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CITY OF NEW ORLEANS LOUISIANA

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ending
December 31, 1998

CITY OF NEW ORLEANS

LOUISIANA

Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 1998

*Prepared by:
Department of Finance
Marina M. Kahn
Director*

CITY OF NEW ORLEANS, LOUISIANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED DECEMBER 31, 1998

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**INTRODUCTORY
SECTION**

DEPARTMENT OF FINANCE

June 25, 1999

**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, 1998.

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 set forth 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 pyramid approach of the GASB. It includes the General Purpose Financial Statements which presents the combined statements as an overview of the City's entire financial operation. Next, combining and individual fund statements present each of the material 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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MARC H. MORIAL
MAYOR

MARINA M. KAHN
DIRECTOR

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, 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 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. Complete financial statements for these blended component units may be obtained at the entity's administrative offices.

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
Canal Street Development Corporation
Downtown Development District
French Market Corporation
Municipal Yacht 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

Current Louisiana law provides for creation of several districts and independently elected public offices 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 those 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 1998. The general fund ended fiscal year 1998 with a fund balance of \$38 million on a GAAP basis. Some of the factors that helped to make 1998 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. In considering those factors more closely, they are illustrated as follows:

The Office of International Relations and Trade Development has expanded trade with missions to Ecuador, Haiti, Mexico and South Africa. International trade pumps \$6 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.

By its culture, industry and proximity, New Orleans is truly the "Gateway to the Americas", and through innovative profit-sharing programs and new equipment at the Port of New Orleans, the City has established a major presence in Western Hemisphere Trade. The Port of New Orleans continues to see record levels of cargo.

The City has hosted more international summits in the last three years than any other city in the nation since 1994. Airport passengers have increased 32% with added new non-stop service to Mexico City, Toronto, Los Angeles, Fort Lauderdale and Raleigh, North Carolina. Service was expanded by Southwest Airlines, USAirways Metro Jet, Trans World Air Lines (TWA) and Air Canada.

A proposed new runway expansion would almost double air craft capacity and activity, and a high-speed rail system included in federal transportation legislation would designate New Orleans as a hub between Houston and Florida and include a high speed link from the airport to downtown. Recently, airport officials unveiled a \$21 million West Terminal expansion that adds 165,000 square feet of lobby space, airline ticket offices and two new gates for Concourse D. 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. The \$247 million Phase III expansion, which has increased exhibit space by nearly 60%, has put New Orleans in an elite class for large scale conventions. A kilometer long, the Morial Convention Center has the most contiguous floor space in the country and is expected to increase attendance by 28% in the first year. It will continue to fund new hotel developments and renovations throughout the city.

New Orleans' historic culture and colorful landscape draw visitors from all over the world. Falling crime and an improved economy have bolstered the city's reputation as a mecca for lovers of culture, music and food.

The annual Mardi Gras celebration, which generates nearly \$1 billion, the Jazz and Heritage Festival and the Sugar Bowl are perennial attractions. Complemented with the summer ESSENCE Festival and Bayou Classic, New Orleans has become the leader in multi-cultural tourism and a national model for hosting large-scale special events.

In 1998, a record 14 million visitors came to New Orleans. New projects on the horizon such as the Jazzland Amusement Park, the Downtown Sports Arena and Harrah's Casino will make the city even friendlier to new investment.

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 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 procurement opportunities for small business citywide.

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 cargoes 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 5% and 10%.

The New Orleans International Airport has experienced a 25% increase in passenger flights and a 32% 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 metro New Orleans economy.

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 film and music industries in New Orleans is over \$2 billion annually. New Orleans hosts many large sporting events including the Sugar Bowl, the Bayou Classic and the Louisiana Games. The planned downtown arena will reinforce the City's capacity to those additional sporting events.

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 premiere 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:

- Earhart Expressway/Tchoupitoulas Corridor - \$209 million
- LSU Clinical Science Building - \$40 million
- Port of New Orleans - \$33.5 million
- Renovation to the Custom House, Federal Building, U.S. - \$11 million

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, 1995, by the electorate and became effective January 1, 1996. Among the reforms established by these amendments are authorization for a consolidation in the number of city departments, established a revenue estimating conference to estimate 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.

