreciation (depreciation) in fair value of investments	(38)	15,494			15,456
Interest and dividends	184	5,449	73	18,392	24,108
Other noninterest income		42		20,783	20,825
Loss investment expense		(779)	(2)	(1,289)	(1,060)
Net investment income	<u>146</u>	<u>15,206</u>	<u>71</u>	<u>17,106</u>	<u>32,529</u>
OTHER INCOME			<u>18</u>		<u>18</u>
Total additions	<u>17,363</u>	<u>20,216</u>	<u>1,297</u>	<u>33,093</u>	<u>71,069</u>
Deductions					
Pension benefits	15,097	3,738	877	11,761	31,473
Refunds of member contributions	43	149		787	989
Administrative expenses	100		187	30	426
Depreciation expense		108			108
Other		3			3
Total deductions	<u>15,440</u>	<u>4,098</u>	<u>1,064</u>	<u>14,681</u>	<u>35,283</u>
NET INCREASE BEFORE TRANSFERS	<u>1,923</u>	<u>15,118</u>	<u>233</u>	<u>18,412</u>	<u>35,686</u>
TRANSFERS	<u>(1,72)</u>	<u>172</u>	<u>(234)</u>	<u>(1,729)</u>	<u>(1,623)</u>
NET INCREASE AFTER TRANSFERS	<u>1,751</u>	<u>15,290</u>	<u>199</u>	<u>16,683</u>	<u>34,063</u>
CUMULATIVE EFFECT ON PRIOR YEARS RESULTING FROM CHANGES IN ACCOUNTING PRINCIPLES					
	78	16,870		20,698	37,646
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR AS REPORTED	<u>1,704</u>	<u>177,638</u>	<u>1,819</u>	<u>231,783</u>	<u>343,944</u>
PRIOR YEAR ADJUSTMENT	<u>36</u>		<u>(118)</u>		<u>(82)</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	<u>\$ 1,740</u>	<u>\$192,928</u>	<u>\$1,701</u>	<u>\$231,446</u>	<u>\$428,815</u>

See notes to financial statements.

**COMBINED STATEMENT OF CASH FLOWS
NONCOMPENSABLE TRUST FUNDS AND ALL DISCRETELY
PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)**

Special financing activities:

During 1998, the New Orleans International Airport had special financing activities which consisted of \$1,000 of additions to property, plant and equipment which were directly funded by the Federal Aviation Administration.

(Continued)

**COMBINED STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUNDS AND ALL DISCRETELY
PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)**

	Non- expendable Trust Fund	Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)	
				1996	1995
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of property and equipment			(221,240)	(121,244)	(342,484)
Accounts (decrease) in restricted assets			(1,888)	(1,888)	(3,776)
Proceeds from property sales dedicated to construction			5,880	5,880	11,760
Principal paid on bonds			(20,541)	(20,541)	(41,082)
State and federal grants			27,821	27,821	55,642
Interest paid on bonds			(20,204)	(20,204)	(40,408)
Grants from Arabiaton Institute			6,873	6,075	12,948
Proceeds from issuance of bonds			9,720	9,720	19,440
Bond defeasance			(1,244)	(1,244)	-
Bond issuance costs			(348)	(348)	(696)
Percentage facilities charge			11,448	11,448	22,896
Other			(2,342)	(2,342)	(4,684)
Net cash used in capital and related financing activities			(112,720)	(232,720)	(445,440)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments			(287,148)	(287,148)	(574,296)
Proceeds from sale and maturity of investments			423,781	423,781	847,562
Interest and dividends received			28,143	28,143	56,286
Proceeds from repayment of loans made					3,820
Net cash provided by investing activities			66,733	66,733	133,464
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
			(1,487)	(1,487)	(2,972)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR					
	2	2	29,221	29,224	58,445
CASH AND CASH EQUIVALENTS, END OF YEAR (Page 1)					
	2	2	27,734	27,737	55,473

See notes to financial statements

(Continued)

COMBINED STATEMENT OF CASH FLOWS
 NONEXPENDABLE TRUST FUNDS AND ALL DISCRETELY
 PRESENTED COMPONENT UNITS
 YEAR ENDED DECEMBER 31, 1992 (AMOUNTS IN THOUSANDS)

	Non- expendable Trust Fund	Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)	
				1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income	\$ 1	\$ 1	\$ 14,150	\$ 14,150	\$ 20,417
Less interest income received, included in investing activities			(12,117)	(12,117)	(5,011)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation			44,025	44,025	41,024
Provision for claims			3,121	3,121	3,812
Provision for doubtful accounts			1,079	1,079	908
Changes in current assets and liabilities:					
Taxes receivable			214	204	(217)
Accounts receivable			(2,492)	(2,491)	(2,705)
Other receivables			(76)	(76)	40
Due from other funds	(1)	(1)	89	89	(222)
Due from primary government			(1,520)	(1,621)	(700)
Inventory			(1,025)	(1,025)	(4,000)
Prepaid expenses and deposits			58	58	108
Other assets			178	178	14
Accounts payable			(1,270)	(1,270)	1,879
Other payables and accruals			(6,244)	(6,244)	4,714
Due to other funds			(26)	(26)	188
Due to primary government			(740)	(740)	(2,270)
Advances from other funds, net			1,412	1,412	628
Deferred revenues			18	18	(172)
	_____	_____	_____	_____	_____
Net cash provided by operating activities	_____	_____	40,140	40,140	40,110
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances from the primary government			142	142	(120)
Payment of loans payable			-	-	790
Residual equity transfers			(2,000)	(2,000)	(2,000)
Other activities			1,296	1,296	2,147
Redeemed loans			1,214	1,214	1,832
	_____	_____	_____	_____	_____
Net cash provided by noncapital financing activities	_____	_____	1,654	1,654	4,411

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT A-4

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARTHQUAKE BALANCES
NON-OPERABLE TRUST FUND AND ALL DISCREETELY PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 1995 (AMOUNTS IN THOUSANDS)

	Non- operable Trust Fund	Total Primary Government (Reconstruction Only)	Component Units	Totals Reporting Entity (Reconstruction Only)	
				1995	1994
OPERATING REVENUES:					
Charges for services			\$ 176,346	\$ 176,346	\$ 166,627
Tax revenues (Note 1)			24,941	24,941	24,941
Interest	\$ 1	\$ 1		1	-
Other			30,692	30,692	19,000
Total operating revenues	1	1	232,079	232,079	210,568
OPERATING EXPENSES:					
Benefit payments			54,289	54,289	55,749
Contracted services			88,874	88,874	78,508
Maintenance and supplies			1,208	1,208	4,808
Depreciation and amortization			60,000	60,000	60,000
Other			11,632	11,632	11,937
Total operating expenses			206,973	206,973	191,997
OPERATING INCOME	1	1	25,106	25,106	18,571
NON-OPERATING REVENUES (EXPENSES):					
Interest revenue			11,068	11,068	18,216
Interest expense			(21,189)	(21,189)	(21,552)
Indefinite taxes			7,794	7,794	7,438
Grants			6,076	6,076	6,276
Other			11,714	11,714	11,650
Total nonoperating revenues			15,669	15,669	22,028
INCOME BEFORE TRANSFERS	1	1	40,775	40,775	40,599
TRANSFER OUT TO PRIMARY GOVERNMENT			(200)	(200)	-
NET INCOME	1	1	38,575	38,575	40,599
DEPRECIATION ON FIXED ASSETS ACQUIRED BY CONTRIBUTIONS			3,288	3,288	3,688
INCREASE IN RETAINED EARTHQUAKE BALANCES	1	1	35,287	35,287	46,286
RETAINED EARTHQUAKE BALANCES, BEGINNING OF YEAR	208	208	165,858	165,571	165,277
RETAINED EARTHQUAKE BALANCES, END OF YEAR	219	219	191,145	190,858	201,563

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ACTUAL (ADJUSTED TO BUDGETARY BASIS) AND BUDGET - GENERAL FUND
 YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	General Fund (Note 7)				Variance Favorable (Unfavorable)
	Actual	Adjusted to Budgetary Basis	Budgetary Basis (Non-GAAP)	Revised Budget	
REVENUES:					
Taxes	\$ 119,417	\$ (52)	\$ 119,365	\$ 119,402	\$ 4,793
Licenses and permits	34,638		34,638	35,245	(607)
Intragovernmental	17,199	(502)	17,058	17,888	(830)
Charges for services	41,378		41,378	41,649	(271)
Fees and forfeits	16,498		16,498	16,683	(185)
Interest income	8,067	21	8,088	8,121	(33)
Contributions, gifts and donations	484		484	4,084	(3,600)
Miscellaneous (includes appropriations from prior year's fund balance of \$13,388)	11,217	16,388	21,605	25,158	(3,553)
Total revenues	<u>323,696</u>	<u>9,794</u>	<u>333,490</u>	<u>358,798</u>	<u>(25,302)</u>
EXPENDITURES:					
Current:					
General government	181,258	4,608	185,866	189,292	3,426
Public safety	138,257	543	138,800	139,548	746
Public works	22,848	(3,188)	19,660	20,178	518
Health and welfare	14,682	(381)	14,301	14,568	268
Culture and recreation	17,824	43	17,867	18,153	284
Urban development and housing	158	(23)	135	158	23
Debt service:					
Principal retirement	4,083		4,083	4,083	
Interest and fiscal charges	2,168		2,168	2,168	
Total expenditures	<u>351,612</u>	<u>1,727</u>	<u>353,339</u>	<u>359,026</u>	<u>5,536</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(28,916)</u>	<u>8,067</u>	<u>(20,149)</u>	<u>(2,228)</u>	<u>424</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	11,189		11,189	97	\$ 11,092
Transfers in from component unit	588		588		588
Operating transfers out	(2,046)		(2,046)	(2,993)	(847)
Appropriation from prior year's fund balance		(38,346)	(38,346)	(38,346)	
Reduction in prior year's outstanding encumbrances		3,432	3,432		3,432
Other, net		(2,770)	(2,770)		(2,770)
Total other financing sources	<u>8,611</u>	<u>(37,634)</u>	<u>(29,457)</u>	<u>(12,272)</u>	<u>(36,791)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPEN- DITURES AND OTHER FINANCING USES	<u>1,699</u>	<u>4,433</u>	<u>8,312</u>	<u>(14,500)</u>	<u>11,273</u>
FUND BALANCES, BEGINNING OF YEAR	<u>25,496</u>	<u>(21,066)</u>	<u>4,430</u>		
FUND BALANCES, END OF YEAR	<u>\$ 27,195</u>	<u>\$ 3,367</u>	<u>\$ 12,842</u>		

See notes to financial statements.

EXHIBIT A-2

Fiduciary Total Trust	Totals Primary Government (Memorandum Only)	Commitment Units Governmental	Totals	
			Reporting Entity (Memorandum Only)	
			1995	1996
	\$ 348,479	\$ 7,121	\$ 247,685	\$ 241,417
	34,619		34,619	35,796
	87,143		87,243	86,534
	48,778		41,758	43,535
	1,799		1,890	1,214
	12,619		12,619	12,881
\$ 363	12,714	434	12,849	12,774
928	4,668		4,885	9,230
	28,418	1,868	23,624	21,664
<u>1,352</u>	<u>429,136</u>	<u>2,302</u>	<u>467,899</u>	<u>460,676</u>
	306,444	5,197	189,641	187,270
	218,932		179,793	156,742
	55,815	1,271	84,888	86,533
12	30,382		29,182	27,647
792	18,924	3,231	22,243	23,086
	27,115		27,115	26,982
	19,821		19,821	19,634
	48,438		42,498	30,298
	21,999		21,999	20,138
	25,467		23,667	21,826
	28		28	637
<u>804</u>	<u>489,702</u>	<u>7,291</u>	<u>489,238</u>	<u>488,236</u>
<u>458</u>	<u>(21,271)</u>	<u>732</u>	<u>(28,199)</u>	<u>1,286</u>
	13,279		13,279	3,587
	880		880	-
	(112,279)		(123,279)	(2,587)
	15,890		15,890	182,188
			-	(172,762)
			-	4,581
	290	(1,848)	(858)	(282)
	35,890	(1,848)	15,842	22,218
439	(4,481)	(76)	(4,557)	24,418
<u>7,869</u>	<u>286,793</u>	<u>4,716</u>	<u>(11,471)</u>	<u>187,653</u>
<u>\$ 8,838</u>	<u>\$ 281,271</u>	<u>\$ 4,640</u>	<u>\$ 206,914</u>	<u>\$ 213,471</u>

CITY OF NEW ORLEANS, LOUISIANA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, SPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)**

	Governmental Fund Types			
	General	Special Revenues	Debt Service	Capital Projects
REVENUES:				
Taxes (Note 3)	\$ 190,407	\$ 4,315	\$ 36,647	
Licenses and permits	24,629			
Intergovernmental	21,598	48,740		\$ 30,911
Charges for services	41,778			
Program income		1,889		
Fees and forfeits	30,488	2,112		
Interest income (Note 10)	8,367	1,300	1,701	30
Contributions, gifts and donations	484	2,688		
Miscellaneous	11,707	18,429		1,781
Total revenues	331,690	73,662	38,348	32,741
EXPENDITURES:				
Current:				
General government	181,236	4,857	331	
Public safety	138,251	1,155		
Public works	32,848	167		
Health and welfare	14,482	18,488		
Culture and recreation	17,824	108		
Urban development and housing	706	26,729		
Economic development and assistance		18,820		
Capital projects				49,478
Debt service:				
Principal retirement	4,841		17,548	
Interest and fiscal charges	2,569		11,808	
Bond insurance costs			95	
Total expenditures	331,429	36,751	39,884	49,488
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	266	36,911	38,464	(16,747)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (Note 6)	11,299	2,088		
Transfers to/from component unit (Note 6)	500			
Operating transfers out (Note 6)	(2,480)	(11,180)		
Proceeds from bond insurance				15,800
Payments to bond insurance agent				
Premium on bonds			500	
Other, net				
Total other financing sources (uses)	8,319	(8,092)	500	15,800
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,485	28,819	38,964	(1,947)
FUND BALANCES, BEGINNING OF YEAR	38,856	21,394	28,896	88,379
FUND BALANCES, END OF YEAR	\$ 40,341	\$ 28,213	\$ 39,360	\$ 86,432

Asset Group		Totals Primary Government (Monies-in-Hand Only)	Component Units		Totals Reporting Entity (Monies-in-Hand Only)	
General Fixed Assets	General Long-Term Debt		Governmental	Proprietary	1998	1999
		\$ 26,629	\$ 349	\$ 13,169	\$ 43,176	\$ 23,824
		1,680		2,150	4,000	1,344
\$ 171,641		209,424	81	20,240	202,791	202,140
		50,004		1,028	21,903	46,509
		17,762	1,943	1,160	2,108	1,330
		1,118			17,762	11,468
		15,750	27	30	1,100	1,401
					19,803	16,204
				49	49	70
				8,222	8,222	9,886
				1,266	1,266	1,479
				1,179	1,179	1,656
				8,580	8,580	4,571
				1,115	1,103	1,060
				9,828	9,828	6,962
108,797		108,797		1,499	124,187	120,887
		170			170	170
		4,408			4,408	4,408
31,425		31,425			21,425	21,289
				6,190	6,190	6,190
434,711		434,711			434,711	422,261
11,885		11,885		40,088	76,889	87,149
				20,471	23,471	21,088
				220,434	223,434	204,164
				1,458	1,458	1,130
	781,236	801,848	4,461	199,776	1,203,047	1,208,093
\$ 407,883		407,883	391	129,820	529,423	581,291
					408,189	426,026
				670,150	670,150	648,191
				36,188	36,188	31,943
				68,186	68,186	87,927
				102,440	102,440	87,568
				879,433	879,433	854,641
		512,494	111	108,962	621,478	280,918
		71,482	1,284		74,218	44,188
		16,628	1,247		57,867	26,179
		448,598	4,641	108,962	794,114	451,293
407,883		1,629,112	5,071	1,117,414	1,468,770	1,203,292
\$ 407,883	\$ 754,226	\$ 1,689,180	\$ 6,071	\$ 1,714,208	\$ 1,710,918	\$ 1,583,024

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND COMPONENT UNITS
DECEMBER 31, 1988 (AMOUNTS IN THOUSANDS)

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental Fund Types				Primary Fund Types
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency
LIABILITIES:					
Accounts payable	\$ 18,875	\$ 1,766		\$ 7,601	\$ 1,877
Retainage payable				1,682	
Other payables and accruals (Note 4)			\$ 3,150		24,400
Due to other funds (Note 5)	1,774	26,071		34	25,849
Due to primary government					
Due to other governments	4,340	23		897	12,799
Due to component units	631	86		158	15
Deferred revenues (Notes 3 and 4)	5,775	20,578			
Payable from restricted assets:					
Retainage payable					
Capital projects payable					
Accrued interest					
Limited tax bonds (Note 12)					
Bonds payable, current portion					
Revenue bonds					
Deposits and other					
Claims payable (Notes 6 and 11)					
Advances from other funds (Note 5)		203			
Advances from component units				4,450	
Certificates of indebtedness (Note 6)					
Leases payable					
Bonds payable:					
General obligation (Note 4)					
Limited tax (Note 10)					
Premium, less unamortized discount of \$1,800					
Refunding					
Other					
Total liabilities	<u>35,328</u>	<u>28,761</u>	<u>3,151</u>	<u>12,214</u>	<u>39,899</u>
EQUITY AND OTHER CREDITS:					
Contributed capital (Note 11)					
Investment in general fund assets (Note 5)					
Retained earnings:					
Reserved for:					
Property, plant, and equipment					
Bond debt service					
Capital improvements					
Unreserved					
Total retained earnings					
Fund balances:					
Reserved (Note 5)	21,829	123	28,967	21,265	428,218
Unreserved:					
Designated for subsequent years' expenditures	5,967	26,508		49,208	
Undesignated	25,279	9,522		6,800	8,878
Total fund balances	<u>48,085</u>	<u>31,767</u>	<u>28,967</u>	<u>78,413</u>	<u>448,266</u>
Total equity and other credits	<u>41,895</u>	<u>31,767</u>	<u>28,967</u>	<u>78,413</u>	<u>448,266</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 77,223</u>	<u>\$ 60,528</u>	<u>\$ 32,118</u>	<u>\$ 156,827</u>	<u>\$ 847,165</u>

See notes to financial statements.

Account Groups		Totals Primary Government (Memorandum Only)	Component Units		Totals Reporting Entity (Memorandum Only)	
General Fixed Assets	Deferred Long Term Debt		Governmental	Proprietary	1998	1999
		\$ 34,149	\$ 594	\$ 7,893	\$ 84,627	\$ 77,734
		178,385		15,527	183,828	183,569
		433,513	3,519	188,329	353,683	451,797
		8,847			9,847	8,513
		4,902		88	4,990	4,888
		3,821			3,823	3,485
		13,082	181	19,758	33,298	28,225
		18,378			18,378	13,189
		3,737	35	3,365	7,178	3,788
		4,095	6	3,084	4,326	3,813
		38,054		1,029	51,533	44,525
		3,288			3,288	3,529
		28,021	465		28,517	21,573
				1,310	1,310	3,615
				6,386	6,386	8,273
				2,087	3,887	2,061
	292				292	292
				4,430	4,430	3,849
				239,795	239,795	256,433
\$437,800		437,800	515	1,366,046	1,743,848	1,613,489
		388		24,926	25,349	28,394
	\$ 30,987	38,967			30,857	28,884
	389,344	398,344			389,344	402,367
	138,787	118,787			118,787	111,625
	33,488	13,488			33,488	15,238
	49,985	49,985			49,985	48,884
	8,193	8,193			8,193	9,007
	82,029	82,029			82,029	89,629
	3,489	3,489			3,489	3,489
	31,455	31,455			31,455	33,480
	1,778	1,778			1,778	1,106
	30,692	30,692			30,692	-
<u>\$437,800</u>	<u>\$732,216</u>	<u>\$ 1,899,181</u>	<u>\$9,437</u>	<u>\$1,704,208</u>	<u>\$3,713,818</u>	<u>\$3,512,094</u>

CITY OF NEW ORLEANS, LOUISIANA

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS AND COMPONENT UNITS

DECEMBER 31, 1994 (AMOUNTS IN THOUSANDS)

ASSETS	Governmental Fund Types				Fiduciary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency
Cash (Note 2)	\$ 18,294	\$ 8,671	\$ 3,415	\$ 2,489	\$ 32,269
Certificates of Deposit (Note 2)	15,183	36,183	96,378	83,978	32,665
Investments (Note 2)		5,434	2,515		439,624
Receivables (net, where applicable, of allowances for uncollectibles):					
Sales taxes	8,847				
Property taxes (Note 3)	6,800				
Franchise taxes	2,831				
Accounts	8,375	674			4,373
Grantor loans (Note 4)		10,176			
Accrued interest	1,285				2,452
Other					4,094
Due from other funds (Note 8)	24,405	6,275		357	9,909
Due from component units	2,178	209		1,368	66
Due from other governments		14,678		3,844	312
Due from primary government:					
Inventory of supplies					
Prepaid expenses and deposits					
Advances to other funds (Note 8)	250				
Advances to primary government					
Restricted assets - cash and investments, at cost or amortized cost					
Fixed assets (net, where applicable, of accumulated depreciation) (Note 9)					
Other assets					388
Amounts available to debt service fund					
Amounts to be provided for:					
Retirement of general long term debt (Note 4)					
Claims and judgments (Note 11)					
Landfill closing costs (Note 11)					
Accrued annual and sick leave					
Payment to State of Louisiana for L.W.B. loans (Note 4)					
Payment to Municipal and State Police Employees' Retirement System (Notes 6 and 7)					
Payment to HUD for Section 108 loan (Note 4)					
Certificates of indebtedness (Note 4)					
Payment to Auditors Commission (Note 4)					
Payments to HUD and DOL for disabled costs (Note 4)					
TOTAL ASSETS	\$ 77,454	\$ 64,482	\$ 34,718	\$ 91,628	\$ 387,244

See notes to financial statements.

As discussed in Note 7 to the financial statements, in 1994 the City changed its method of accounting for its pension trust funds and the basis of their financial statement presentation and disclosure to conform with Governmental Accounting Standards Board Statement Nos. 28 and 27, respectively.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the foregoing table of contents, which are also the responsibility of the management of the City, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the general purpose financial statements taken as a whole.

The statistical tables, listed in the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued a report dated June 20, 1997 on our consideration of the City's internal control structure and a report dated June 20, 1997 on its compliance with laws and regulations.

The logo for Deloitte & Touche LLP, featuring the company name in a stylized, cursive script.

June 20, 1997

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying general purpose financial statements of the City of New Orleans, Louisiana ("the City") as of December 31, 1996 and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Downtown Development District and the New Orleans Tourism Marketing Corporation, which are shown as the Governmental Component Units; the Audubon Commission (formerly Audubon Park Commission), the Sewerage and Water Board, the French Market Corporation and the Upper Permalie Building Restoration Corporation, which represent 71 percent and 78 percent, respectively, of the assets and operating revenues of the Proprietary Component Units; the Fire Fighters' Old System, the Fire Fighters' New System, the Police Old System and the Employees' Retirement System, which represent 85 percent of the assets of the Trust and Agency Funds; 100 percent of the Pension Trust Funds and the financial statements of the Board of Liquidation, City Debt, which are shown as the Debt Service Fund and represent 37 percent of the liabilities of the General Long-Term Debt Account Group. These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the accounts included for the Downtown Development District, the New Orleans Tourism Marketing Corporation, the Audubon Commission, the Sewerage and Water Board, the French Market Corporation, the Upper Permalie Building Restoration Corporation, the Fire Fighters' Old System, the Fire Fighters' New System, the Police Old System, the Employees' Retirement System and the Board of Liquidation, City Debt, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, such general purpose financial statements present fairly, in all material aspects, the financial position of the City as of December 31, 1996, and the results of its operations and the cash flows of its nonexpendable trust fund and discretely presented component units for the year then ended in conformity with generally accepted accounting principles.

FINANCIAL SECTION



THE CITY OF NEW ORLEANS

Department of Finance

Organizational Chart

Marc H. Morial, Mayor
City of New Orleans

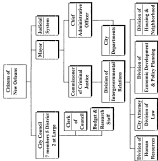
Marvin M. Kahn, Director
Department of Finance





THE CITY OF NEW ORLEANS

Organizational Chart



CITY OF NEW ORLEANS, LOUISIANA

Selected Officials
December 31, 1998

The City Council

Mr. James Singleton	Councilmember-at-Large
Ms. Peggy Wilson	Councilmember-at-Large
Ms. Suzanne Hank Borrelli	Councilmember - District A
Mr. Oliver Thomas	Councilmember - District B
Mr. Troy Carter	Councilmember - District C
Mr. Roy Gaspore	Councilmember - District D
Ms. Ellen Haner-Distance	Councilmember - District E

The Executive Staff

Mr. Marc H. Morial	Mayor
Mr. Martin Gussman	Chief Administrative Officer
Mr. Leslie Grant	Deputy Chief Administrative Officer
Ms. Thelma French	Executive Assistant
Ms. Suspenita Martin	Executive Assistant
Ms. Vincent Spharic	Executive Assistant

The Department Heads

Ms. Aida Marie Russell	City Attorney
Ms. Kristina Ford	Director, City Planning
Mr. J. Michael Doyle	Director, Civil Service
Ms. Marlene M. Kater	Director, Finance
Ms. Shelia Webb	Director, Health
Dr. Morris F.K. Jeff, Jr.	Director, Human Resources
Mr. Kerry DeCay	Director, Property Management
Mr. David Ferguson	Director, Public Works
Ms. Angela Wilson	Director, Recreation
Ms. Rosanne Scharenstein	Director, Parkway and Parks
Ms. Harriet Burnett	Director, Safety and Permits
Ms. Elizabeth Harrington	Director, Sanitation
Mr. Harold Gorman	Director, Sewerage and Water Board
Ms. Lillian Zeece	Director, Utilities
Mr. William McDaniels	Superintendent, Fire
Mr. Richard Pennington	Superintendent, Police

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the patience and dedication of the entire staff of the Finance Department; however, a special word of appreciation is due to the Bureau of Accounting staff who prepared this financial report while coping with the hectic day to day work which must be done. I would also like to express my appreciation to all members of the Finance Department and the staff of the other departments, boards, and agencies of the City who assisted and contributed to the preparation of this report.

Finally, I would like to acknowledge the helpful suggestions and support received from the Mayor, members of the City Council and Council Audit Committee. Their support is greatly appreciated.

Respectfully submitted,



Marina M. Kahn
Director of Finance

As of the end of 1995, the City's general obligation bonds were rated "BAA" from Moody's Investor Service and "BBB+" from Standard and Poor's Corporation.

CASH MANAGEMENT

The Finance Department strives to keep abreast of current trends and procedures for cash management and forecasting so as to ensure the most efficient and profitable use of the City's cash resources. While efforts are made to maximize the return on the City's investment dollar, our primary concern in achieving this goal is to always ensure the return of principal.

Cash temporarily idle during the year was invested in certificates of deposit, repurchase agreements, and U.S. Government securities. All investment decisions are based upon time periods to maturity and maximum yields by competitive bids. The total interest income earned by the City in the General Fund for the year ended December 31, 1995 on a non-GAAP budgetary basis was \$8,089,000 compared to \$7,284,000 in 1994.

RISK MANAGEMENT

The City maintains a self-insurance program for its motor vehicle fleet, general liability, and police departmented excessive force losses. Premiums are charged 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. In addition, the City's Risk Management Division works toward reducing the number of claims which proceed to lawsuit, shorten length of time in which a claim is processed or resolved, and provides investigations and support services and employs various risk control techniques.

INDEPENDENT AUDIT

The City Charter requires an audit of the financial statements of all accounts of the City by an independent certified public accountant selected by the City Council. Accordingly, this year's audit was completed by Deloitte & Touche LLP with assistance from Drung and Teravon, Laska C. Bright and Company, and Dupontier, Hrapczarski, Hogan and Mahler, LLP, among others.

AWARD FOR Distinguished BUDGET PRESENTATION

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governments for their comparative annual financial reports. In order to be awarded a Certificate of Achievement, governments are required to publish an easily available and efficiently-organized comparative annual financial report. In 1994, the City was awarded the Certificate of Achievement for Excellence in Financial Reporting.

We believe that our current annual financial report meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

The airport's 1996 operating revenue amounted to \$50,101,686, which permitted the airport to meet its current operating expenses and pay current debt service and reserve requirements as they became due.

The Audubon Commission (the Commission), a 24 member body appointed by the Mayor with the approval of the City Council, is entrusted with the management and control of Audubon Zoo, Audubon Golf Course, the Aquarium, and the Species Survival Center.

The Commission receives its financing from a dedicated special ad valorem tax, which is pledged as security for \$3,180,000 in bonds issued in 1979 and 1980; admission fees to the zoo; concession rentals and fees; donations; and other miscellaneous sources. In 1980 the voters approved a special ad valorem tax pledged as security for \$25,000,000 in bonds issued in April 1988 to construct the Riverfront Aquarium. All operations of the Audubon Commission are administered by the Audubon Institute, a private development associated with the Commission.

TRUST AND AGENCY FUNDS

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's Pension Trust Funds are used to account for the accumulation of resources to be used for retirement annuities and death and disability benefits to employees.

GENERAL FIXED ASSETS

The general fixed assets of the City are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of the Proprietary Funds and infrastructure items such as roads, bridges and drainage canals. As of December 31, 1996, the general fixed assets (including construction in progress) of the City amounted to \$250,400,000.

DEBT ADMINISTRATION

The ratio of general bonded debt to assessed value of taxable property and the amount of general bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. This data for the City at the end of the 1996 fiscal year was as follows:

	Amount	Ratio of general debt to assessed value of taxable property	Bonded Debt per capita
General bonded debt	1434,711,000	21.80%	6824

Outstanding general obligation bonds at December 31, 1996 totaled \$414,711,000, all of which are considered to be net, direct-tax supported debt. There are no special assessment bonds outstanding. Tables 8 through 12 in the statistical section of this report present more detailed information about the debt position of the City.

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) 26% of total assessed valuations of the City. Under Act No. 1 of the City's debt limit, based on the most recent assessed valuations, is \$1,911,244,759 as of December 31, 1996.

The fund balances of the general fund at December 31, 1992 through December 31, 1996 are as follows (amounts in thousands):

	1992	1993	1994	1995	1996
Reserved for encumbrances	\$ 6,408	\$13,482	\$23,127	\$27,257	\$1,859
Designated	3,029	—	8,863	7,898	8,887
Undesignated	<u>11,088</u>	<u>15,183</u>	<u>25,021</u>	<u>14,213</u>	<u>23,220</u>
Total	<u>\$20,525</u>	<u>\$28,665</u>	<u>\$56,011</u>	<u>\$49,368</u>	<u>\$34,966</u>

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used for certain revenue sources which are restricted by law or other formal action to expenditures for specific purposes.

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 490,987,000 at December 31, 1996.

CAPITAL PROJECT FUNDS

The Capital Projects Fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities other than those accounted for in the Component Units. Expenditures for capital improvement projects in 1996 totaled 949,466,000, an increase of 516,060,000 over the 1995 total.

COMPONENT UNITS

The City operates three major Component Units: the Sewerage and Water Board, the New Orleans International Airport and the Audubon Park Commission. Other Component Units include the French Market Corporation, the Municipal Yacht Harbor, the Upper Pomaloe Building Renovation Corporation, the Orleans Parish Communication District, the Canal Street Development Corporation, the Downtown Development District, and the New Orleans Tourism Marketing Corporation.

The Sewerage and Water Board reported 1996 operating revenues and net income of 1145,377,000 and 120,146,000, respectively. Operating expenses, exclusive of depreciation, increased 9% to 1702,889,000 in 1996 from 954,407,000 in 1995.

New Orleans International Airport is the air carrier airport serving the New Orleans metropolitan area - the largest metropolitan area in the state of Louisiana. The Federal Aviation Administration (FAA) classifies New Orleans as a medium air traffic hub. The airport primarily serves passengers whose travel originates or terminates in New Orleans.

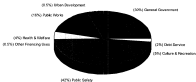
The airport is located on approximately 1,500 acres of land in Jefferson and St. Charles parishes and the city of Kenner, Louisiana. The terminal building complex consists of about 760,000 square feet and accommodates a total of 44 aircraft parking positions.

The following table shows the amount (in thousands) of general fund expenditures by function and other financing uses for 1995 and 1996.

Expenditures	1996	% of Total	Increase (Decrease)	1995	% of Total
	Actual		Over 1995	Actual	
General government	4184,398	30	\$ 2,200	\$ 398,004	30
Public safety	138,257	10	2,883	135,374	10
Public works	82,888	18	(2,838)	85,726	18
Health and welfare	18,882	4	2,712	16,170	4
Culture and recreation	17,824	5	888	16,936	5
Urban development	359	--	136	223	1
Debt service	8,418	2	(1,847)	7,565	2
Other financing uses	2,580	1	(32)	2,612	1
Total	4833,889	100	2,841	4831,048	100

Expenditure Dollars

(Percentage and Function)



(USD Dollars)

Expenditures and other financing uses for the general fund totaled approximately \$332,889,000.

Factors contributing to significant changes in expenditures from the prior year include the following:

The increase in general government expenditures was due to an increase in contractual services expenditures, supplies and materials and equipment purchases, among all departments performing this function. These contractual services were required, among other purposes, to continue installing and developing the City's financial management system. Additionally, departments were required to enhance their services through the acquisition of software, networking equipment and computers and communication equipment.

Public safety expenditures increased dramatically due to increased use of overtime to provide additional services and one time expenses for terminal leave and the acquisition of equipment and rolling stock.

Public works expenditures decreased due to a reduction in equipment purchases which are now consolidated under the Administrative Office Equipment Maintenance Division.

Health and welfare expenditures increased due to increases in Federal and State aid funding for this function.

Urban development expenditures increased due to additional grants allocated for this purpose.

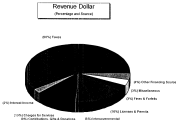
Debt service expenditures went down by \$1.5 million to reflect a reduction in principal and interest payments due from the City.

The decrease in contributions and donations is attributable to a one time payment in 1996 from the casino developer to the City.

Other financing sources increased by 490.3 million which reflects Rivergate Development's net income paid to the City.

The accompanying table shows the amount (in thousands) of general fund revenues by source for 1998 and 1995.

Revenues	1998 Actual	% of Total	Increase (Decrease) Over 1995	1995 Actual	% of Total
Taxes	\$199,417	60	\$4,241	\$195,076	58
License & permits	34,899	10	657	34,242	10
Intragovernmental	17,380	5	(862)	18,242	5
Charges for services	41,738	13	(1,777)	43,515	13
Fines and forfeits	10,490	3	68	10,422	3
Interest income	8,067	2	793	7,274	2
Contributions, gifts, and donations	484	--	(6,138)	6,622	2
Miscellaneous	11,217	3	(7,688)	18,905	6
Other financing source	17,899	5	10,294	7,605	2
	<u>\$333,999</u>	<u>100</u>	<u>(\$1,644)</u>	<u>\$332,355</u>	<u>100</u>



2007-2008

computerized financial management system initiated in 1995 and uses a program budget. The basic concept of program budgeting rests in the belief that public expenditures should be justified by their impact on public goals and not measured solely by the criteria of efficiency and economy.

CAPITAL BUDGET

The Mayor annually recommends to the City Council a capital improvement program for the next five years and a capital budget by project for the first year of the program. The City Council is obligated to approve a capital budget program and adopt a capital budget before it adopts the annual operating budget. The capital program and budget must show the amounts and sources of money of each separate project. The amounts budgeted constitute appropriations from the funds initiated when they become available. Expenditures for capital projects are made through the capital projects fund.

BUDGETARY AND FINANCIAL REPORTING

The fund structure by which the financial transactions of the City of New Orleans are reported is defined in the Home Rule Charter and does not conform to the current standards of the Government Accounting Standard Board (GASB). For purposes of disclosure, however, the accompanying financial statements, which are presented in the financial section of this report, have been structured to substantially conform with the GASB's promulgated standards. Primarily all general governmental functions other than debt service and capital improvements are accounted for in the general fund.

Encumbrances of the current year are recorded as obligations against budgetary appropriations and are included in the columns titled "actual on a budgetary basis" in the statements in the financial section of this report. Appropriations neither encumbered nor expended lapse at the end of the fiscal year.

GENERAL FUND

Revenues and other financing sources for the general fund in 1995 totaled approximately \$305,389,000. These revenues represent a 7% decrease from 1995. Factors contributing to significant changes in revenues for the prior year include the following.

Taxes increased 2.2% in 1996 over 1995. Property taxes increased by approximately \$3.3 million reflecting a 6% increase due to improved collection methods while documentary transaction taxes and parking taxes also reflected improved collections.

Licenses and permits decreased 1.8% under 1995 due to reduced payments from cable franchises.

The allocations of tobacco and racing taxes, intergovernmental revenues were reduced, thereby providing a 6.7% decrease from these sources of funds.

Charges for services decreased by 4% due to a reduction in reimbursement for services from utility regulatory fees.

Fines and forfeits increased by 2% because of additional receipts from Municipal Court fines and fees.

Interest income increased by 10.1% due to additional cash investments.

FINANCIAL CONTROLS

The City's administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, can be found in the separate report on the single audit of the City of New Orleans.

BUDGETARY PROCEDURES

The City's Charter requires the annual preparation of a balanced operating budget. It prohibits the Department of Finance from approving any expenditures under any portion of the annual operating budget unless sufficient revenues have been appropriated by the City Council to finance the proposed expenditures. The City Council is required to appropriate the necessary tax and other revenue measures to produce a balanced budget. In addition, no budgeted expenditures may be made unless authorized by the Mayor or the Chief Administrative Officer through an allotment system.

The City maintains revenues and expenditures closely during the year. Transfers within the budget are adopted by the City Council when necessary to increase or curtail budgeted expenditures to ensure a balanced budget.

The City maintains budgetary controls at the departmental level by cost object classification and allocates appropriations on a quarterly basis. These cost object classifications were originally specified as four by the City's Home Rule Charter (the Charter): personal services of officials and employees; contractual services; supplies; and equipment and property. However, charter amendments adopted late in 1995 expanded these classifications to three classifications for 1996 as follows: personal services, other operating expenses, and debt service. Although all expenditures are recorded at the individual line item level, they are summarized for reporting purposes to these three expenditure classifications.