Young people are the City's most important asset and the key to our future growth and success. Recreational and educational programming enhance 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 teenagers 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 Team Summer Job Initiative has impacted 2,500 young people. Over 30 parks and playgrounds have been renovated through the City's Rebuild Capital Improvement Program, and a record 18 public swimming pools are now open to the public for the summer.

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.

Innovative partnerships with the city, other government agencies, community development corporations and lenders are rebuilding the neighborhoods of New Orleans by providing incentives to purchase new homes or renovate existing homes.

In the last five years, over 10,000 people have become homeowners in New Orleans, and the rental-ownership ratio continues to improve. Today, about 50 percent of New Orleans families own their own homes.

The Mayor's Division of Housing and Neighborhood Development is a national leader in forming innovative partnership to generate money for more home ownership and historic restorations. The Mayor's Office received awards from the U.S. Conference of Mayors for public/private partnerships with the AFL-CIO, Fannie-Mae and Freddie Mac. "House New Orleans" with Fannie Mae will generate up to \$535 million in new home purchases, and "At Home in New Orleans" with Freddie Mac will generate \$25 million in blight redevelopment.

Other initiatives targeting historic neighborhoods, like the \$15 million Central City Initiative with Bank One and the \$10 million Project Renaissance with Hibernia Bank, are all part of the Mayor's Impact Neighborhoods Strategy.

The historic corridors and neighborhoods of New Orleans are coming back to life through multi-faceted approaches of encouraging home ownership and redevelop residential and commercial properties throughout the city.

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 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 instituted in 1996 continues to be a success with citizens. These improvements resulted in:

- a 50% recycling participation rate,
- 30,000 tons of trash recycled,
- 95,000 cubic yards of landfill space moved, and
- \$400,000 in landfill disposal costs saved.

For the future.

The framework for a New Orleans has been built. 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 must be timely implemented.

To plan for the next century, City leaders and citizens are working together to foster responsible growth that will enhance the City's environment and quality of life. A citizen committee is helping the City administer the *Brownsfield Program* to encourage development of abandoned industrial sites. A Master Plan Advisory Committee will synchronize an effective long-range master plan with an updated comprehensive zoning ordinance. New Orleanians have learned that in building for the future, we can also preserve what is most uniquely New Orleans and the environment that expresses who we are.

DEPARTMENT FOCUS

The Department of Police headed by the Superintendent provides the following:

- Maintain peace: protect life, property, and all other rights and liberties, and perform all lawfully assigned acts;
- Enforce all ordinances and laws and prevent their violations;
- Make all searches, seizures, arrests, and maintain lockups for prisoners, including the House of Detention;
- Enforce traffic regulations and investigate accidents; and
- Operate and maintain public safety and a communication system.

In five years, crime in New Orleans has dropped dramatically. Violent crime and murders are down nearly 60% - their lowest level in a decade; armed robberies are at their lowest level in 15 years. New Orleans, which fell to 55th in overall crime in the nation in 1998 and today leads all U.S. cities in the rate of violent crime reduction. A better police department, youth development programs and a stronger economy have all enhanced public safety.

More police officers and a re-organized department have enabled Superintendent Richard Pennington to target high crime areas. Weekly COMSTAT (Computer Statistics) meetings allow NOPD officers to identify and saturate hot-spot areas to stay pro-active in the fight against crime.

Youth development and juvenile crime prevention programs have reduced juvenile crime five percent to ten percent a year since 1995. Programs such as *Safe Harbor* after school programs, *Safe-Night*, and *Weed and Seed* school programs on gun violence and responsibility have helped to steer young people away from a path of destructiveness with the help of the *Covenant House* of New Orleans and the *St. Mark Community Center* has also been expanded to continue to provide guidance for youth.

New Orleans' dramatic success in reducing crime and increasing public safety has become the model for large police departments around the world. With innovative thinking, the NOPD and partnering organizations are building a foundation of confidence in the growing overall quality of life in New Orleans.