Encumbrances are recorded via the Bureau of Accounting Through an on-line processing system before the requisition are electronically transmitted to the Bureau of Purchasing. If sufficient funds are not available to cover a purchase, the requisition is rejected and returned to the originating department for appropriation or allotment changes, transfer of funds or cancellation. Appropriations are allowed to be amended through councilmatic action during the year, and all unencumbered appropriations lapse at year end. The City Charter, as well as state law, does not allow deficit spending. The Department of Finance is able to control all of the above through a

4. **Formosan Termites Control by Baiting City Structures** is the first step necessary to start the process of solving the Formosan termite problem in the City of New Orleans.

The Formosan termite (*Reticulitermes formosus*) is a subterranean termite native to East Asia. Although relatively new to the United States, it is fast becoming our single most destructive structural insect. Collectively, several species of termites are responsible for over \$3 billion in damages and related costs to buildings in the United States of America.

These termites were first identified in Houston, Galveston, Lake Charles and New Orleans in 1989-90, and were imported in infested war material crates after WWII. Currently this 50 year old infestation has spread to 27 Parishes in Louisiana and 11 states. Unless there is a concerted national effort to halt the spread of Formosan termites, this voracious insect pest could spread across the U.S. as far north as Tacoma, WA, and Boston, MA.

It is estimated that the metropolitan New Orleans area is the most heavily infested area in the United States and is sustaining \$300 to \$500 million in Formosan termite control and damage costs annually. In addition to destroying buildings, Formosan termites destroy pressure treated utility poles and wharves; underground electrical power and telephone cables; seats on high pressure water lines; underground traffic light switch boxes; and live trees, shrubs and agricultural crops.

The City of New Orleans has more Formosan termite activity and damage than any other major U.S. city, especially in the 15,000 historic structures that are distributed throughout the entire city. The "Vieux Carré" consists of approximately 100 squares of historic buildings and significant structures that share walls and thus share termites. Because of this structural intimacy, the solution to the Formosan termite infestation in the French Quarter is to attack the problem on a block by block basis rather than house to house. This process will require significantly more cooperation among government, private ownership, the pest control industry and the providers of termite control research.

Current preservation efforts are centered around grants from The National Center for Preservation Technology and Training. Several buildings are currently being treated as a joint effort between The City of New Orleans Mosquito Control Board and the cooperation of participating Universities (Preservation Hall, Forrester Apartments, Geller Hall, and the Cabildo, the to expand the Formosan termite control treatments to include the entire square block that these historic structures occupy. This process is very expensive and will cost approximately \$200,000 per square to accomplish.

Through careful determination of the Mosquito Control Board and cooperation and funding from major commercial manufacturers and grant allocations, the City of New Orleans has been able to develop new termite control systems. Through cooperative agreements the City of New Orleans received the benefits of termite control research and baiting to the City's historic buildings and trees. A block by block attack on Formosan termites was accomplished in the areas of the City of New Orleans that are most heavily infested. This innovative block by block approach is the first attempt of this magnitude to be accomplished in the United States.

Consequently, the Mosquito Control Board was the recipient of the Bureau of Governmental Research's 1990 Excellence in Government Award.

what is happening in its homes, backyards and neighborhoods. A great deal has been accomplished for the first time since the regulation of solid waste, the Sanitation Department is in full compliance with all laws and regulations and now sends the City's waste to a state of the art, solid waste landfill that meets federal regulations, at a disposal cost that is one of the lowest in the region. The City's recycling program initiated in 1998 continues to be a success with citizens. These improvements resulted in:

- a 80% recycling participation rate,
- 18,000 tons of trash recycled,
- 53,000 cubic yards of landfill space saved, and
- \$400,000 in landfill disposal costs saved.

For the future.

The framework for a new New Orleans has been laid. New and stronger relationships have been forged with other local governments, the state, and federal government.

City government is moving forward and looking to the future. To make government work effectively into the 21st century, revisions to the City's Home Rule Charter and a comprehensive zoning and land use plan are being timely implemented.

City leaders today must be architects of the future. Mayor Morial and the City Council have begun rebuilding New Orleans' streets, playgrounds, parks and public buildings now, and are making plans to begin a comprehensive five year public works program to insure the City's infrastructure is secure for the future.

Community partnerships must continue to provide future opportunities for the City and its citizens.

DEPARTMENT FOCUS

The Mosquito Control Board provides the following City services:

The Mosquito Control Board administers and evaluates mosquito activities and monitors the population of disease and virus transmitting mosquitoes and consults with the appropriate authorities to protect the health of this community.

Program Description:

The Mosquito Control Board consists of the following programs:

1. Mosquito Control Unit provides the response to evaluate the adult and larval mosquito populations in the City of New Orleans, their relationship to health, economics, tourism and recreation.
2. Upper Pontchartrre Trunkline Control Project is directed to the control of Foramsan territories in a 125,000 square foot structure in the historic French Quarter by utilizing the safest and most environmentally compatible products and procedures currently available.
3. City Park Source Reduction/Design Project directly supports the mosquito control effort in the City of New Orleans by managing water depth in over one mile of lagoons located in the center of a densely populated area of the City, and enhances water fishing for inner-city kids and adults.

Citizens now have the opportunity to participate in City Government. "Little City Hall" Town Hall meetings held in Council Districts bring City Departments to the community.

Young people are the City's most important asset and the key to our future growth and success. Recreational and educational programming enhances the development of the City's youth. As a result, City government has focused considerable attention on children. The New Orleans Recreation Department (NORD) has been revitalized with expanded programs, improvements to facilities and increased community partnerships. The improvements made have enabled NORD to serve more boys and girls in every neighborhood in New Orleans. NORD is now providing children and managers a full range of activities including recreation, art and cultural enrichment as well as social and job skills preparation for future employment. The City's young people also need the opportunity to learn employment skills on the job. The NORD Teen Summer Job Initiative has impacted 2,900 young people.

Home ownership is the key to strengthening New Orleans neighborhoods. Public, private and non-profit organizations are coming to New Orleans by providing programs that assist low and middle income families in purchasing a new home. The First National Bank of Commerce has a \$12 million commitment in Central City, purchasing 44 homes for resale. Fannie Mae, the nation's largest source of home mortgage funds, established a partnership in New Orleans, providing \$5.20 million in affordable financing. Additionally, the Division of Housing and Neighborhood Development is working with neighborhood partners to provide home ownership opportunities and assistance with rehabilitation of historic and run down properties. The Office of Housing also plays a role in code enforcement and clean up. Additionally, the Office of Neighborhood Development participates in community development projects that address crime and drug prevention, health services, day care and other issues facing families.

In 1998, the Office of Housing has provided the following services:

- 1,407 new homeowners through City Housing Partnerships.
- 518 emergency home repairs
- 68 blighted properties expropriated, sold, or renovated
- 288 blighted properties demolished

Blind abandoned structures are a barrier to neighborhood revitalization, the City's housing recovery strategy is working through the red tape to get these properties back on the market. Through the city's lobbying efforts, State Constitutional Amendments 14 and 15 were brought before voters and passed. The amendments shortened to 18 months the redemptive period for abandoned homes to be sold. They also allow public donations of abandoned and blighted properties to non-profit organizations. In 1998, the City sold five hundred of expropriated properties.

Government is also focusing on neighborhood issues. The Strategic Inspection Force (SIF) provides and conducts street code enforcement of health, sanitation, housing, and other code violations in neighborhoods throughout the City. SIF is led by the Chief Administrative Office and is coordinated through the Mayor's Office of Public Advocacy. The SIF Inspection Force conducted more than 10 sweeps in 1998 and issued over 5,000 code violation citations. Additionally, SIF cleared 107 abandoned gas tanks, cleaned 200 vacant lots, sidewalks and vacant grounds, inspected 9,000 homes for water control, sidewalks, lawns, and removed 1,000 junked vehicles, repaired 199 street lights, repaired 700 street signs, repaired 100 water hydrants, filed 467 street petitions, and removed 1,744 tons of trash.

The City of New Orleans has made major strides in raising public awareness about the importance of protecting the urban environment. The City is concerned about its natural surroundings and

- Energy/MAX Theater
- Francis McManus Wing
- Black Music Hall of Fame
- Louisiana Art Guild
- Planet Hollywood
- Fashion Cafe

Major events, like Mardi Gras, the Louisiana Jazz and Heritage Festival, and the Essence Festival generate over \$1 billion in economic impact. Worldwide, event organizers know that New Orleans is the prettiest city to host an event.

Additionally, the City has a comprehensive capital facilities plan which includes projects that are catalysts for economic development. Some examples are:

- Eastern Expressway/Tchoupitoulas Corridor - \$300 million
- Downtown Sports Arena - \$84 million
- LBJ Critical Access Building - \$60 million
- Port of New Orleans - \$23.6 million
- Renovation to the Custom House, Federal Building, U.S. - \$41 million
- Armstrong Park/Holocaust Auditorium Redesign - \$0.2 million

Louisiana has begun to develop a major casino industry. However, in September 1996, the Temporary Casino Lease was terminated by the City Council and in October 1996, the state Gaming Control Board approved moving the Flamingo riverboat casino from New Orleans to Sliverport, Louisiana. On October 14, 1996, the Mayor signed a revised lease agreement for the Casino, subject to approval by the federal Bankruptcy Court, the State Gaming Control Board and the voters in an election held on November 5, 1996.

By a vote of approximately two to one, the voters of the City on November 5, 1996, approved the local option gaming propositions. Although the Harrah's Jazz Company Chapter 11 bankruptcy proceedings referenced above have been both protracted and complex, at the present time reorganization of Harrah's Jazz Company seems to be near completion; however, final approval for the continued Harrah's lease in New Orleans will require state legislative approval, which appears unlikely at this date. Harrah's Jazz Company failure to successfully reorganize will not adversely affect the New Orleans economy or businesses as previously stated. New Orleans trade, tourism and entertainment industries continue to improve and stimulate the New Orleans economy.

MAJOR INITIATIVES

For the year:

For the first time since 1954, the Council approved an amended City Charter bringing it to the voters for their approval. These Charter amendments were overwhelmingly approved on November 18, 1996, by the electorate and became effective January 1, 1998. Among the reforms established by these amendments are authorization for a consolidation in the number of city departments, established a revenue estimating conference to evaluate City revenues and improvements in the City's procurement process.

The revised City Charter streamlines and modernizes City government preparing New Orleans for the twenty-first century.

Traditional inter-departmental barriers are breaking down. The new, privatized Xerox Document Center brought modern equipment to City Hall without the burden of capital investment.

Mayor's Office of Tourism, Arts and Entertainment (MOTAE)

Recognizing New Orleans' unique creative resources and attractions, Mayor Morial established the nation's first ever Office of Tourism, Arts and Entertainment (MOTAE), to stimulate greater cooperation between and within these industries to promote and develop new projects, jobs and initiatives. Tourism has a total economic impact of nearly 14 billion in New Orleans. With the City already a national leader in convention business, a marketing drive to attract independent and off-stance visitors has paid off with hotel occupancy above the national average at 76% and rising.

MOTAE has worked with existing tourism, entertainment, arts and sports entities to achieve a more coordinated citywide effort to attract visitors and business investments. It has stimulated a new focus on cultural and multi-cultural tourism. Housed in MOTAE are the Film and Video Commission and the Music and Entertainment Commission which coordinate marketing strategies and development plans in these industries. The Film and Video Commission has helped establish New Orleans as a premier location for film production which had an estimated economic impact of \$40 million in 1998.

ECONOMIC OUTLOOK

The New Orleans economy is on the rebound with impressive job growth, and the City is taking advantage of opportunities for economic development. The City's new approach of communication and coordination with the national and state legislatures is bringing significant results in maintaining funding levels.

Two stars of the New Orleans' economy - tourism and the port - will continue in their roles through the rest of the century. The Port of New Orleans is one of the largest industries in New Orleans and Louisiana. The Port of New Orleans together with the South Louisiana Port Commission ranks as one of the top world ports in tonnage of cargo handled. Already, some organizations are interested in establishing distribution centers in New Orleans for supplies to and from Mexico.

International tourism is on the rise. Louisiana Tax Free Shopping has been a real incentive to international tourists. International tourism markets are showing an increase in business between 6% and 10%.

The New Orleans International Airport has experienced a 25% increase in passenger flights and a 20% increase in passenger traffic. The airport has non-stop and direct scheduled passenger service to over 40 cities across the United States and internationally. The synergy between tourism and the airport has been helping both the hospitality and air travel industries launch programs of expansion that are already paying off in thousands of new jobs for the entire New Orleans economy. Currently, the Aviation Board is completing a \$600 million expansion and rebuilding of the New Orleans International Airport which is a crucial factor in the continued growth of the tourism industry.

The attractions, charm and history of New Orleans make it a natural place to grow a new and viable entertainment industry. The combined economic impact of the live and music industries in New Orleans is over \$2 billion annually. New Orleans hosts many large sporting events including the Super Bowl, the Bayou Classic and the Louisiana-Games. The planned downtown arena will reinforce the City's capacity to host additional sporting events. New entertainment attractions incl.ace

The Office of International Relations and Trade Development has expanded trade with missions to Ecuador, Haiti, Mexico and South Africa. International trade pumps 48 billion in to the New Orleans economy, and New Orleans is building a national reputation for international trade successes, particularly with our Latin American neighbors.

Latin American trade increased by 10.6%. The Port of New Orleans surpassed records set the year before with nearly a 10% increase in cargo volume. One of only eleven U.S. Regional Export assistance centers opened in our city. Two Latin American trade offices, the first in twenty years, opened their doors in New Orleans.

New Orleans is a well established and world renowned center of tourism, with considerable diversity in its attractions and a well developed tourist industry. The City regularly rates among the top ten cities nationwide as a location for conventions.

The Ernest N. Morial Convention Center is ranked third among U.S. Convention centers and has experienced a 20% increase in business. In 1996, the Morial Convention Center hosted 104 major conventions and trade shows, operating at nearly 90% of capacity. These meetings attracted more than 660,000 delegates and another 150,000 guests, spouses, and exhibitors for a total of 800,000 visitors. Conventions business is a major component of the New Orleans tourist industry. To keep pace with this booming industry, a \$295 million Phase II expansion is underway at the Ernest N. Morial Convention Center. This expansion will double the capacity of the Convention Center. In an effort to support the increase in international trade, over \$600 million in capital improvements are underway at the New Orleans International Airport.

Planning projects and expansions along the river should bring more than 200,000 visitors to the City a year and generate \$147.5 million in direct spending and \$142.8 million in indirect spending, for an overall total of \$284.1 million.

New Orleans is one the healthiest hotel markets in the country and many older downtown buildings are being renovated as hotels. Occupancy rates have been rising steadily since the mid-1980's. Driven new hotels just completed or under construction will accommodate the increase in tourism as a result of the tourist attractions and convention capabilities.

Various programs and governmental agencies have been set up throughout the City of New Orleans to improve the City's economic outlook. They are as follows:

The Neighborhood Commercial Revitalization Program is promoting economic growth in depressed areas with live interest loans and services to businesses in targeted neighborhoods.

The City Business Center is guiding new businesses through City permits, licenses, zoning regulations and tax obligations for start up or expansion.

The New Orleans Business Retention and Expansion Program is working with an advisory committee of local business leaders to promote New Orleans to potential corporations and ensure that businesses stay in New Orleans.

The Office of Small, Minority, and Disadvantaged Business sponsors ongoing management workshops and training seminars for small business owners and entrepreneurs to identify government opportunities for small business startups.

THE REPORTING ENTITY AND ITS SERVICES

New Orleans, the largest city in Louisiana, was founded in 1718 and incorporated in 1805. The City's system of government is established by its Home Rule Charter which became effective in 1954. The Louisiana Constitution prohibits the state legislature from enacting any law affecting the structure, organization, or distribution of the powers and functions of any local subdivision which operates under a Home Rule Charter. The City's Home Rule Charter may be amended only by the vote of a majority of the qualified voters in the City, voting at an election called by the City Council on its own initiative, or upon receipt of a petition of not less than ten thousand registered voters.

The City has a Mayor-Council form of government. The Mayor is elected for a four-year term and is limited to two consecutive terms. The Mayor appoints the Chief Administrative Officer, who is his principal assistant and budget officer for the City. The Chief Administrative Officer appoints all department heads, subject to the Mayor's approval, except the City Attorney, who is appointed by the Mayor, and the Personnel Director of the City Civil Service Department, who is appointed by the Civil Service Commission. The City has thirteen executive departments and numerous affiliated boards and commissions, and provides a full range of services including police and fire protection, sanitation services, the construction and maintenance of streets, infrastructure, and recreational activities and cultural events.

The Council is the legislative body of the City government, comprised of five Council members elected from five geographic districts and two elected at large, all for four-year terms. Laws are enacted through Council ordinance. The Council adopts the City's annual capital and operating budgets. Ordinances of the Council may be vetoed by the Mayor. Vetoes may be overridden by a two-third vote of the Council.

The general purpose financial statements of the City include all government activities, organizations, and functions for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Based upon these criteria, the various funds, account groups and component units (being all the funds, account groups and component units of the City) shown in the Table of Contents are included in this report.

Current Louisiana law provides for creation of several districts and independently elected public officers for the provision of certain services at the parish level. Examples would include the Orleans Parish School Board, Assessors, Civil and Criminal Sheriff and Clerk of Court. These officials prepare their own budgets and operate independently of the City. The results of operations of these offices are not included in this report because there is a lack of financial accountability for these offices on the part of the City's elected officials.

YEAR IN REVIEW

The City of New Orleans has enjoyed a relatively successful 1996. The general fund ended fiscal 1996 with a fund balance of \$91 million on a GAAP basis. Some of the factors that helped to make 1996 a successful year for New Orleans were growth and expansion in the tourism business and increased tax income from the Tax-Free shopping program for foreigners. These factors are more fully described as follows:

DEPARTMENT OF FINANCE

June 22, 1997

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of New Orleans for the year ended December 31, 1996.

The CAFR has been prepared in conformance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The City's basis of accounting and its various funds are explained in the notes to the accompanying general purpose financial statements.

Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly and truthfully reflect the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The accompanying financial statements have been audited by the City's certified public accountants and their opinion resulting from their audit is included in this Comprehensive Annual Financial Report.

Our Comprehensive Annual Financial Report is divided into three sections:

- The Introductory Section includes a list of principal officials, the City's organizational chart, and information about the organizational structure of the City, its accounting and budgetary systems, and fund structure. It also has summarized data reflecting the financial condition of the City including an analysis of general government operations and debt administration.
- The Financial Section is prepared using the cyclical approach of the GASB. It includes the General Purpose Financial Statements which present the consolidated statements as an overview of the City's entire financial operation. Next, consisting of individual fund statements present each of the various separate funds and account groups of the City. Schedules provide certain other information and details of data summarized in the financial statements. The statements and schedules included in this section pertain to those operations which, when taken together, make up the reporting entity of the City.
- The Statistical Section includes tables containing historical financial data, debt statistics, and selected financial and demographic information of the City that are of interest to potential investors in our bonds and other readers, including ten-year revenue and expenditure information.

CITY OF NEW ORLEANS

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CITY OF NEW ORLEANS, LOUISIANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 1996

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**CITY OF NEW ORLEANS
LOUISIANA**

**Comprehensive Annual Financial Report
Fiscal Year Ended December 31, 1986**

Under provisions of state law, this report is a public document. A copy of the report has been furnished to the public, or released, orally and other appropriate public officials. The report is available for public inspection at the Finance Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JAN 16 1987**

Release Date _____

Prepared by
Department of Finance
Adrian M. Kohn
Director

**CITY OF NEW ORLEANS
SCHEDULE OF REPORTABLE CONDITIONS
(CONTINUED)**

**5. IDENTIFICATION, TAGGING AND CONTROL OF EQUIPMENT/
MOVABLE PROPERTY PURCHASED WITH FEDERAL FINANCIAL ASSISTANCE**

The city of New Orleans has purchased through its various grant awards, equipment and other movable property used to assist in the administration of the various grant programs. Procedures for managing such equipment must meet certain minimum requirements such as property records, physical inventories, and adequate control systems.

We noted during our audit that the City of New Orleans had not adhered to established policies and procedures with respect to movable property as follows:

- o Movable property purchased during the current year by the City's sub-recipients was not tagged and recorded on the movable property records;
- o A physical inventory of movable property purchased with federal funds has not been performed; and
- o The fixed asset ledger has not been updated for certain equipment purchases made during the year; however, a work sheet was prepared to input the current year's purchases.

We recommend that the management of the city of New Orleans adhere to established policies and procedures with regard to equipment/movable property.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED
ON AN AUDIT OF THE SCHEDULE OF
FEDERAL FINANCIAL ASSISTANCE PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the
City Council and the
Honorable Mark E. Morial, Mayor
City of New Orleans, Louisiana

We have audited the Schedule of Federal Financial Assistance of the City of New Orleans, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated June 6, 1997. The general purpose financial statements were audited by other auditors whose report has been made available to us. As discussed in Notes 4, 5 and 9, the City of New Orleans has been requested by federal agencies to remit funds for ineligible and disallowed costs, and has failed to comply with certain contractual and programmatic requirements with regard to its federal financial assistance program during the year ended December 31, 1998 and in previous years.

We conducted our audit in accordance with generally accepted auditing standards and 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 Schedule of Federal Financial Assistance is free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of New Orleans, is the responsibility of the City of New Orleans' management. As part of obtaining reasonable assurance about whether the Schedule of Federal Financial Assistance is free of material misstatement, we performed tests of the City of New Orleans' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the Schedule of Federal Financial Assistance was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED
ON AN AUDIT OF THE SCHEDULE OF
FEDERAL FINANCIAL ASSISTANCE PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)**

To the Members of the
City Council and the
Honorable Marc H. Morial, Mayor
City of New Orleans
Page 2

The results of our tests of compliance disclosed instances of noncompliance as described in the attached Schedule of Findings and Questioned Costs starting on page thirty-six (36), that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no adjustments have been recorded to the City of New Orleans' Schedule of Federal Financial Assistance for the year ended December 31, 1996.

We considered these instances of noncompliance in forming our opinion on whether the City of New Orleans' Schedule of Federal Financial Assistance is presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated June 8, 1997, on the schedule of Federal Financial Assistance.

Under the terms and conditions of certain contracts and grants, the City of New Orleans disburses grants and awards to sub-recipients who are audited by other independent auditors. Also, the City of New Orleans is periodically audited by federal agencies. The other independent auditors and federal auditors have furnished their audit reports to us. The audit reports contained instances of non-compliance pertaining to programmatic and financial activities of certain sub-recipients and the City of New Orleans. The scope of our work was not sufficient to express, and we do not express an opinion on the completeness of the findings. However, information on the effect of the reported findings is included in the Status of Other Audits performed by Federal Auditors and other Independent Auditors section.

This report is intended for the information of the audit committee, management, the cognizant audit agency, and other interested parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 6, 1997

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Members of the
City Council and the
Honorable Marc W. Morial, Mayor
City of New Orleans, Louisiana

We have audited the Schedule of Federal Financial Assistance of the City of New Orleans, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated June 4, 1997. The general purpose financial statements were audited by other auditors whose report has been made available to us. As discussed in Notes 4, 5 and 9, the City of New Orleans has been requested by federal agencies to remit funds for ineligible and disallowed costs, and has failed to comply with certain contractual and programmatic requirements with regard to its federal financial assistance programs during the year ended December 31, 1995 and in previous years.

We have also audited the City of New Orleans' compliance with the following requirements that are applicable to each of its major Federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1996:

Specific Requirements

- o Types of Services Allowed or Unallowed
- o Eligibility
- o Matching Level of Effort and/or Earmarking
- o Special Reporting Requirements
- o Special Tests and Provisions
- o Claims for Advances and Reimbursements
- o Amounts Claimed or Due for Matching

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**
(CONTINUED)

To the Members of the
City Council and the
Honorable Marc E. Morial, Mayor
City of New Orleans, Louisiana

The management of the City is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit. We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of State and Local Governments." These standards and the provisions of OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

As described in the accompanying Schedule of Findings and Questioned Costs, the results of our audit procedures disclosed that the City did not comply with the requirements to properly monitor subrecipients. In our opinion, the City's monitoring of subrecipients is necessary for the city to comply with the requirements applicable to the Department of Health and Human Services, Job Training Partnership Act, Home Investment Partnership, and Community Development Block Grant programs.

In addition, the results of our audit procedures disclosed certain immaterial instances of noncompliance with the requirements referred to in the second paragraph, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance which is expressed in the following paragraph.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

(CONTINUED)

To the Members of the
City Council and the
Honorable Mark N. Morial, Mayor
City of New Orleans, Louisiana

In our opinion, except for the effect, which is not presently determinable as described in the following paragraph, of those instances of noncompliance applicable to the Department of Health and Human Services, Job Training Partnership Act, Home Investment Partnership, and Community Development Block Grant programs referred to in the fourth paragraph of this report and identified in the accompanying Schedule of Findings and Questioned Costs, the City of New Orleans complied in all material respects with the specific requirements referred to in the second paragraph that are applicable to each of its major federal financial assistance programs for the year ended December 31, 1994.

Resolving the instances of noncompliance identified in the fourth paragraph of this report is the responsibility of the management of the City of New Orleans and federal officials. The determination of whether the identified instances of noncompliance will ultimately result in a disallowance of costs cannot be presently determined. Accordingly, no adjustments for any disallowances that may result has been made to the federal program amounts listed in the accompanying Schedule of Federal Financial Assistance.

Under the terms and conditions of certain contracts and grants, the City of New Orleans disburses grants and awards to sub-recipients who are audited by other independent auditors. Also, the City of New Orleans is periodically audited by federal agencies. The other independent auditors and federal auditors have furnished their audit reports to us. The audit reports contained instances of non-compliance pertaining to programmatic and financial activities of certain sub-recipients and the City of New Orleans. The scope of our work was not sufficient to express, and we do not express an opinion on the completeness of the findings. However, information on the effect of the reported findings is included in the Status of Other Audits performed by Federal Auditors and other Independent Auditors section.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS
(CONTINUED)

To the Members of the
City Council and the
Honorable Mark E. Morial, Mayor
City of New Orleans, Louisiana

This report is intended for the information of the audit committee,
management, the cognizant audit agency, and other interested
parties. This restriction is not intended to limit the
distribution of this report, which is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 6, 1997

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 1996

1. MONITORING OF SUBRECIPIENTS

QUESTIONED COSTS

CONDITION

1-0-

We noted during our audit that an effective programmatic and fiscal monitoring system had not been implemented for the Department of Health and Human Services, Job Training Partnership Act, and Home Investment federal programs. This is evidenced by the fact that a substantial number of sub-recipients were not monitored during the year.

Additionally, we noted that for the Community Development Block Grant program certain sub-recipients were not monitored, while others were not monitored on a monthly/timely basis.

CAUSE

The City of New Orleans had not fully implemented its new Monitoring and Prompt Payment system relative to performing regular fiscal and programmatic monitoring of the activities of subrecipients during the fiscal year ended December 31, 1996.

EFFECT

The City of New Orleans has awarded in excess of \$20.8 million to subrecipients administered by the noted grants.

Without consistent monitoring efforts and documentation thereof there is no:

- Assurance that all subrecipients are monitored on a regular basis;
- Determination of subrecipients' compliance with contractual terms and conditions; and
- Follow-up and resolution of conditions of noncompliance noted.

As a result of the lack of programmatic and fiscal monitoring of the subrecipients, these subrecipients may have requested reimbursement for costs which may be unallowable, unsupported, and/or ineligible.

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

1. MONITORING OF SUBRECIPIENTS, CONTINUED:

Effect, Continued

Lastly, ineffective and inconsistent monitoring efforts by the City can adversely affect the performance of the City and its subrecipients in regard to attaining the various grant program goals and objectives.

Criteria

The Common Rule, Subpart C, Section .40(a) states that:

"grantees are responsible for managing the day-to-day operations of grant/award supported activities. Grantees must monitor grant and award supported activities to ensure compliance with applicable Federal requirements and that performance goals are being achieved. grantee monitoring must cover each program, function, or activity."

Recommendation

We recommend that the City of New Orleans ensure that subrecipients are regularly monitored, both fiscally and programmatically, in a consistent manner.

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996**

2. AUDIT OF SUBRECIPIENT CONTRACTS QUESTIONED COSTS

Condition

\$-0-

The City of New Orleans has not fully developed a system to ensure that subrecipients perform audits in accordance with Federal requirements and OMB Circular A-128 and A-133, as applicable.

In our detailed review of the Ryan White, Great Expectations, Healthcare for the Homeless, Community Development Block Grant, and Infinity Network programs the following conditions were noted with respect to audit reports due as of May 1997 for subrecipients with fiscal years ending in 1995:

- Ryan White - approximately \$2.8 million was disbursed in 1995 to thirty-five (35) subrecipients. Of the thirty-five (35) subrecipients noted, twenty-four (24) subrecipients met the dollar threshold for audits.

However, Ryan White administrators had only fourteen (14) audit reports on file, with the amount disbursed to the remaining subrecipients totaling \$627,403.

- Great Expectations - approximately \$5.1 million dollars was disbursed in 1995 to eleven (11) subrecipients. The administrators of the Great Expectations program had nine (9) audit reports on file, with the amount disbursed to the remaining two (2) subrecipients totaling \$293,398.

- Healthcare for the Homeless - approximately \$293 thousand dollars was disbursed to seven (7) subrecipients. The administrator of the Healthcare for the Homeless program had five (5) audit reports on file, with the amount disbursed to the remaining subrecipients totaling \$184,600.

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996**

2. AUDITS OF SUBRECIPIENT CONTRACTS, CONTINUED

Condition, Continued

- Community Development Block Grant - our review indicated that of the sixty-nine (69) sub-recipients requiring an audit, forty-two (42) audits have been received and eight (8) were in progress. The amount disbursed to the remaining sub-recipients totaled \$2,406,800.

Cause

The management of the City of New Orleans had not adhered to established procedures.

Effect

The City of New Orleans could be exposed to major liabilities for disallowed costs due to a subrecipient's failure to comply with Federal regulations.

Moreover, the City has not determined whether the subrecipients have administered these funds in accordance with the terms of their subrecipient agreements or whether reimbursements to these subrecipients were for eligible costs.

Criteria

The OMB Common Rule, Subpart C Section .26(b)(1) through 3) states that:

"State or local governments that receive Federal financial assistance and provide a defined amount of it in a fiscal year to a subgrantee shall:

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

2. AUDITS OF SUBRECIPIENT CONTRACTS, CONTINUED

Criteria, Continued

- Determine whether State or local subgrantees have met the audit requirements of the Act and whether subgrantees covered by OMB Circular A-110, "Uniform Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations" have met the audit requirements. Commercial contractors (private for profit and private and governmental organizations) providing goods and services to State and local governments are not required to have a single audit performed. State and local governments should use their own procedures to ensure that the contractor has complied with laws and regulations affecting the expenditure of Federal funds.
- Determine whether the subgrantee spent Federal assistance funds provided in accordance with applicable laws and regulations. This may be accomplished by reviewing an audit of the subgrantee made in accordance with the Act, Circular A-110 or through other means (e.g., program review) if the subgrantee has not had such an audit.
- Ensure that appropriate corrective action is taken within six (6) months after receipt of the audit report in instances of noncompliance with Federal laws and regulations.

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

2. ARRIES OF SUBRECIPIENT CONTRACTS, CONTINUED

Recommendation

We recommend that management of the City of New Orleans improve its monitoring system to assure that independent audits are performed, audit reports are reviewed, desk reviews of independent audit reports are performed to determine compliance with OMB Circular A-113 or A-120, and corrective action is taken for instances of noncompliance within six months after receipt of audit reports. Additionally, the City should develop a system to ensure that subrecipients who receive the federal designated amount of funds are audited and reports are received for resolution in a timely manner.

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

3.	<p>SUBSCRIPTION CONTRACTS - DEPARTMENT OF HEALTH AND HUMAN SERVICES</p> <p>Condition</p> <p>We noted during our audit that health grant contracts did not contain certain contractual provisions as required by the Code of Federal Regulations.</p> <p>Cause</p> <p>The management of the City of New Orleans inadvertently omitted certain Code of Federal Regulations contractual provisions.</p> <p>Effect</p> <p>Health grant contracts with sub-recipients are not in compliance with federal regulations.</p> <p>Criteria</p> <p>45 CFR 92.36(i) and the Common Rule, Subpart C, Section .36(i) stipulate that a grantee's and subgrantee contracts must contain certain provisions, such as compliance with Equal Employment Opportunities, Copeland Anti-Kickback, Clean Air Act, etc.</p> <p>Recommendation</p> <p>We recommend that management of the City of New Orleans take immediate steps to ensure Health grant contracts comply with federal regulations.</p>	<p>QUESTIONED COSTS</p> <p>\$-0-</p>
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CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

4. RECORD RETENTION AND COMPLETENESS OF
SUB-RECIPIENTS' FILES QUESTIONED COSTS

Conditions

\$117,011

The Department of Housing and Neighborhood Development (DHND) administers several housing programs and additionally provides financial and technical assistance to eligible participants requiring repairs to their homes.

During our review of sub-recipient and participant files, we noted that certain required documentation was not available for review as follows:

Housing Code Enforcement

- o For all participants tested, we noted that the demolition contracts were not signed and environmental assessments were not maintained. (Questioned costs totaled \$39,243.)

We also noted the following conditions:

- o The required letter of notification of demolition to the owner was not maintained for three (3) participants;
- o The assessment of the cost of demolition was not maintained for two (2) participants;
- o The photograph of the property prior to demolition was not maintained for one (1) participant;
- o The environmental assessment was not maintained for one (1) participant;

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

4. RECORD MAINTENANCE AND COMPLETION OF
SUB-SUBJECTS' FILES
CONTINUED

Condition, continued

- o The evidence of authorization for demolition, compliance with bidding requirements and final inspection was not maintained for one (1) participant.
- o A contractor was paid \$79 in excess of the bid amount (Questioned costs totaled \$79.)
- o The owner's request to repair the property by other MSD programs went unfulfilled with the property being subsequently demolished for two (2) participants and
- o In five (5) of the twelve (12) files tested only two (2) bids were received on the respective demolitions as opposed to the required number of three (3) bids. In one (1) of the five (5) instances the lowest of the two (2) bids received was not accepted. (Questioned costs totaled \$48.)

FOUR, FIVE AND SEVEN

- o In three (3) instances out of nine (9) files tested, there was no evidence of income verification, and a signed conflict of interest statement.
- o In one (1) instance out of nine (9) files tested, the cost of the project exceeded the legal spending limitation. The spending limit amounted to \$8,000; the amount totaled \$10,882 resulting in questioned costs of \$28,882.
- o In seven (7) instances out of nine (9) files tested, there was no environmental assessment maintained on file.

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

4. EXCESS RETENTION AND COMPLETION OF
SUB-RECIPIENTS' FILES
CONTINUED

Condition, Continued

- o In four (4) instances out of nine (9) files tested, there was no inspection report.
- o In two (2) instances out of nine (9) files tested, an intake file (eligibility document) was not available for review. (Questioned costs totaled \$74,197.)

Community Development Block Grant/Home Investment

- o In one (1) out of five (5) subrecipients tested, the CMO did not maintain the application (proposal) file.
- o In four (4) out of five (5) subrecipients tested, the CMO did not retain the subrecipients' Internal control questionnaire: and
- o In five (5) out of five (5) subrecipients tested, the CMO did not maintain evidence of correspondence with the subrecipients regarding audit requirements.

Cause

The primary cause of the above mentioned conditions appears to be a lack of follow-up in obtaining missing documents. Few reviews of the sub-recipient and participant's files, citations were often made indicating the need to obtain missing documents, however follow-up was not performed.

Effect

The city of New Orleans has not complied with all the aspects of the requirements for the various programs as it relates to documentation in the participant's file.

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

4. **RECORD RETENTION AND COMPLETENESS OF
SUB-RECIPIENT'S FILES**.....
(CONTINUED)

Criteria

The common Rule Sub-part C, Section .30(b)(4) states:

- Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

Furthermore, the policy and procedure manuals for the various housing programs outline the various documents to be included in the participant's file including:

- Verification of participant's income and eligibility; verification of proof of insurance for contractor's, inspection reports, etc.

Recommendation

We recommend that the staff adhere to established procedures and ensure that all required documents are obtained and placed in the sub-recipient/participant's file.

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

A.	<u>MONITORING FINDINGS</u>	<u>QUESTIONED COSTS</u>
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	<u>Condition</u>	\$212,000
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We noted during our audit that the Monitoring and Prompt Payment System (MOPPS) unit had identified as a result of sub-recipient monitoring efforts, approximately \$712,500 in ineligible costs. However, documentation of the termination of funding until resolution and the actual resolution/corrective action was not maintained.

Cause

The management of the City of New Orleans did not adhere to established procedures in documenting the termination of funding until resolution and the resolution of the MOPPS unit findings.

Effect

The lack of documentation of the resolution of monitoring findings could result in the costs being disallowed by a federal agency with the city of New Orleans being required to repay the resulting liability.

Criteria

The OIG's Code of Federal Regulations, Subpart C, Section .40(a) states that:

"Grantees are responsible for managing the day-to-day operations of grant/awardee supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity."

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 1996

5. **MONITORING FINDINGS**
CONTINUED

Recommendation

We recommend that management of the City of New Orleans take immediate steps to properly document the resolution of the noted matters. Additionally, we recommend that established policies and procedures be adhered to with regard to resolving ineligible costs identified by the MOFFS unit.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Members of the
City Council and the
Honorable Mark H. Morial, Mayor
City of New Orleans, Louisiana

We have audited the Schedule of Federal Financial Assistance of the City of New Orleans, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated June 8, 1999. The general purpose financial statements were audited by other auditors whose report has been made available to us. As discussed in Notes 4, 5 and 9, the City of New Orleans has been requested by federal agencies to remit funds for ineligible and disallowed costs, and has failed to comply with certain contractual and programmatic requirements with regard to its federal financial assistance programs during the year ended December 31, 1998 and in previous years.