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 expenditure under any portion of the annual operating budget unless sufficient revenues have been appropriated by the City Council to finance the proposed expenditure. 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 monitors 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 amended those classifications to three classifications for 1996 which are classified as: 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 a an on-line processing system before the requisitions 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 councilmanic 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 computerized

financial management system initiated in 1997 and uses a program budget. The basic concept of program budgeting rests in the tenet 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 indicated 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 recorded is defined in the 1954 Home Rule Charter and does not conform to the current standards of the Governmental Accounting Standard Board (GASB). For purposes of explication, however, the accompanying combined 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 1998 totaled approximately \$383,922,000. These revenue represent a 8.0% increase from 1997. Factors contributing to significant changes in revenues for the prior year include the following.

Taxes increased 5.5% in 1998 over 1997. This increase reflects increased collections of property taxes and interest and penalties.

Licenses and permits increased 19.4% over 1997 due to increased fees from NOPSI franchises and increased collections from occupational licenses.

Intergovernmental increased 4.7% over 1997 due to increases from the tobacco tax and the additional funds received from civil defense matching grant.

Charges for services decreased by 3.5% due to an decrease sanitation service charges and utility regulatory fees.

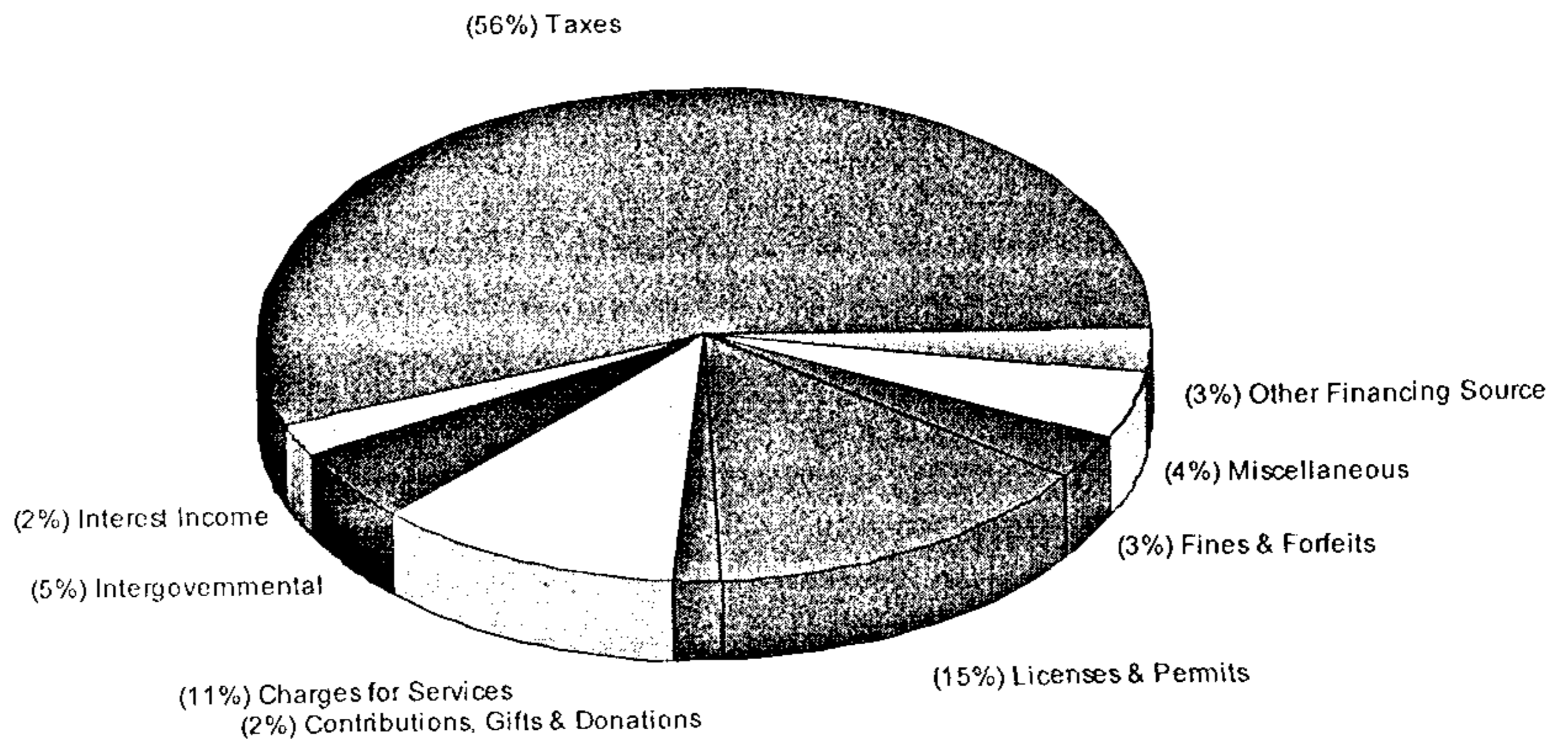
Fines and forfeits increased by 12.5% due to a decrease in traffic violations and fines and fees.

Interest income increased by 18.1%.

The accompanying table/chart shows the amount (in thousands) of general fund revenues by source for 1998 and 1997.

Revenues and Other Financing Sources	1998 Actual	% of Total	Increase (Decrease) Over 1997	1997 Actual	% of Total
Taxes	\$212,721	56	\$9,633	\$203,088	57
License & permits	55,166	14	10,704	44,462	12
Intergovernmental	18,514	5	1,587	16,927	5
Charges for services	43,174	11	(1,543)	44,717	13
Fines and Forfeits	11,515	3	(1,442)	12,957	4
Interest income	8,811	2	(1,595)	10,406	3
Contributions, gifts, and donations	6,614	2	6,026	588	--
Miscellaneous	16,569	4	4,440	12,129	3
Other financing source	<u>10,882</u>	<u>3</u>	<u>(699)</u>	<u>11,581</u>	<u>3</u>
	<u>\$383,966</u>	<u>100</u>	<u>\$27,111</u>	<u>\$356,855</u>	<u>100</u>

Revenue Dollar
 (Percentage and Source)



1998 Dollars

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

The increase in general government expenses was primarily due to an increase in other operating expenditures in the Council. The City paid for the building and maintenance of the New Orleans Media Center.

Public Safety expenditures were similar to prior year amounts.

Public Works expenditures decreased slightly due to a reduction in personnel among these departments.

Health and Welfare expenditures decreased slightly due to decreased in federal and state aid funding for this function.

Culture and recreation expenditures decreased slightly due to decreased personnel among all departments.