We have applied procedures to test the City's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1998:

General Requirements

- o Political Activity
- o Davis-Bacon Act
- o Civil Rights
- o Cash Management
- o Federal Financial Reporting
- o Reclamation Assistance and Real Property Acquisition
- o Allowable Costs/Cost Principles
- o Drug-Free Workplace Act
- o Administrative Requirements.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**
(CONTINUED)

To the Members of the
City Council and the
Honorable Mark H. Morial, Mayor
City of New Orleans, Louisiana

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the Schedule of Findings/Noncompliance and Questioned Costs.

This report is intended for the information of the audit committee, management, the cognizant audit agency, and other interested parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 6, 1997

SCHEDULE OF FINDINGS- GENERAL REQUIREMENTS

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS - GENERAL REQUIREMENTS
DECEMBER 31, 1996

1. MONITORING COMPLIANCE WITH THE DAVIS-BACON ACT

Condition

The City of New Orleans' Department of Neighborhood and Housing Development and the Department of Public Works did not monitor applicable contractors to ensure they are paying their employees the prevailing wage rates as determined by the Department of Labor.

Also, we noted that for one (1) out of three (3) construction projects tested that an employee of the contractor was not paid the prevailing wage rate.

The Community Development Block Grant and Department of Transportation grants were affected by this condition.

Cause

The City of New Orleans' Department of Neighborhood and Housing Development and the Department of Public Works has not adhered to its established policies and procedures relative to monitoring construction contractors compliance with the Davis-Bacon Act.

Effect

The City of New Orleans is not ensuring that construction contractors are paying employees prevailing wage rates established by the Department of Labor.

Criteria

Federal regulations (40 U.S.C. 3702-3704-6) stipulate that all laborers and mechanics employed by contractors or sub-contractors to work on construction projects financed by Federal assistance must be paid wages not less than those established for the locality of the project by the secretary of Labor. A monitoring system should be established to ensure compliance.

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS - GENERAL REQUIREMENTS
(CONTINUED)
DECEMBER 31, 1996

1. MONITORING COMPLIANCE WITH THE DAVIS-BACON ACT, (CONTINUED)

Recommendation

We recommend that the administrators of the Department of Neighborhood and Housing Development and the Department of Public Works adhere to established procedures relative to monitoring contractors compliance with the Davis-Bacon Act.

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS - GENERAL REQUIREMENTS
(CONTINUED)
DECEMBER 31, 1996

2. FEDERAL FINANCIAL REPORTS

Condition

We noted during our audit that federal financial reports (annual and quarterly reports) were not timely completed for the Ryan White, Great Expectations, Healthcare For the Homeless, Infinity Network, Community Development Block Grant, and Job Training Partnership Act programs.

Cause

The management of the City of New Orleans did not adhere to established procedures with regard to timely submission of federal reports.

Effect

Federal financial reports have not been submitted to related agencies as required.

Criteria

Federal regulations and reporting requirements for each program stipulate that federal reports be prepared and submitted within a prescribed time frame.

Recommendation

We recommend that management of the City of New Orleans adhere to established procedures and submit financial reports as stipulated by the funding agency.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Members of the
City Council and the
Honorable Marc W. Morial, Mayor
City of New Orleans, Louisiana

We have audited the Schedule of Federal Financial Assistance of the City of New Orleans, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated June 4, 1997. The general purpose financial statements were audited by other auditors whose report has been made available to us. As discussed in Notes 4, 5 and 9, the City of New Orleans has been requested by federal agencies to remit funds for ineligible costs and disallowed costs, and has failed to comply with certain contractual and programmatic requirements with regard to its federal financial assistance programs during the current year ended December 31, 1998 and in previous years.

In connection with our audit of the Schedule of Federal Financial Assistance of the City and with our consideration of the City's control structure used to administer federal financial assistance programs, as required by GSB Circular A-138, "Audits of State and Local Governments," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended December 31, 1998.

As required by GSB Circular A-138, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; and special tests and provisions that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with these requirements. Accordingly, we do not express such an opinion.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

(CONTINUED)

To the Members of the
City Council and the
Honorable Marc H. Morial, Mayor
City of New Orleans, Louisiana

With respect to the items tested, the results of these procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of New Orleans had not complied, in all material respects, with those requirements.

This report is intended for the information of the audit committee, management, the cognizant audit agency, and other interested parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 6, 1993

STATUS OF PRIOR AUDIT QUESTIONED COSTS

CITY OF NEW ORLEANS
 STATE OF MISSISSIPPI QUESTIONED COSTS
 AS OF DECEMBER 31, 1995

Program Description	Original Questioned Costs	Amount Allowed by Grantor analyst Reviewed	Amount Disallowed by Grantor
Single Audit for the year ended December 31, 1995	\$ 7,254	\$ 0	\$ 7,254
U. S. Department of Health and Human Services sub-total	7,254	0	7,254
1. Reimbursement of ineligible costs	2,232	2,232	0
U. S. Department of Housing and Urban Development sub-total	2,232	2,232	0
1. Contract awarded to highest bidder	2,232	2,232	0
Sub-total	10,214	2,232	7,982
Total			

CITY OF NEW COLLEGE
 STATUS OF PRIOR YEAR CONDITIONED COSTS
 (CONTINUED)
 AS OF DECEMBER 31, 1966

Program Description	Original Quantified Costs	Amount Allocated by Grantor and/or Base/Used	Amount Realized by Grantor
Klinge Study for the year ended December 31, 1964			
U. S. Department of Housing and Urban Development			
1. The utilization of mobile service costs	\$ 20,000	\$ -0-	\$ -0-
2. Completion of participants' files, (Comp. Book, Regr., News, Plans)	4,222	-0-	-0-
Total	24,222	-0-	-0-

CITY OF NEW ORLEANS
 STATE OF MISSISSIPPI CONDITIONED COSTS
 (continued)
 AS OF DECEMBER 31, 1996

Program Description	Original Conditioned Costs	Amount Allowed by Grantor and/or Residual	Amount Reallowed by Grantor
Single Audit for the year ended December 31, 1995			
<u>T. E. Department of Housing and Urban Development</u>			
1. Proper filing and notarization of cost items.	\$ 3,700	\$ -0-	\$ -0-
2. Employees' receiving Federal financial assistance. (CBSA-8008)	299,899	0-	0-
3. Awarding of rehabilitation contract. (Deferred Loans- Mental Rehab)	520,226	0-	0-
Total	\$1,324,325	\$ -0-	\$ -0-

CITY OF NEW ORLEANS
STATE OF MISSISSIPPI GUARANTEED COSTS
(CONTINUED)
AS OF DECEMBER 31, 1966

	Original Guaranteed Costs	Amount allowed by Grantor and/or Resolved	Amount Classified by Grantor
<u>Program Description</u>			
Single Adult for the year ended December 31, 1962	\$ 8,818	\$ 0	\$ 0
	<u>18,312</u>	<u>0</u>	<u>0</u>
	\$ 18,312	\$ 0	\$ 0
<u>F. 8. Department of Housing and Urban Development</u>			
1. Lack of documentation for rejection of lowest bidder.			
2. Proper filing and notarization of cost items.			
TOTAL			

CITY OF NEW ORLEANS
STATUS OF PRIOR AUDIT QUESTIONED COSTS
(continued)

AS OF DECEMBER 31, 1996

Expense Description Single Audit for the year ended December 31, 1990	Amount		Amount Reimbursed by Grantor
	Original Questioned Costs	Allowed by Grantor and/or Reimbursed	
<u>D. Department of Housing and Urban Development</u>			
1. Davis-Bacon Act noncompliance.	\$ 500	\$ -0-	\$ -0-
2. Assessment of demolition costs to property owners.	800	800	800
TOTAL	\$ 1,300	\$ 800	\$ 800

CITY OF NEW ORLEANS
 STATUS OF BOND AMOUNT POSITIONED COSTS
 (CONTINUED)
 As of December 31, 1966

	Original Positioned Costs	Amount Allowed by Comptroller and/or Revolved	Amount Classified by Comptroller
<u>Program Description</u>			
Single Audit for the year ended December 31, 1966			
<u>D. S. Department of Housing and Urban Development</u>			
1. Number of jobs per amount loaned.	\$ 26,000	\$ -0-	\$ -0-
2. Assessment of demolition costs to property owners.	<u>3,250</u>	<u>-0-</u>	<u>-0-</u>
TOTAL:	\$ <u>29,250</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

STATUS OF PRIOR AUDIT FINDINGS

CITY OF NEW ORLEANS
 STATE OF LOUISIANA AUDIT FINDINGS

The prior single audit report contained certain findings. Provided below is the current status of these findings.

DESCRIPTION	AUDIT YEAR	RESOLVED	UNRESOLVED
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT - DEFERRED LOANS, FEDERAL HOME	1993		X
1. Awarding of rehabilitation contract.			
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT - 1998 2008, 2008, 2008	1993		X
1. Employees' receiving Federal financial assistance.			
2. Completion of participants' files.	1993/1994/1995		X X

CITY OF NEW ORLEANS
STATUS OF PRIOR AUDIT FINDINGS, CONTINUED

DESCRIPTION	AFFECT YEARS	RESOLVED	UNRESOLVED
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT - ACI CDBG PROGRAM</u>			
1. Review of subrecipient's audit reports for compliance with professional standards.	1993		X
2. Disbursements to a subrecipient without a signed agreement.	1994		X
3. 1994 Limitation of Public Service Cost.	1994		X
4. Contract awarded to highest bidder, 1999			X

CITY OF NEW ORLEANS
STATUS OF PRIOR AGENT PERFORMANCE, CONTINUED

DESCRIPTION	AGENCY	RESOLVED	FORWARDED
T-F. DEPARTMENT OF BUSINESS AND TRADE DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT - CDBG. THESE AGENTS ARE SEE ALSO BELOW.			
1. Assessment of Program Activity. (Urban Renewal)	1993	X	
2. Administration and reporting of grant activity. (Home, Hope)	1994		X

CITY OF NEW ORLEANS
STATUS OF PRISON AUDIT FINDINGS, CONTINUED

DESCRIPTION	AFFECT YEAR	RESOLVED	UNRESOLVED
<u>STATE OF LOUISIANA DEPARTMENT OF HEALTH AND SOCIAL SERVICES - STAFF WIFE, GREAT EXPECTATIONS, HEALTH CARE FOR HOMELESS/INABILITY SERVICES</u>			
1. Lack of documentation of programmatic and fiscal monitoring. (All programs)	1993/1994/1995		X
2. Audits of subrecipients and accuracy of subrecipient inventories. (All Programs)	1993/1994/1995		X
3. Timely submission of cost reports. (All Programs)	1994/1995		X
4. Reimbursement of ineligible costs.	1995		X
5. Programmatic activities.	1995		X
<u>LOUISIANA DEPARTMENT OF LABOR - JOB TRAINING PARTNERSHIP ACT GRANTS</u>			
1. Timely submission of cost reports.	1993/1994/1995		X

**CURRENT STATUS OF OTHER AUDITS
PERFORMED BY FEDERAL AUDITORS**

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY FEDERAL AUDITORS**

ORGANIZATION - U. S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT (HUD)

SUBJECT - ANNUAL MONITORING REPORTS

As a result of prior monitoring reviews, the City of New Orleans was required to repay the CDBG program account a total of \$288,388, which was performed during the 1987 year. Additionally, HUD has required the City of New Orleans to determine the asset costs associated with environmental beautification activities and reimburse such amount to the CDBG program account with non-federal funds.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY FEDERAL AUDITORS
(CONTINUED)**

FEDERAL AUDITORS - U. S. DEPARTMENT OF COMMERCE
OFFICE OF INSPECTOR GENERAL

SUBJECT - REGIONAL LOAN CORPORATION (THE CORPORATION)

AUDIT PERIOD - SEPTEMBER 25, 1979 THROUGH AUGUST 9, 1984

SURFACE BALANCE: The purpose of the audit was to examine the revolving loan fund status, record keeping, and eligibility of loan applicants to determine whether the City and the Corporation complied with (i) grant terms and conditions, (ii) the RLF Plan, (iii) the Public Works and Economic Development Act of 1965, as amended, (iv) office of Management and Budget Circular A-102, (v) EBA Title XX Revolving Loan Fund Guidelines, and (vi) the Code of Federal Regulations.

FINDINGS AND MANAGEMENT'S RESPONSES:

The OIG determined that the City of New Orleans and the Corporation:

- o Failed to contribute the required matching share of \$300,000 for the initial grant amendment;
- o Inappropriately applied for the second grant amendment of \$500,000;
- o Maintained inadequate accounting records to reflect Regional loan fund (RLF) activity and does not document actual or allocable administrative expenses;
- o Failed to provide support for funds removed from the RLF for administrative costs resulting in questioned costs of \$1,044,000; and
- o Maintained insufficient loan documentation.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY FEDERAL AUDITORS
(CONTINUED)**

FINDINGS AND MANAGEMENT'S RESPONSES

The Corporation acknowledged that matching funds of \$300,000 never capitalized the RLF. It explained that conflicting federal rules forced the Corporation to account for matching funds separate from the RLF; therefore, it should not be penalized.

The Corporation disagreed that it inappropriately applied for additional funds. It claimed that all loans in process at the time of the application were subsequently awarded.

The Corporation agreed that it did not separately account for all RLF transactions, support past RLF administrative costs, and maintain all required loan documents in borrower files. The Corporation claims that it did not realize it was not in compliance with grant terms regarding accounting records and documentation, and agreed to comply in the future.

On April 9, 1990, the Corporation received a determination from the U. S. Department of Commerce - Economic Development Administration which concluded that the OIG audit findings were appropriate. The Corporation was then requested to submit and did submit an appeal letter. The appeal is currently under review by EDA.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY FEDERAL AUDITORS
(CONTINUED)**

FEDERAL AUDITORS - U. S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT (HUD) - OFFICE
OF INSPECTOR GENERAL

SUBJECT - HOME INVESTMENT PARTNERSHIP PROGRAM

AUDIT PERIOD - JANUARY 15, 1982 THROUGH APRIL 30, 1984

BACKGROUND

In May of 1984, the U. S. Department of Housing and Urban Development, Office of Inspector General, began an audit of the Home Investment Partnerships program as administered by the City of New Orleans. The audit report No. 84-PH-266-1007 dated March 28, 1985, was intended to determine whether the City of New Orleans managed its Home program effectively and complied with the applicable regulations.

The audit disclosed numerous instances of what was deemed misuse of Federal funds, regulatory violations, inefficiencies, and uncorrected deficiencies. Moreover, the audit stated that the city had seriously mismanaged Home activities and that officials responsible for administering the program did not properly plan, implement, or monitor Home activities or always take corrective action upon notice of problems.

Consequently, a substantial amount of the grant award was questioned with additional amounts identified as ineligible. Costs determined to be ineligible per the report were \$285,181 while an additional \$6,122,880 was questioned because of a lack of satisfactory documentation to support the eligibility of the costs.

CURRENT STATUS

The U. S. Department of Housing and Urban Development (HUD) and the City of New Orleans have reached a repayment agreement that provides over a five year period an annual payment of \$1,079,000. During previous years, and during the 1987 year, the City of New Orleans paid HUD \$250,000 and \$1,800,000, respectively. Also, per the agreement HUD will re-apply all payments made by the City of New Orleans to the Home Investment Partnership Program.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY FEDERAL AUDITORS
(CONTINUED)**

FEDERAL AUDITORS - U. S. DEPARTMENT OF LABOR -
OFFICE OF INSPECTOR GENERAL

SUBJECT - JOB TRAINING PARTNERSHIP ACT

AUDIT PERIOD - INCEPTION OF PROGRAM THROUGH DECEMBER 31, 1960

BACKGROUND

On May 5, 1964 and on March 28, 1967, judgments totaling \$4,538,200 and \$894,825, respectively, were rendered against the City of New Orleans relative to disallowed costs determined by the U. S. Department of Labor for the Job Training Partnership Act Program.

The City of New Orleans has paid or received credit for approximately \$3,600,000 with regard to these judgments and is presently liquidating the remaining balance with various other revenues.

**STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS**

**CITY OF NEW ORLEANS
STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS**

ORGANIZATION - ORLEANS PRIVATE INDUSTRY COUNCIL

AUDIT PERIOD - JUNE 30, 1995

OTHER INDEPENDENT AUDITOR - BREND & TREVILION
CERTIFIED PUBLIC ACCOUNTANTS

FINDINGS AND QUESTIONED COSTS:

The Orleans Private Industry Council is a sub-recipient of JTPA funds from the city of New Orleans. An audit which was performed on the organization for the year ended June 30, 1995 disclosed questioned costs of \$917,272.

On July 15, 1995, the Department of Labor for the State of Louisiana completed its review of the noted audit report and allowed \$788,987 of the total questioned costs of \$917,272. As such, management of OPIC had been requested to reimburse the JTPA Program \$11,305. However, on September 28, 1995, a judgment was rendered by the Louisiana Department of Labor that OPIC would be required to only repay the State of Louisiana \$97,898 in non-federal funds.

However, as of June 30, 1996 \$50,490 had been reimbursed/reallocated by OPIC resulting in a balance due the State Department of Labor of \$3,997.

**CITY OF NEW ORLEANS
STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.
(Formerly Urban Homeowner's Corporation of
New Orleans)

AUDIT PERIOD - AUGUST 29, 1988 (inception) through December 31,
1994

OTHER INDEPENDENT AUDITOR - JEFFIN SCARLOW, CPA

FINDINGS AND QUESTIONED COSTS

The New Orleans Affordable Homeownership, Inc. is a sub-recipient of Home program funds from the City of New Orleans. An audit which was performed on the organization for the period August 29, 1988 through December 31, 1994 contained several compliance findings with related questioned costs totaling \$1,280,328. However, the compliance agency has not rendered a final determination in this matter.

**CITY OF NEW ORLEANS
STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.
(Formerly Urban Homeowners Corporation of New Orleans)

AUDIT PERIOD - JANUARY 1, 1985 THROUGH DECEMBER 31, 1985

OTHER INDEPENDENT AUDITOR - PAILLET, BEIMER & LEBLANC, L.L.P.

FINDINGS AND QUESTIONED COSTS

The New Orleans Affordable Homeownership is a sub-recipient of Home Program Funds from the City of New Orleans. An audit which was performed for the year ended December 31, 1985 contained several compliance findings with related questioned cost totaling \$183,388. The cognizant agency has not rendered a final determination with regard to this matter.

**CITY OF NEW ORLEANS
STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - MULTI-SERVICE CENTER FOR THE HOMELESS

AUDIT PERIOD - YEARS ENDED DECEMBER 31, 1993 AND 1994

OTHER INDEPENDENT AUDITOR -
LUTHER C. SPEIGHT & COMPANY - REPORT DATED
SEPTEMBER 16, 1994

FINDINGS AND CORRECTIVE ACTION

The Multi-Service Center for the Homeless is a sub-recipient of funding from the City Council's grants and the City of New Orleans Emergency Shelter Grants (ESG) for the aforementioned periods. The Independent Accountants' Report on Applying Agreed-Upon Procedures relative to the Organization's compliance with certain laws and regulations reported an allegation of fraud against an employee of the Organization. The results of the engagement was reported to the Organization's Board of Directors and the State Legislative Auditor.

Current Status

This matter has been referred to the Federal Bureau of Investigation who, is presently reviewing the matter for trial.