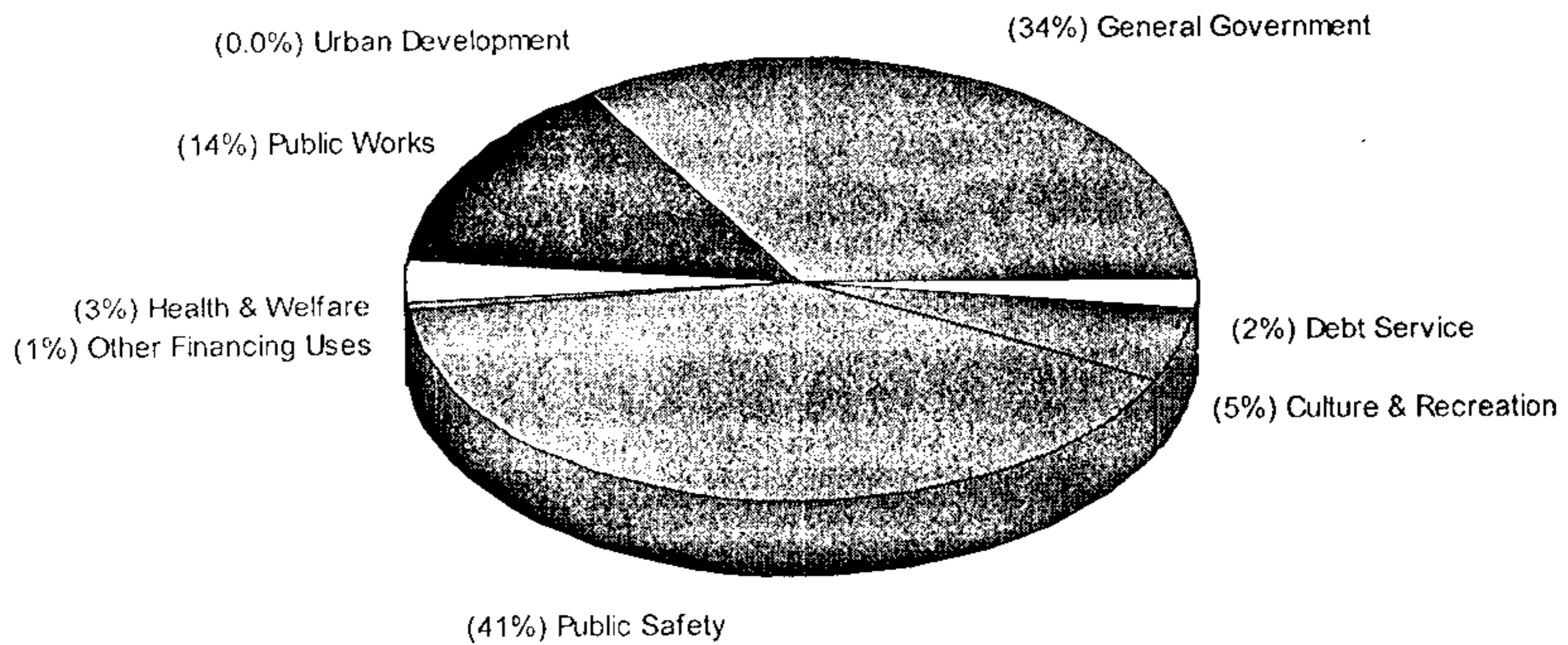
Urban Development increased expenditures reflects an increase in grants allowed for this purpose.

Debt Service expenditures increased expenditures reflect an increase in principal and interest debt payments due from the city.

The following table/chart shows the amount (in thousands)(of general fund expenditures by function and other financing uses for 1998 and 1997.

	1998 Actual	% of Total	Increase (Decrease) Over 1997	1997 Actual	% of Total
Expenditures and Other Financing Uses					
General government	\$129,329	34	\$8,254	\$121,075	32
Public Safety	154,299	41	(2,720)	157,019	41
Public Works	53,744	14	(5,589)	59,333	16
Health and Welfare	12,414	3	(2,660)	15,074	4
Culture and Recreation	20,381	5	(1,469)	21,850	5
Urban Development	176	0	10	166	--
Debt Services	8,870	2	2,441	6,429	2
Other financing uses	<u>2,215</u>	<u>1</u>	<u>444</u>	<u>1,771</u>	<u>--</u>
Total	<u>\$381,428</u>	<u>100</u>	<u>(1,289)</u>	<u>\$382,717</u>	<u>100</u>

Expenditure Dollars
(Percentage and Function)



1998 Dollars

The fund balances of the General Fund at December 31, 1994 through December 31, 1998 are as follows (amounts in thousands):

	1994	1995	1996	1997	1998
Reserved for encumbrances	23,137	\$37,257	\$21,859	\$27,907	\$22,471
Designated-	6,863	7,936	5,966	2,008	2,218
Undesignated	<u>24,031</u>	<u>14,213</u>	<u>34,690</u>	<u>5,319</u>	<u>13,082</u>
Total	<u>\$54,031</u>	<u>\$59,406</u>	<u>\$62,515</u>	<u>\$35,234</u>	<u>\$37,772</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 \$33,362,000 at December 31, 1998.

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 1998 totaled \$55,440,000 a decrease of \$882,000 over the 1997 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 Pontalba Building Restoration 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 1998 operating revenues and net income of \$126,005,000 and \$8,472,000, respectively. Operating expenses, exclusive of depreciation, decreased 4% to \$123,283,000 in 1998 from \$127,699,000 in 1997.