**CITY OF NEW ORLEANS
EXIT CONFERENCE**

An exit conference and other meetings were held at the City of New Orleans to discuss the audit report and the various findings. Those who have been in attendance are noted below. The findings were also discussed, prior to the exit conference, with the respective department heads. The City of New Orleans will forward their responses under a separate transmittal.

CITY OF NEW ORLEANS

Councilwoman Peggy Wilson	-- City Council Audit Committee
Councilwoman Suzanne Verneil	-- City Council Audit Committee
Councilman Oliver Thomas	-- City Council Audit Committee
Councilman James Singleton	-- City Council Audit Committee
Ms. Marina Sabir	-- Director of Finance
Mrs. Ictia Morris	-- Deputy Director of Finance
Mr. Wayne M. Donarige	-- Comptroller
Ms. Mary Mayo	-- Administrative Assistant to the Mayor
Ms. Ellen Lee	-- Director Health Policy and AIDS Funding
Ms. Marsha Brownard	-- Director Great Expectations
Ms. Thelma French	-- Director Office of State and Federal Programs
Mr. Pizzell Daniels	-- Office of State and Federal Programs
Mr. Tom Dupaty	-- Director of Housing
Mr. Gerald Scott	-- Director Neighborhood Development
Mr. John Kossel	-- Deputy Director Neighborhood Development
Ms. Pat Malone	-- Associate Director-SEAS
Ms. Sheila Webb	-- Deputy Director of Health

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA	-- Managing Partner
Mr. Edward Phillips	-- Senior Manager
Mr. Edward A. Tauriac, Jr., CPA	-- Manager

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 6, 1997

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Members of the
City Council and the
Honorable Marc H. Morial, Mayor
City of New Orleans, Louisiana

We have audited the schedule of federal financial assistance of the City of New Orleans for the year ended December 31, 1996 and have issued our report thereon dated June 6, 1997.

As part of our audit, we made a study and evaluation of the internal control structure, including applicable internal administrative controls, to the extent we considered necessary to evaluate the internal control structure as required by generally accepted auditing standards.

During our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our report dated June 6, 1997 on the schedule of federal financial assistance of the City of New Orleans. This report is intended solely for the information and use of the City Council, the Mayor of the City of New Orleans, management, and others within the organization.

CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO
MANAGEMENT LETTER COMMENTS

1. BUDGETARY CONTROLS

Conditions

The City of New Orleans' Department of Neighborhood and Housing Development disburses Community Development Block Grant Funds to various sub-grantees to accomplish the goals and objectives of the Community Development Block Grant.

Our test work on disbursements to fifty-five (55) sub-grantees disclosed the following:

- The accounting records did not reflect the budgetary amounts for nine (9) of those sub-grantees' organization codes; and
- The accounting records reflected expenditures in excess of the budgeted amount for fifteen (15) of those sub-grantee organization codes.

We also noted in various other non sub-recipient organization codes, that expenditures for personnel services and professional services exceeded the budgeted amounts as reflected in the accounting records.

We recommend that management of the City of New Orleans take immediate steps to ensure that accounting records accurately reflect grant activities.

2. FINANCIAL REPORTING

Conditions

As a result of our testing of the preliminary Schedule of Federal Awards (the Schedule) we noted the following deficiencies:

- The Schedule did not include all federal grants that the City received and expensed during fiscal 1996. This amount totaled \$2,282,342; and
- The Schedule was not provided to us until May 30, 1997, which is five (5) months after the close of the fiscal year.

CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO
MANAGEMENT LETTER COMMENTS

CONTINUED

2. FINANCIAL REPORTING, CONTINUED

Conditions, Continued

We recommend that management of the City of New Orleans take immediate steps to address the noted conditions.

3. EXPENDITURES CODED TO INCORRECT GENERAL LEDGER ACCOUNT

Condition

Expenditures totaling \$111,993 were coded to an incorrect general ledger account for three (3) out of seven (7) Great Expectations departmental expenditures selected for testing.

We recommend that management of the City of New Orleans adhere to established procedures and ensure expenditures are properly coded.

4. PROJECT BUDGETS

Condition

Project Engineers of the City of New Orleans do not provide the Department of Public Works (DPW) with a project budget with which the DPW would be able to charge the correct funding sources along with the participation of other city agencies, such as the Sewerage & Water Board.

We recommend that management of the City of New Orleans ensure that the noted information is provided.

CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO
MANAGEMENT LETTER COMMENTS
CONTINUED

5. UNUSED ALLOCATION

Conditions

Based upon information in the Final Financial Status Reports (Forms FRS 200) for both the Ryan White supplemental grant and Formula grant, the City of New Orleans did not expend a substantial amount of the funds allocated during the course of the original funding period, as follows:

	Supplemental 04/04/99-04/03/96	Formula 12/04/99-12/03/96
Allocation per award letter	\$1,961,453	\$2,087,099
Amount expended	1,652,832	1,588,324
Unused allocation	\$ 308,621	\$ 498,775

It was also noted, that the City of New Orleans did not expend approximately \$2.4 million of their allocation per the Great Expectations award letter.

We recommend that management of the City of New Orleans ensure that established budgetary guidelines for utilizing grant funds are properly maintained.

6. SUB-RECIPIENT CONTRACTS

Condition

We noted during our audit that sub-recipient contracts for Ryan White funds stipulate that audits are to be performed within 180 days of the end of the contract term instead of six months after the close of the organization's fiscal year-end.

We recommend that management of the City of New Orleans take immediate steps to ensure that audit contracts are properly worded.

CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO
MANAGEMENT LETTER COMMENTS
CONTINUED

7. FISCAL AND PROGRAMMATIC MONITORING

Conditions

We noted during our audit of the City's federal programs the following:

- o The work paper documentation techniques utilized by the fiscal monitors were not consistent and audit programs were not always utilized to document the monitoring procedures performed;
- o An overall manager's review of work papers and work performed by fiscal and programmatic monitors was not performed and a tabulation of the frequency of the monitoring efforts was not maintained; and
- o Certain monitoring files did not exhibit the related resolution of any findings noted during the review.

We recommend that appropriate management establish policies and procedures to ensure the noted conditions are corrected.

8. ACCOUNTING RECORDS

Conditions

We noted during our audit the following deficiencies in the City's accounting records:

- o Several of the cash disbursements selected for testing were coded to an incorrect general ledger account line item;
- o There was no documented proof that the City's officials who were responsible for the administration of the awarded federal financial assistance, reviewed financial information prepared by the Accounting Department on any regular basis; and

CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO
MANAGEMENT LETTER COMMENTS
CONTINUED

8. ACCOUNTING RECORDS, CONTINUED

Conditions, Continued

- o Several checks that were processed during fiscal year 1996 were not posted to the City's general ledger until fiscal year 1997.

We recommend that immediate attention be given to the noted matters by appropriate management of the City of New Orleans.

9. COST CONTROL STATEMENTS AND MONITORING REPORTS

Condition

We noted that approved cost control statements and monitoring reports for all federal programs are not being routinely forwarded to the granting agency officer for review and file retention.

We recommend that appropriate management adhere to established policies and procedures.

10. DRUG-FREE WORKPLACE

Condition

We noted during our audit of the Community Development Block Grant that in two (2) out of twenty-five (25) personnel files examined, evidence of a drug-free certification by employees was not maintained.

We recommend that management of the City of New Orleans adhere to established record retention procedures.

CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO
MANAGEMENT LETTER COMMENTS

CONTINUED

11. DOCUMENTATION OF GOALS AND ACCOMPLISHMENTS

Condition

We have requested but have not received any information from administrators of the Department of Neighborhood and Housing Development and the Sanitation Department documenting the attainment of the related departments' goals and objectives. Additionally, the Economic Development department's goals and accomplishments were provided on an ad-hoc basis.

We recommend that management of the City of New Orleans require that the Department's accomplishments are monitored and evaluated on a periodic basis during the year.

12. SUB-RECIPIENT AUDITS

Condition

We noted during our review of the Community Development Block Grant audit contracts awarded for sub-recipient audits that in one (1) instance out of five (5) tested, there was no correspondence maintained that documented that bids were obtained prior to the awarding of the audit contract.

We recommend that management of the City of New Orleans adhere to established record retention procedures.

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

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 6, 1997

grant funds awarded for this grant period. The final PSR shows a balance of \$15,668.

For the Formula 1994 Ryan White grant, the City is considering the submission of a categorical request which would allow the City an extension to expend funds.

The Office of Health Policy (OHP) has put in place procedures to monitor more effectively agency expenditures. A comprehensive agency expenditures review will be conducted, at the latest, at the end point of the contract period. This review will provide information to OHP so that decisions regarding receipt and reallocation of funds can be made on a timely basis.

6. Subrecipient Controls

City's Response:

The City of New Orleans has attempted to include in the grant award process an assessment of an agency's ability to administer effectively the funds it has been awarded. One measure of administrative effectiveness is examination of the agency's independent audit.

The Office of Health Policy (OHP), therefore, has contractually required agencies to submit audits within 180 days of the end of the contract period. This submission will assist the City in making grant awards in the following funding period.

OHP, however, will examine its current contractual language and make adjustments to agency contracts if the results of the examination warrants such action.

7. Fiscal and Programmatic Monitoring

City's Response:

We disagree. Our monitor clients require us to use appropriate procedure as deemed necessary according to the monitor utilizing a checklist sheet that has been provided. We do not keep a tabulation of monitor visits, nor do we envision doing so in the future. Management reviews all questioned and disallowed cost. Although resolution to monitor findings are not kept in monthly reports, we are aware of all cleared audit findings.

8. Accounting Records

City's Response:

We disagree. The City's budget is not controlled at the line item level, but by class. Our financial management system allows management to view all expenditures for grants under their management. The checks in question was an isolated case where the check was written prior to updates of monthly appropriation.

9. Cost Control Statements and Monitoring Reports.

City's Response:

We disagree. Monitor reports are all forwarded to the CMO, granting agency, and program directors, this is standard procedure.

10. Drug Free Workplace

City's Response:

The City will take appropriate action to see that these files are updated.

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS/NOIS-COMPLIANCE
AND QUESTION COST AND REPORTABLE CONDITIONS
FOR THE YEAR ENDED DECEMBER 31, 1996**

PROGRAM	SCHEDULE OF FINDINGS	CITY'S RESPONSE
DAUSD Public Works	<p><u>Monitoring Compliance With the Davis-Bacon Act</u></p> <p>The City of New Orleans' Department of Neighborhood and Housing Development and the Department of Public Works did not monitor applicable contractors to ensure they are paying their employees the prevailing wage rates as determined by the Department of Labor.</p>	<p>The DAUSD does monitor its construction contractors to ensure prevailing wages. Attempts are being made to contact the employer to make provision for the wages underpaid due to a promissory note received while in the cited job.</p>
Ryan White Grant Expenditure Healthcare for Homeless Infirmary Network Community Development ITBA	<p>Also, we noted that for one (1) out of three (3) construction projects noted that an employee of the contractor was not paid the prevailing wage rate.</p> <p>The Community Development Block Grant and Department of Transportation grants were affected by this condition.</p>	<p>The City has implemented procedures to ensure the timely submission of required reports.</p>
<u>Federal Financial Reports</u>	<p>We noted during our audit that federal financial reports (annual and quarterly reports) were not timely completed for the Ryan White, Grant Expenditure, Healthcare for the Homeless, Infirmary Network, Community Development Block Grant, and Job Training Partnership Act programs.</p>	

PROGRAM

EMERGENCY COMPLIANCE

CITY RESPONSE

DOING

Administration of Home Program

The City of New Orleans' Department of Housing and Neighborhood Development was the recipient of a grant from the Home Housing Assistance Program. In an effort to reduce the turn around time in paying the program's contractors, the City contracted with an outside service bureau and a local non-profit organization to act as disbursing agents for these grants. As a result of this arrangement all receipts and disbursements were made through the disbursing agents.

DOING

Report/Recording of All Federal Grants Within the Schedule of Federal Financial Assistance

We noted during our audit that the City of New Orleans Department of Housing and Neighborhood Development failed to report the financial activity of this Home program to the Accounting Department of the City of New Orleans.

We recommend that the management of the City of New Orleans take immediate steps to develop policies and procedures to ensure all grant activities are recorded in the City of New Orleans's financial records.

While the City did not periodically conduct an internal control review of the two disbursing agents, the OHND did obtain and review copies of the most recent audits of the agencies. There were no internal control discrepancies noted. The City has taken steps to improve the internal control review process by implementing the Internal Audit Division with additional staff. This should allow for frequent reviews.

The City of New Orleans (OHND) will establish as a procedure, the transmission of the financial activity of the HOME program, to the City's Department of Finance on a monthly basis.

PROGRAM

MOFFPS

REPORTABLE CONDITIONS

Monitoring and Budget Program System (MOFFPS)

We noted during our audit that management of the City of New Orleans had implemented a Monitoring and Budget Program System (MOFFPS). An essential aspect of MOFFPS is the subsequent monitoring on a timely basis of sub-recipients who have received payments based upon budgets. Previously, subrecipient payment requests were required to have been reviewed and approved by program/fiscal monitors prior to disbursement.

An subsequently described in the Reportable Condition titled monitoring of subrecipients, we noted that certain subrecipients were not monitored on a timely basis, while others were not monitored at all. As such, a material internal control weakness does exist when subrecipients are disbursed funds without an initial review and is further aggravated if a fiscal and programmatic review of the subrecipient is not made within a timely period.

We recommend that management take immediate steps to ensure that an effective internal control structure exists with regard to MOFFPS.

CITY'S RESPONSE

We disagree because while monitoring projects on a monthly basis was the mission and the ideal, monitoring on such a frequent basis proved to be disruptive to the subrecipients which resulted in canceled visits. Sufficient monitoring to receipt and/or bill disbursements made during the award or contract period were completed, as final payments were held until final monitoring reviews could be conducted.

PROGRAM

MOHPS

REPORTABLE CONDITIONS

Monitoring of Subrecipients

We noted during our audit that an effective programmatic and fiscal monitoring system had not been implemented for the Department of Health and Human Services, Job Training Partnership Act, and Home Development federal programs. Additionally, we noted that for the Community Development Block Grant program certain subrecipients were not monitored, while others were not monitored on a monthly/bimonthly basis.

Also, we noted that management of the City of New Orleans had not adhered to established procedures to ensure that pertinent subrecipients have audits in accordance with federal requirements (see the Schedule of Findings/Non-Compliance and Questioned Costs).

We recommend that management of the City of New Orleans adhere to established control procedures with regard to the monitoring of subrecipients.

CITY'S RESPONSE

We agree. MOHPS was designated to review Department of Health and Human Services funding; however, Ryan White was the only portion of these funds which complied with the requirements of the program. Grant Expenditures' subrecipient payments were virtually untraceable in accordance with the DWH regulations, as the services provided were more of a public relations nature for the Grant Expenditures program and its services. Grant Expenditures, the entity, will be monitored through MOHPS and the responsibility of monitoring its subrecipients remains under the Grant Expenditures's umbrella. Other programs, JTPA and HOME Partnership Act grants were not assigned to the purview of MOHPS. JTPA contracts to be monitored by the recipients of the Bureau of Accounting.

PROGRAM

REPORTABLE CONDITIONS

SCOPE

Monitoring of Subrecipients

We noted during our audit that an effective programmatic and fiscal monitoring system had not been implemented for the Department of Health and Human Services, Job Training Partnership Act, and Home Investment Federal programs. This is evidenced by the fact that a substantial number of subrecipients were not monitored during the year.

Additionally, we noted that for the Community Development Block Grant program certain subrecipients were not monitored, while others were not monitored during the year.

CITY'S RESPONSE

We disagree because while monitor projects on a monthly basis was the mission and the ideal, monitoring on such a frequent basis proved to be disruptive to the subrecipients which resulted in increased costs. Sufficient monitoring to ensure audit trail requirements made during the award or contract period so final payments were held until final monitoring reviews could be completed. Compliance measures for regular monitoring of programmatic and fiscal activity will be taken to combine reviews on a quarterly basis.

Analysis of Subscriptions, Contracts

The City of New Orleans has not fully developed a system to ensure that subscriptions perform audits in accordance with Federal requirements and OMB Circulars A-128 and A-133, as applicable.

The City is implementing procedures to ensure the subscription of all grant funds will be audited in compliance with OMB Circular A-133 and A-134.

In our detailed review of the Ryan White, Great Expectations, Healthcare for the Homeless, Community Development Block Grant, and Infirmary Network programs the following conditions were noted with respect to audit reports due as of May 1997 for subscriptions with fiscal years ending in 1995:

- Ryan White - Approximately \$2.8 million was disbursed in 1995 to thirty-five (35) subscriptions. Of the thirty-five (35) subscriptions noted, twenty-four (24) subscriptions met the dollar threshold for audits.

However, Ryan White administrators had only fourteen (14) audit reports on file, with the amount disbursed to the remaining subscriptions totaling \$837,400.

- Great Expectations - approximately \$5.1 million dollars was disbursed in 1995 to eleven (11) subscriptions. The administrators of the Great Expectations program had nine (9) audit reports on file, with the amount disbursed to the remaining two (2) subscriptions totaling \$271,035.

PROGRAM

Federal Programs

EXISTING AND QUESTIONED COSTS

- Community Development Block Grant - our review indicated that of the fifty-nine (59) subgrantees requiring an audit, forty-two (42) audits have been received and eight (8) were in progress. The amount disbursed to the remaining subgrantees totaled \$2,400,000.

Federal Programs

Department of Health and Human Services

We noted during our audit that Health grant contracts did not contain certain contractual provisions as required by the Code of Federal Regulations.

DENV

80008, 01055, and 39118

- In three (3) instances out of nine (9) files tested, there was no evidence of income verification, and a signed conflict of interest statement.
- In two (2) instances out of nine (9) files tested, the cost of the project exceeded the legal spending limitations. The spending limit amounted to \$80,000. Amounts totaled \$147,684 resulting in questioned costs of \$67,684.
- In seven (7) instances out of nine (9) files tested, there was no environmental assessment maintained on file.

CITY RESPONSE

All City contracts are reviewed by a committee to ensure contracts comply with federal regulations.

In the three cases cited from the Weatherization and solar program for the elderly citizens in the Towne area, the only criteria for this Special Purpose grant was that the applicant was at least 62 years of age and a residence of Toledo area. Income verification and conflict of interest was not required.

In one instance a waiver for excess spending is on file, the second instance the initial waiver was granted; however, final cost exceeded the approved limit, so a second waiver has been processed.

Environmental assessments for six out of seven cases are on file, the seventh a case file containing paperwork is in storage.

PROGRAM

EADND

FINDINGS/NON-COMPLIANCE

Based on a Review and Completion of Subscriptions, Files

- In two (2) instances out of nine (9) files named, there was no inspection report, only one (1) bid was obtained, and an inside file eligibility document was not available for review. Questioned costs totaled \$88,397.
- In one (1) out of five (5) subscriptions named, the CNO did not retain the subscribers' internal control questionnaire.
- In four (4) out of five (5) subscriptions named, the CNO did not retain the subcontractor internal control questionnaire.
- In five (5) out of five (5) subscriptions named, the CNO did not maintain evidence of correspondence with the subscribers regarding audit requirements; and
- In one (1) out of two (2) Home files named, the CNO did not maintain the environmental certification.