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 airport's 1998 operating revenue amounted to \$49,755,000, 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 \$3,160,000 in bonds issued in 1979 and 1986; admission fees to the zoo; concession rentals and fees; donations; and other miscellaneous sources. In 1986 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, 1998, the general fixed assets (excluding construction in progress) of the City amounted to \$280,935,000.

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 1997 fiscal year was as follows:

	Amount	Ratio of general debt to assessed value of taxable property	Bonded Debt per capita
General bonded debt.....	\$474,421,000	22.09%	\$955

Outstanding general obligation bonds at December 31, 1998 totaled \$474,421,000 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) 35% of total assessed valuation of the City. Under Act No. 1 of the City's debt limit, based on the most recent assessed valuations, is \$1,969,443,000 as of December 31, 1998.

As of the end of 1996, 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, reverse 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, 1998 on a non-GAAP budgetary basis was \$8,811,000 compared to \$10,406,000 in 1997.

RISK MANAGEMENT

The City maintains a self-insurance program 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 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 Bruno and Tervalon, CPA's, Luther Speight, CPA's, and Duplantier, Hrapmann, Hogan and Maher, LLP, among others.

AWARD FOR DISTINGUISHED BUDGET PRESENTATION

The Government Finance Officers Association (GFOA) award a Certificate of Achievement for Excellence in Financial Reporting to governments for their comprehensive annual financial reports. In order to be awarded a Certificate of Achievement, governments are required to publish an easily readable and efficiently organized comprehensive annual financial report. In 1994, 1996, and 1997 the City was awarded the Certificate of Achievement for Excellence in Financial Reporting.

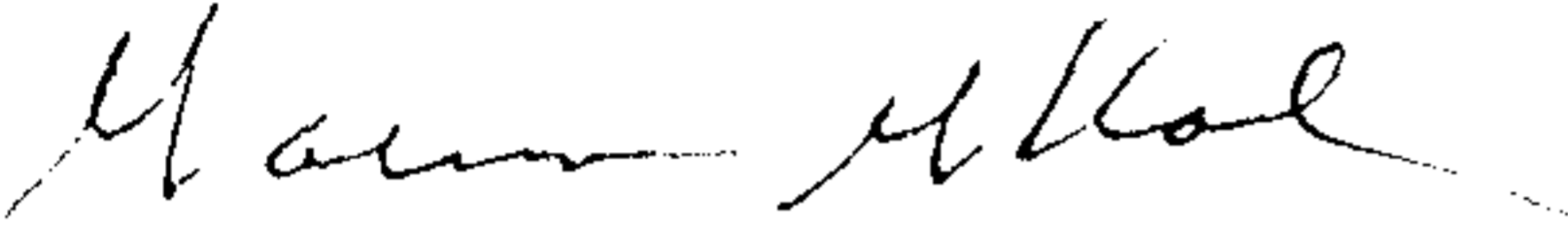
We believe that our current annual financial report meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

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,

A handwritten signature in black ink, appearing to read "Marina M. Kahn". The signature is fluid and cursive, with a long horizontal stroke at the end.

Marina M. Kahn
Director of Finance

CITY OF NEW ORLEANS, LOUISIANA

Selected Officials
December 31, 1998

The City Council

Mr. James Singleton	Councilmember-at-Large
Mr. Eddie L. Sapir	Councilmember-at-Large
Ms. Suzanne Haik Terrell	Councilmember - District A
Mr. Oliver Thomas	Councilmember - District B
Mr. Troy Carter	Councilmember - District C
Mr. Roy Glapion	Councilmember - District D
Ms. Ellen Hazeur-Distance	Councilmember - District E

The Executive Staff

Mr. Marc H. Morial	Mayor
Mr. Marlin Gusman	Chief Administrative Officer
Mr. Cedric Grant	Deputy Chief Administrative Officer
Ms. Thelma French	Executive Assistant
Ms. Cheryl Teamer	Executive Assistant
Mr. Vincent Sylvain	Executive Assistant