CITIZEN RESPONSE

A copy of the inspection report is on file. The second property was returned pointing only and was quickly completed, owner acceptance on file. Multiple bids were taken on properties in question and are on file.

The subscribers in question was not a part of EADND Super MDTA process. Funding was awarded on a discretionary basis.

The subscribers that did not have evidence of an internal control questionnaire are being auditing projects which do not require annual internal control review.

EADND has on file correspondence regarding requirements. Both of the subscribers operate under a signed contract which informs them of their audit obligation and the stipulated time frame for compliance.

The environmental certification form for this project has been included in the files.

PROGRAM

Federal Programs

FINDINGS AND QUESTIONED COSTS

Monitoring Findings

We noted during our audit that the Monitoring and Prompt Payment System (MOPPS) unit had identified as a result of subsequent monitoring efforts, approximately \$712,000 in ineligible costs. However, documentation of the verification of funding need, residence and the actual resolution/corrective action was not maintained.

CLIENT'S RESPONSE

We disagree. The \$712,000 in ineligible costs which were documented by the MOPPS organization were discovered through the system verification of the granting agency (i.e., Department of Housing and Neighborhood Development), and used as justification for withholding said amounts from reimbursements. Knowledge of funding costs by the MOPPS team, as stated in the policies and procedures of the program, are the responsibility of granting agency. Notifications must be received from said agency to return reimbursements to good standing in MOPPS; otherwise, those reimbursements will remain in a suspended status and reimbursements withheld.

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
 BUDGET (NON-GRAP BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED DECEMBER 31, 1995 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Charges for services (continued):			
Utility regulatory fee	5,063	3,244	(1,819)
Municipal service charge	1,760	1,899	139
Other	387	981	594
Material	180		(180)
Total charges for services	42,649	41,218	(821)
Fines and forfeits:			
Fees and fines	7,760	8,211	451
Impounded cars	33	48	15
Traffic violations	2,700	1,848	(754)
Municipal court fines	15	114	99
Municipal court costs	15		(15)
Library fines	100	168	68
Administrative adjudication fees		8	8
Total fines and forfeits	10,683	10,478	(185)
Interest income:			
Interest income	3,378	3,376	(2)
Interest on 1984 Capital Fund bonds		27	27
Interest on 1985 Capital Fund bonds		21	21
Interest on 1987 Capital Fund bonds		172	172
Interest on 1988 Capital Fund bonds		382	382
Interest on 1992 Capital Fund bonds	1,751	1,928	177
Interest on 1995 Capital Fund bonds		1,488	1,488
Interest on 1996 Capital Fund bonds	3,008	378	(2,630)
Total interest income	8,321	8,089	(232)
Contributions, gifts and donations:	5,084	484	(4,600)
Miscellaneous:			
Adjustment to City		39	39
Cash savings		36	36
Workers' compensation subrogation		241	241
Building and ground rental	647	1,948	1,301
Food service royalty		3	3
Parking royalties		97	97
Pay phone royalties	210	55	(155)
Riverboat gaming fees	18,800	9,373	(9,427)
Insurance proceeds		100	100
Other	6,241	300	(5,941)
Appropriations from prior year's fund balance	8,160	10,136	2,126
Total miscellaneous	21,258	21,600	(3,758)
Total revenues	328,768	323,484	(5,284)

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Intergovernmental (continued):			
Rating	808	370	(438)
Severance tax		14	14
Tobacco tax	3,547	3,043	(504)
Payments in lieu of taxes - Housing Authority of New Orleans	35		(35)
Orleans Parish Comm. District Telephone Tax	665	398	(267)
Total intergovernmental	<u>11,818</u>	<u>17,618</u>	<u>(400)</u>
Charges for services:			
Admission charge	17	3	(14)
Commercial disposal charges		46	46
Food/bev concessions	12	13	1
Driving range fees	7	3	(4)
Emergency medical service charge	3,977	4,334	357
Sales - maps and documents	32	78	46
Fee protection - New Orleans Airport	3,127	3,428	301
Game rating	35	90	55
Golf cart rentals	41	6	(35)
Green fee	859	457	(402)
Insulin cost	2,967	3,345	378
Letter abatement charge		1	1
Inspection fee, vacant buildings		3	3
Orleans Parish Communication District	51		(51)
Park entrance fees	50	48	(2)
Parking meters	3,193	3,771	578
Police and fire services - other	785	862	77
Public cemetery burial	65	72	7
Sanitation service charges	19,774	19,130	(644)
Sanitation fees - nonhabitable buildings		52	52
Tax collection services:			
Levy Board		181	181
Orleans Parish School Board	1,350	1,088	(262)
Regional Transit Authority		588	588
Lien research service	158	126	(32)
Zoning maps and petitions	58	37	(21)
Data processing services - parish agencies	258	370	112
Maintenance of state highways	358	358	
Towing and immobilization charges	658	422	(236)

(Continued)

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED DECEMBER 31, 1988 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Licenses and permits (continued):			
Franchises:			
Cable TV	2,000	990	(1,010)
Louisiana Power and Light Company	650	683	33
New Orleans Public Service Inc.	11,300	12,199	899
South Central Bell, Inc.	3,650	3,620	(30)
Miscellaneous franchises	51	72	21
Beverage permits	1,200	1,261	61
Boats tag permits	3,600	3,098	(502)
Building permits	2,213	2,434	221
Magical permits	300	118	(182)
Mechanical permits	424	383	(41)
Taxi and chauffeur permits	600	642	42
Massage parlor permits	2		(2)
Mardi Gras parade permits		30	30
Medical transportation- vehicle permits	20	24	4
Freight loading zone	18	24	6
Public right-of-way use	20	20	
Miscellaneous	112	102	(10)
Total licenses and permits	<u>33,245</u>	<u>34,638</u>	<u>1,393</u>
Intergovernmental:			
Federal aid - other	124	106	(18)
Reimbursement - food stamps	846	729	(117)
Federal Natural Resources Environment	115	107	(8)
State Revenue Sharing	2,850	2,750	(100)
State aid - IDER	600	602	2
State aid - other	2,220	2,857	637
Parish transportation fund	3,965	3,647	(318)

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET (NON-CAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 1996 (AMOUNTS IN THOUSANDS)

	Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Taxes:			
Real estate	\$ 13,000	\$ 12,485	\$ (515)
Personal property	4,196	7,143	2,947
Dedicated voltage:			
Police	13,027	13,183	156
Fire	11,027	10,083	(944)
Library	3,450	3,548	98
Recreation	1,787	1,915	128
Parkway	1,787	1,915	128
Streets	2,480	2,426	(54)
Sales - undedicated	116,154	132,140	15,986
Penalty and interest on delinquent taxes	1,000	2,596	1,596
Utilities	2,500	9,423	6,923
Chain stores	379	379	
Special real property service charge			
Beverage excise	300	719	419
Assessment	3,300	1,847	(1,453)
Off-track betting	300	445	145
Parking	1,623	1,823	200
Inheritance		3	3
Documentary transaction	3,600	4,130	530
Total taxes	<u>182,542</u>	<u>199,858</u>	<u>17,316</u>
Licenses and permits:			
Rings or bars licenses	2	2	
Electrical licenses	316	357	41
Air conditioning and gas filter licenses	79	99	20
Hoisting and portable licenses	13	11	(2)
Occupational licenses	7,800	7,698	(102)
Special operating engineer licenses	1		(1)
Stationary engineer licenses	68	66	(2)
Miscellaneous licenses	217	281	64
Service rate	11	3	(8)

(Continued)

GENERAL FUND

**FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS**

The following represents debt service requirements (amounts in thousands) for all significant component unit bonds outstanding at December 31, 1996. Interest payments for the Sewerage and Water Board, New Orleans International Airport and Aviation Commission of \$4,194,808, \$148,108,800 and \$50,698,800 respectively, are included.

Year Ending December 31,	Aviation Commission	New Orleans International Airport	Sewerage and Water Board	Total
1997	\$ 5,189	\$ 45,261	\$ 11,333	\$ 62,783
1998	5,330	13,868	7,311	31,049
1999	5,937	18,061	5,472	29,470
2000	5,881	18,138	5,480	29,511
2001	5,941	18,268	1,734	25,939
2002 and thereafter	<u>85,685</u>	<u>287,485</u>	<u>3,480</u>	<u>376,650</u>
	<u>\$ 115,125</u>	<u>\$ 409,807</u>	<u>\$ 38,684</u>	<u>\$ 563,616</u>

B. Contributed Capital

The following proprietary component unit recorded contributed capital in the following amounts as of December 31, 1996: New Orleans International Airport, \$187.3 million; Sewerage and Water Board, \$136.8 million; French Market Corporation, \$2.9 million; and Canal Street Development Corporation, \$8.8 million. Total contributed capital across these funds increased in 1996 by \$28.5 million from \$281.3 million to \$309.8 million. This increase was recorded by the New Orleans International Airport which received amounts from federal and State agencies and the City of New Orleans to finance the cost of construction of airport facilities.

C. Fixed Assets

A summary of proprietary component unit property, plant and equipment at December 31, 1996 follows (amounts in thousands):

	Illinois Public Trust Fund (Illinois State)	Audubon Commission	New Orleans International Airport	Sewerage and Water Board	Municipal Trust Fund	Portul Market Trust Fund	Upper Parish Watering Board Trust	Local Board Trust	Total
Free and real-estate assets			\$ 18,714	\$ 18,000					\$ 36,714
Equipment, furniture, and fixtures		\$ 11,000	17,000	18,000	2,000	\$ 11,000	\$ 1,000	\$ 1,000	\$ 60,000
Improvements additions and repairs	\$ 1,000	1,000	6,700	10,000	50	100	100	100	\$ 19,050
Other assets		100		20,000			100	100	\$ 20,300
Less accumulated depreciation	(1,000)	(10,000)	(10,000)	(100,000)	(1,000)	(1,000)	(100)	(100)	(123,100)
Net book value	1,000	1,100	15,414	28,000	50	100	100	100	\$ 46,814
Construction in progress		1,100	10,000	10,000					\$ 21,100
Total	\$ 1,000	\$ 13,200	\$ 30,414	\$ 66,000	\$ 50	\$ 200	\$ 200	\$ 200	\$ 102,000

Construction in progress in the proprietary component units consists primarily of renovations to the New Orleans International Airport and the Sewerage and Water Board's construction of water, sewerage and drainage systems within the City. Outstanding commitments to complete these construction projects as of December 31, 1996 amounted to approximately \$194,950,000 for the New Orleans International Airport.

D. Long-Term Debt

The City is not liable for bonds issued by the Sewerage and Water Board and the New Orleans International Airport. Series 1993 Limited Tax Bonds issued by the Audubon Commission represent special and limited obligations of the City payable from and secured solely by the proceeds of a special ad valorem tax. The outstanding balance of the Series 1993 bonds at December 31, 1996 was \$45,833,000.

Changes to the City's claims liability amounts in fiscal 1995 and 1996 were (amounts in thousands):

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Benefit Payments and Claims	Balance at Fiscal Year End
General Liability and Police Liability:				
1995	71,280	12,962	3,862	78,380
1996	78,380	7,228	3,328	80,600
Workers' Compensation:				
1995	20,100	2,896	1,206	21,790
1996	21,790	14,483	8,658	22,605
Motor Vehicle Fleet:				
1995	328	488	454	340
1996	340	263	260	340
Hospitalization and Unemployment:				
1995	7,862	28,822	27,389	6,285
1996	6,285	22,581	28,094	5,862
Total:				
1995	109,650	43,956	41,191	111,605
1996	111,605	48,557	42,485	118,707

Federal Financial Assistance Questioned Costs - The City receives federal financial assistance directly from federal agencies or passed through from other government agencies. An audit of the City's Schedule of Federal Financial Assistance 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.

Landfill Closing Costs - The City owns a closed landfill site located in the eastern portion of the City. State and federal laws require the City to cap the landfill and to monitor and maintain the site for thirty subsequent years. Additionally, the City owns another landfill site located in the eastern portion of the City. Under state and federal laws, the operator of this landfill site will be responsible for closing the landfill once its capacity is reached, and the City will be responsible for monitoring and maintaining the site for thirty subsequent years. The City recognizes a portion of the closure and postclosure care costs within the general long-term debt account group in each operating period even though actual payments will not occur until these landfills are capped and closed, respectively. The amounts recognized each year to date is based on the landfills' capacities used as of the balance sheet date. As of December 31, 1996, the City had incurred a liability of \$13,483,000, which represents the amount of costs reported to date based on the 100 percent capacity of both landfills.

Arbitrage - The City has issued tax-exempt bonds which 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.

10. INTEREST INCOME

In accordance with the City's Charter, 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 Fire/Disaster, Victim Care 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, certain special revenue funds and certain agency funds for the year ended December 31, 1998 was approximately \$4,518,000, \$1,437,000 and \$1,631,000, respectively.

In addition, interest income on the nonresponsible trust fund is recorded in separate endowment income trust funds (expendable trust funds).

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 cancellable by the City at any time. However, City management believes that such leases will generally be renewed or replaced each year. Annual cost in 1998 for such operating lease agreements was \$1,696,000.

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, over collection of property taxes and improperly designed drainage systems.

The City, based upon actuarial evaluation, advice of legal counsel and the Administration's estimates of probable liability of such actions, estimated the liability necessary to cover all losses and claims, both incurred and reported and incurred but not reported as of December 31, 1998 to be \$80,000,000.

Self-insurance - The City is self-insured for its motor vehicle fleet, general liability, 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 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 program. Paid claims in excess of such premiums, if any, are funded by the general fund.

As of December 31, 1998, the City has determined, through actuarial review, 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 liabilities of \$140,000 for motor vehicle fleet, \$88,000,000 for general liability and police department excessive force, \$37,345,000 for workers' compensation and \$5,862,000 for hospitalization have been accrued in the general long-term debt account group, in the total amount of \$131,347,000.

In consideration for the \$11,800,000 payment, Audubon Commission is relieved of all debts or fees due to occupancy pursuant to a Consent and Right of Use Agreement with the Board of Commissioners of the Port of New Orleans. This Consent and Right of Use Agreement, dated October 23, 1987, provided for the development and occupancy of an aquarium and related facilities by the Commission in consideration for stipulated payments of rents and fees over the 99 year term of the Agreement. The \$11,800,000 payment has been recorded as prepaid rent and is being amortized over the remaining terms of the original agreement. Such amount is included in other assets of the Audubon Commission at December 31, 1996.

In consideration for the Audubon Commission's \$2,080,808 payment to the Board of Commissioners of the Port of New Orleans, the City, which became the sole owner of the Rivergate Facility (the future site of the City's land-based casino) under the Agreement, agreed to transfer and assign the second \$200,809 of annual net income from the parking facilities at the Rivergate Facility to Audubon Commission for twenty years beginning with the 1992 calendar year. The balance due to the Audubon Commission of \$1,770,000 as December 31, 1996 is recorded in the general long-term debt account group. In the event parking operations are discontinued at the Rivergate Facility, the Agreement provides for a lump sum payment to Audubon Commission for the remaining payment discounted at seven percent, or to continue to pay the \$200,080 in monthly installments of \$165,663. \$1,770,000 of the Audubon Commission's \$1,800,000 payment is included in other assets of the Audubon Commission at December 31, 1996. As payments are received from the City of New Orleans, this amount is being reduced for that portion of the payment representing return of principal, with the balance credited to interest income.

Miscellaneous revenues of the special revenue fund includes \$18,244,080 from the developer of the land-based casino, which is located on City-owned land (the Rivergate Facility). These contributions were transferred to the general fund.

9. FUND BALANCE RESERVES

Certain fund balance amounts in the following funds have been reserved to indicate a restriction for a particular purpose. Details of the components of reserved fund balance at December 31, 1996 are as follows (amounts in thousands):

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenues	Debt Service	Capital Projects	Trust and Agency	
Reserve for Contingencies	\$ 20,407	\$ 110		\$ 21,268		\$ 41,447
Reserve for Endowments					\$ 205	205
Long-term advances	250					251
Employer's retirement system					438,811	438,811
Debt service	500		\$ 20,961			21,461
Total	\$ 21,457	\$ 110	\$ 20,961	\$ 21,268	\$ 438,238	\$ 512,031

Fund Transfers - Individual fund transfers for the year ended December 31, 1996 were as follows (amounts in thousands):

	Transfers In	Transfers Out
General	<u>\$11,779</u>	<u>\$ 3,880</u>
Special revenue:		
Grant Receipts Funds	87	835
Municipal Court Judicial Expense	881	
Traffic Court Judicial Expense	1,112	30
Rivergate Development Corporation	<u> </u>	<u>18,244</u>
Total special revenue	<u>2,880</u>	<u>19,109</u>
Total	<u>\$13,779</u>	<u>\$13,779</u>

Component Unit Transfers - Component unit transfers for the year ended December 31, 1996 were as follows (amounts in thousands):

	Transfers In	Transfers Out
General	<u>\$ 500</u>	
Component unit:		
French Market Corporation	<u> </u>	<u>\$ 500</u>
Total	<u>\$ 500</u>	<u>\$ 500</u>

Airport Charges for Support Services - Interfund charges for support services paid to the general fund during fiscal year 1996 by the New Orleans International Airport amounted to \$538,000 primarily for overhead reimbursement and fire protection and by the Orleans Parish Communication District amounted to \$298,000 for overhead reimbursement.

The City does not charge the French Market Corporation, the Municipal Yacht Harbor Management Corporation, the Upper Peralta Building Restoration Corporation, and 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 on which the golf course operates, which land is owned by the City.

Riverfront Economic Development Agreement - On April 30, 1990, the City, the Board of Commissioners of the Port of New Orleans, and Audubon Commission entered into an agreement titled "Riverfront Economic Development Agreement" (the Agreement). In accordance with the terms of the Agreement, Audubon Commission paid \$13,800,000 to the Board of Commissioners of the Port of New Orleans. Of this amount \$11,000,000 was from the sale of Audubon Commission's Apartment Revenue Bonds, Series 1992A, and \$2,800,000 was from self-generated funds of Audubon Commission.

Component Debt Receivables and Payables - Receivables and payables with component units at December 31, 1996 were as follows (amounts in thousands):

	Receivables	Payables
General	\$ 3,170	\$ 631
Special revenue	281	85
Capital projects	1,792	598
Trust and agency:		
Responsible trust	1	-
Clearing	65	25
Total trust and agency	66	25
Component units:		
Orleans Parish Communication District	68	266
Downtown Development District	-	3,845
Sewerage and Water Board	280	238
Municipal Yacht Harbor Management Corporation	85	4
Canal Street Development Corporation	235	-
Upper Pontalba Building Restoration Corporation	-	81
New Orleans International Airport	675	199
French Market Corporation	-	524
Total component units	1,303	5,204
Total	\$ 6,518	\$ 6,518

Interfund Advances - Individual fund incurred advances at December 31, 1996 were as follows (amounts in thousands):

	Advances to Other Funds	Advances from Other Funds
General	\$ 252	
Special revenue:		
Sidewalk Paving and Repairing		\$ 2
Department of Safety and Permits - Demolition		250
Total special revenue		252
Total	\$ 252	\$ 252

Component Debt Advances - Advances between the primary government and its component units at December 31, 1996 were as follows (amounts in thousands):

	Advances to Primary Government	Advances from Component Units
Capital projects		\$4,450
Component units:		
New Orleans International Airport	\$4,826	
Upper Pontalba Building Restoration Corporation	39	
French Market Corporation	404	
Municipal Yacht Harbor Management Corporation		
Total	\$4,450	\$4,450

B. INDIVIDUAL FUND DISCLOSURES

Interfund Receivables and Payables - Individual fund interfund receivables and payables at December 31, 1995 were as follows (amounts in thousands):

	Interfund Receivables	Interfund Payables
General	<u>\$ 24,405</u>	<u>\$ 1,174</u>
Special revenue:		
New Orleans Economic Development	27	470
Neighborhood Housing Improvement	91	244
Environmental Improvement	40	-
Rivergate Development Corporation	1,518	10,244
Traffic Court Judicial Expense	88	864
Municipal Court Judicial Expense	881	1,192
Department of Safety and Pensions - Expenditure	14	-
New Orleans Film Commission	3	-
Municipal Endowment Cox Cable	2,268	-
Grant Footprint Funds	<u>1,179</u>	<u>15,131</u>
Total special revenue	<u>6,253</u>	<u>26,001</u>
Capital projects	<u>317</u>	<u>24</u>
Trust and agency:		
Pension Trusts:		
Employers' Retirement System	123	-
Reposable trusts:		
Delgado-Albarran Plantation Commission	8	1
Agency:		
Clearing	9,497	22,689
Deposit	178	196
Factors	<u>3</u>	<u>83</u>
Total trust and agency	<u>9,678</u>	<u>23,069</u>
Component units:		
Andalson Commission	867	867
Orleans Parish Communication District	-	21
Sewerage and Water Board	140	140
Municipal Yacht Harbor Management Corporation	17	-
Canal Street Development Corporation	<u>3</u>	<u>-</u>
Total component units	<u>1,027</u>	<u>1,028</u>
Total	<u>\$ 31,803</u>	<u>\$ 31,803</u>

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Assumed Liability (AAL) Entry Age (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll (d-a/c)
Police Pension Fund						
12/31/94	\$ 1,871	\$ 3,150	\$ (1,279)	62.3 %	\$ -	N/A
12/31/95	1,819	3,074	(1,255)	70.2 %	-	N/A
12/31/96	1,853	1,862	(10)	99.5 %	-	N/A

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Assumed Liability (AAL) Entry Age (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll (d-a/c)
Firefighters' Pension and Relief Fund (DB System)						
12/31/94	\$ 1,623	\$ 154,876	\$ (153,253)	1.0 %	\$ 2,617	(9738.2)%
12/31/95	1,778	165,748	(163,970)	1.0 %	2,506	(9482.3)%
12/31/96	1,838	166,506	(164,668)	1.1 %	556	(2966.8)%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Assumed Liability (AAL) Entry Age (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll (d-a/c)
Firefighters' Pension and Relief Fund (Non System)						

A schedule of funding progress is not required when the aggregate actuarial cost method is used in determining funding requirements because this method does not separately identify an actuarial assumed liability.

- (a) The amortization period, which ends December 31, 2000, is being maintained. Beginning with the January 1, 1993 actuarial valuation, the amortization amount was "frozen" and is equal to the 12 year remaining amortization amount over the period January 1, 1993 through December 31, 2003.
- (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.

Three-Year Trend Information* (amounts in thousands)

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Employee's Retirement System	12/31/96	\$ 8,859	100 %	\$ -
Police Pension Fund	12/31/96	\$ 972	100 %	\$ -
Firefighters' Pension and Relief Fund (GM System)	12/31/96	\$ 18,480	94 %	\$ 1,304
Firefighters' Pension and Relief Fund (Plan System)	12/31/96	\$ 3,136	100 %	\$ -

*According to GASBS No. 37, paragraph 2(b): "For the first two years, the required information should be presented for the transition year (1997), and for the current (1997) and transition year (1998), respectively."

Schedule of Funding Progress (amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Assured Liability (B)(1)	Excess of Assets Over ALI (A-B)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll (a-c)(2)
Employee's Retirement System						
12/31/94	\$285,127	\$185,686	\$ 99,441	100.3 %	\$66,518	29.1 %
12/31/95	221,783	238,348	(16,565)	98.0 %	68,492	18.77%
12/31/96	238,486	247,682	9,804	102.3 %	70,488	43.3 %

Firefighters' Pension and Relief Fund
of the City of New Orleans (Old and New Systems)
129 ½ Dragageon Street
New Orleans, Louisiana 70119
(504) 821-4511

Funding Policies and Annual Pension Costs - The Employer Contributions for the Employees' Retirement System 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. In effect, it is being funded on a "pay-as-you-go" basis. Employees covered under the Employees' Retirement System contribute 4% of their taxable compensation in excess of \$1,200 per year to the Employees' Retirement System. 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 twenty years of employment of these funds.

As a result of the merger contract with the Municipal Police Employees' Retirement System (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 information for each plan is as follows:

Actuarial Methods and Assumptions

	Employees' Retirement System	Police Pension Fund	Firefighters' Pension and Relief Fund (Old System)	Firefighters' Pension and Relief Fund (New System)
Annual pension cost (thousands)	\$8,839	\$ 972	\$18,400	\$3,156
Contributions made (thousands)	\$8,859	\$ 972	\$18,360	\$3,156
Actuarial valuation date	12/31/96	12/31/96	12/31/96	12/31/96
Actuarial cost method	Frozen Entry Age Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Aggregate Actuarial Cost Method
Amortization method	(a)	(b)	Specific number of years - level amount	Specific number of years - level amount
Remaining amortization period	(a)	(b)	15 years	15 years
Asset valuation method	Market Value	Cost which approximates market	Market value	Average of cost and market
Actuarial assumptions:				
Investment rate of return*	7%	7%	7.5%	7.5%
Projected salary increases*	7%	N/A	7%	5%

MPERS Plan Description: On March 6, 1993, an agreement was signed between the City, the Police Pension Funds of the City of New Orleans, and the Municipal Police Employees' Retirement System (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 fifty or fifty-five, depending on the length of active service.

Employees become eligible for retirement under the MPERS plan at age fifty, after being a member of the plan for one year and after twenty years of active continuous service. An employee who is age fifty-five becomes eligible for retirement benefits after sixteen years of active continuous service. The plan also provides death and disability benefits. 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, 8484 United Plaza Boulevard, Baton Rouge, Louisiana 70809, or by calling (800) 443-4248.

As a result of this merger, the City agreed to pay MPERS 60% of the accrued liability for those employees being merged into the MPERS and 100% of the accrued liability for retired members and beneficiaries merged into the MPERS. The merger agreement (as amended during 1996) requires that the City pay \$2,083,898 quarterly through December 31, 12, which includes interest at a rate of 7%. The total liability at December 31, 1996, which is recorded in the general long-term debt account group, is \$12,375,080.

Funding Policy: The contribution rate for MPERS per dollar of payroll is 7.1% and 6%, respectively, for the employee and employer as established by State statute. The City's contributions to the MPERS for the years ended December 31, 1996, 1993 and 1994 were \$2,325,000, \$3,204,000 and \$3,178,000, respectively, equal to the required contribution for each year.

Employees' Plan, Police Plan, Old Fire Plan and New Fire Plan Descriptions: The City contributes to four single-employer defined benefit pension plans: Employees' Retirement System of the City of New Orleans, Police Pension Fund of the City of New Orleans, Firefighters' Pension and Relief Fund of the City of New Orleans (New System), and Firefighters' Pension and Relief Fund of the City of New Orleans (Old System). Each plan provides 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. These reports may be obtained by writing or calling the plan.

Employee's Retirement System
of the City of New Orleans
2480 Canal Street, Room 342
New Orleans, Louisiana 70119
(504) 828-1983

Police Pension Fund of the
City of New Orleans
715 S. Broad, Room 823
New Orleans, Louisiana 70119
(504) 828-2980

The requirements to amortize the amount recorded in the general long-term debt account group that is due to HUD and DOT. For these disclosed costs see as follows (amounts in thousands):

Year Ending December 31,	
1997	\$1,608
1998	1,671
1999	1,671
2000	1,671
2001	1,671
2002	<u>1,668</u>
Total	<u>\$6,359</u>

3. PENSION PLANS AND POSTRETIREMENT HEALTHCARE BENEFITS

At December 31, 1996, the City sponsors and administers four separate single-employer, contributory defined benefit pension plans, namely: (1) Fire Fighters' Pension and Relief Fund - Old System (Old Fire Plan); (2) Fire Fighters' Pension and Relief Fund - New System (New Fire Plan); (3) Police Pension Plan (Police Plan); and (4) Employees' Retirement System of the City of New Orleans (Employees' Plan). The Old Fire Plan covers fire fighters who were employed prior to December 31, 1967. The New Fire Plan covers fire fighters hired since that date. Effective March 6, 1983, all members of the Police Plan, active and retired, except for approximately 218 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 fire fighters and police.

The Old Fire Plan, New Fire Plan, Police Plan and Employees' Plan have elected early implementation of Governmental Accounting Standards Board Statement No. 15, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans."

As required by GASBS No. 15, investments are reported at fair value. The financial statements for 1995 were not restated and the cumulative effect of the change is shown as a one-time credit to income in the statement of changes in plan net assets as follows:

	Cumulative Effect of Change (amounts in thousands)
Old Fire Plan	\$ 78
New Fire Plan	\$16,873
Police Plan	\$ - 0 -
Employees' Plan	\$26,698

All four plans use the accrual basis of accounting for operating income and operating expenses. 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 employee contributions when due from the City.

The requirements to amortize the Section 109 loans are as follows (amounts in thousands):

Year Ending December 31,	Interest	Principal
1997	\$ 347	\$ 160
1998	338	175
1999	328	195
2000	317	210
2001	304	235
2002	<u>289</u>	<u>4,095</u>
Total	<u>\$ 1,823</u>	<u>\$ 4,865</u>

On August 6, 1990, the City issued \$48,080,000 in certificates of indebtedness. The primary purpose for this debt issuance was to pay settlements and judgments against the City as well as to acquire and construct various equipment for the City. The certificates bear interest, ranging from 8.80% to 6.63%, payable semiannually. As of December 31, 1996, \$31,035,000 is recorded as a liability in the general long-term debt account group.

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

Year Ending December 31,	Interest	Principal
1997	\$ 2,083	\$ 4,350
1998	1,881	4,675
1999	1,480	5,020
2000	1,159	5,395
2001	890	5,800
2002 and thereafter	<u>634</u>	<u>6,230</u>
Total	<u>\$ 7,760</u>	<u>\$ 31,450</u>

During 1996, the HUD and the Department of Labor (DOL) assessed the City for approximately \$12,080,000 of disallowed costs related to federal financial assistance that the City has received from those entities from 1978 to 1994. The City has agreed to repay \$6,353,000 of these disallowed costs over a 6 year period with no interest. The repayment agreement for the remaining disallowed costs, approximately \$4,340,000, has not yet been determined.

The requirements to amortize the line of credit due to the State are as follows (amounts in thousands):

Year Ending December 31,	Interest	Principal
1997	\$ 667	\$ 897
1998	391	971
1999	509	1,060
2000	418	1,154
2001	323	1,252
2002 and thereafter	<u>293</u>	<u>2,849</u>
Total	<u>\$ 2,800</u>	<u>\$ 8,192</u>

On August 12, 1996, the City and the State entered into an agreement which specified that the City shall pay the State sufficient amounts needed to retire the related general obligation bonds to which the line of credit is related. If the City defaults upon any payment when due, the State will deduct the amount owed from the state revenue sharing funds appropriated to the City.

The requirements to amortize the amount recorded in the general long-term debt account group that is due to MFRS (see Note 7) are as follows (amounts in thousands):

Year Ending December 31,	Interest	Principal
1997	\$ 3,254	\$ 2,943
1998	3,178	3,149
1999	4,858	3,569
2000	4,322	3,605
2001	4,468	3,897
2002 and thereafter	<u>26,446</u>	<u>65,132</u>
Total	<u>\$ 51,325</u>	<u>132,075</u>

During both 1999 and 1990, the City entered into contracts for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1984, with the Secretary of Housing and Urban Development (HUD) as guarantor. The loans consist of notes bearing interest at either fixed interest rates ranging from 8.75% to 8.75% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). As of December 31, 1996, \$5,460,000 is recorded as a liability in the general long-term debt account group.

**ANALYSIS OF REVENUES BY SOURCE AND EXPENSES BY TYPE - PENSION PLANS
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)****(B) Municipal and State Police Employees' Retirement System****Revenues by source:**

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Actuarially Determined Contribution Requirement	Employer's Contribution as a Percentage of Covered Payroll
1987	\$ 5,702	\$ 5,745	\$ 24,448	\$ 28,278	\$ 55,203	\$ 30,346	5.5
1988	5,820	5,987	18,488	23,287	51,582	3,651	7.8
1989	5,945	5,951	24,415	16,500	52,811	30,357	7.2
1990	6,901	7,791	33,778	10,078	58,550	30,894	5.8
1991	7,548	8,538	37,258	27,184	82,528	30,352	3.8
1992	7,811	8,845	41,830	14,929	73,415	7,800	9.1
1993	8,047	8,981	60,738	18,404	96,092	11,750	9.1
1994	7,908	8,037	63,843	13,843	74,631	11,798	9.3
1995	7,781	8,197	70,879	14,386	82,253	12,513	9.2
1996	8,168	8,182	68,541	14,070	89,061	11,888	9.1

Expenses by type:

Fiscal Year	Benefits	Administrative Expenses	Refunds	Other	Total
1987	\$ 17,112	\$ 618	\$ 1,095	\$ 22	\$ 18,954
1988	18,392	419	1,188	27	20,146
1989	20,352	478	1,214	111	22,255
1990	21,863	438	1,278	13	23,692
1991	24,531	1,079	1,192	6	26,898
1992	29,242	1,237	1,127	4	32,610
1993	27,238	1,333	1,046	100	29,724
1994	31,361	1,258	1,244	8	33,911
1995	35,894	1,811	1,261	9	39,075
1996	40,491	2,038	1,290	9	43,918

Contributions was made in amounts necessary to pay current expenses.

(Continued)

**ANALYSIS OF REVENUES BY SOURCE AND EXPENSES BY TYPE - PENSION PLANS
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)**

(a) Police Plan

Revenues by source:

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Employer's Contribution as a Percentage of Covered Payroll
1987	\$ 49	\$1,343	\$ 36	\$285	\$1,813	34.1
1988	53	1,378	39	190	1,660	32.1
1989	42	1,468	61	133	1,704	35.7
1990	38	1,424	67	280	1,709	37.6
1991	33	1,523	160	197	1,913	49.4
1992	33	1,346	65	184	1,628	498.2
1993	38	1,211	90	217	1,556	304.
1994	31	1,883	44	284	1,440	304.
1995	48	977	62	179	1,266	304.
1996	6	973	31	138	1,248	304.

Expenses by type:

Fiscal Year	Benefits	Administrative Expenses	Refunds	Other	Total
1987	\$1,275	\$ 69	\$ -	\$ 15	\$1,359
1988	1,358	64	1	43	1,476
1989	1,382	78	-	6	1,466
1990	1,348	102	-	30	1,480
1991	1,295	101	-	118	1,514
1992	1,177	100	-	67	1,344
1993	1,815	103	-	217	1,980
1994	1,608	98	-	413	1,511
1995	832	103	-	413	1,448
1996	877	107	-	124	1,108

Contributions were made in amounts necessary to pay current expenses.

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

PROPERTY VALUE AND CONSTRUCTION

LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)

	Property Value			Construction			
	Real Estate	Personal	Total	Residential Units	Residential Valuation	Nonresidential Units	Nonresidential Valuation
1987	\$1,772,093	\$3,788,180	\$11,768,273	156	\$63,438	349	\$23,910
1988	1,472,336	3,245,940	11,718,336	4,676	42,394	687	42,394
1989	1,587,385	2,872,013	11,459,688	2,993	58,748	996	36,936
1990	1,564,076	3,282,187	11,786,183	3,118	92,843	820	80,671
1991	1,588,288	3,235,353	11,833,851	3,413	53,767	892	96,701
1992	1,620,789	3,124,713	11,145,423	10,200	54,735	1,343	98,768
1993	2,870,353	3,043,373	16,915,608	11,338	98,131	3,038	98,413
1994	2,689,118	3,138,708	18,787,818	1,893	98,675	824	111,897
1995	2,583,388	3,127,993	18,711,391	1,929	103,590	604	38,860
1996	3,133,351	3,596,347	11,688,318	1,353	78,469	363	173,218

Note: For the years 1988 through 1996, the amounts are on a permits issued basis, not a units issued basis as in the year 1987.

TABLE 14

Commercial		Industrial	
Units	Value(\$)	Units	Value(\$)
833	\$ 111,888	40	\$ 11,581
883	111,800	40	3,088
799	189,362	98	21,233
581	46,216	64	12,278
790	43,716	83	28,921
1,003	77,118	2	8,340
333	78,136	1	6,887
994	77,580	20	3,780
621	218,679	47	22,348
348	28,921	8	848

CITY OF NEW ORLEANS, LOUISIANA

TABLE 18

**PRINCIPAL TAXPAYERS
 DECEMBER 31, 1998 (UNAUDITED, AMOUNTS IN THOUSANDS)**

Name of Taxpayer	Type of Business	1998 Assessed Value	Percentage of Total Assessed Value
BellSouth	Telephone utilities	\$ 64,804	4.8 %
New Orleans Public Service Inc.	Electric and gas utilities	63,313	4.7
AT&T	Telecommunications	18,524	1.3
University Health	Medical complex	17,478	1.2
Hibernia National Bank	Financial institution	17,487	1.2
Whitney National Bank	Financial institution	16,900	1.2
First NBC	Financial institution	14,562	1.0
Metropolitan Life Insurance	Insurance	13,218	0.9
International River Center	Real estate	11,673	0.8
C&DM	Hotel	11,811	0.8
		<u>1345,738</u>	<u>16.9 %</u>

CITY OF NEW ORLEANS, LOUISIANA

TABLE 16

DEMOGRAPHICAL AND MISCELLANEOUS STATISTICS
(UNAUDITED)

Location:

Southeastern Louisiana between Lake Pontchartrain and the Mississippi River

Size:

383.5 square miles, with 189.4 square miles (49%) of land

Population:

496,838 (1990 U.S. Census)

Climate:

Average winter temperature (October - March) 59.8 degrees; average summer temperature (April - September) 77.4 degrees; annual average humidity - 65%; annual average rainfall - 53.9 inches

Public Safety:

Department of Police

Police districts - 8

Budgeted positions - 1,883.35

Department of Fire

Fire districts - 6

Budgeted positions - 836

Streets:

Developed expressways	39	miles
Paved (sidewalks with curbs, gutters and subsurface drainage)	1,667	miles
Asphalt semi-rigid roadways with some related subsurface drainage	335	miles
Temporary surfaces, roadways	273	miles
Unopened or undeveloped streets	28	miles
Total	<u>1,741</u>	miles

Budgeted positions - 459

Recreation:

City of New Orleans Recreation Centers	9
Stadiums	7
Pools	
- Outdoor	14
- Indoor	2
Tennis court locations	9
Playgrounds	124
Other unique sites (cultural activities)	5
Arenas	425
Associated agencies' arenas	4,681
Municipal golf courses	7
Budgeted positions - 250	