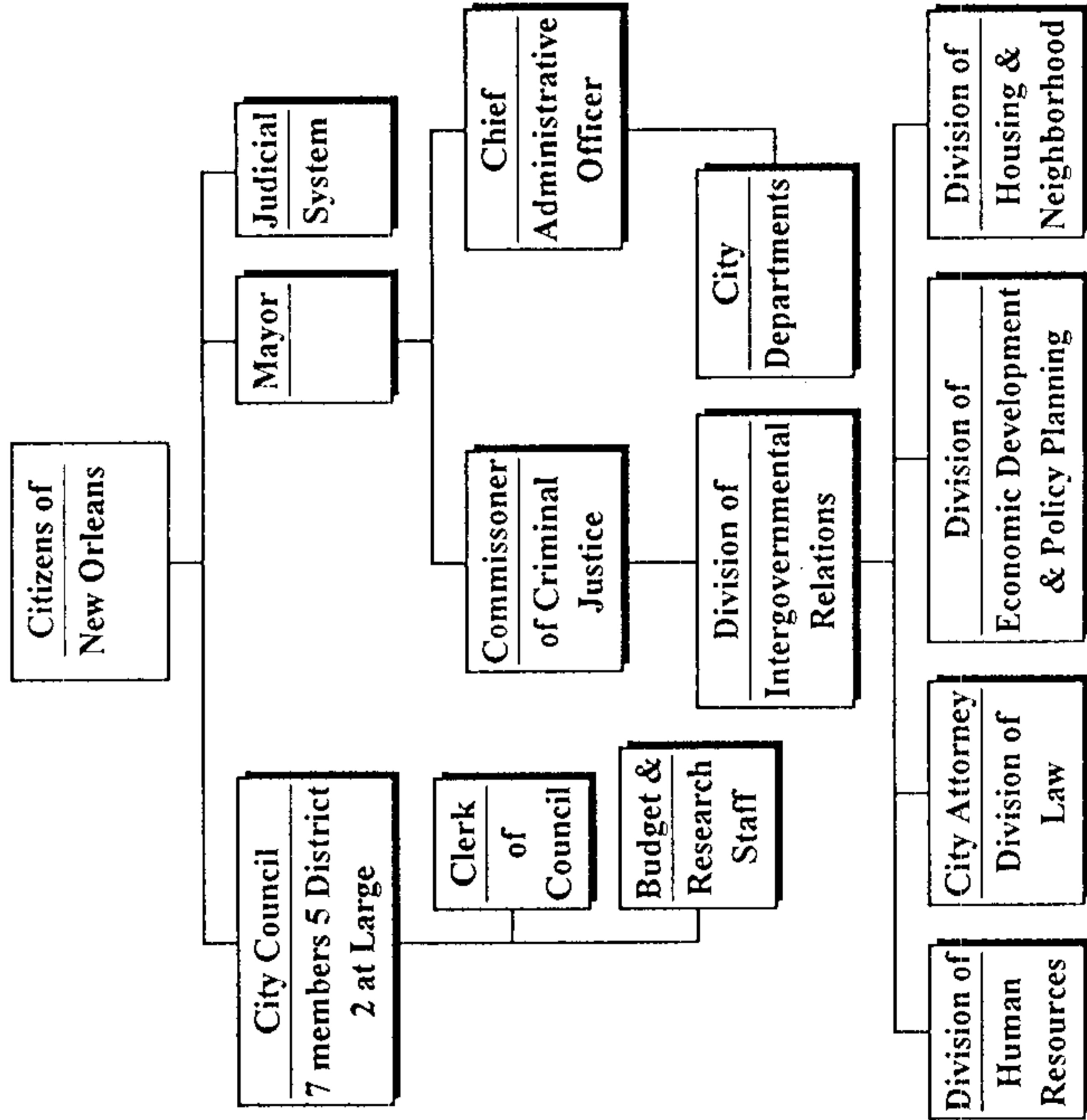
The Department Heads

Ms. Avis Marie Russell	City Attorney
Ms. Kristina Ford	Director, City Planning
Mr. J. Michael Doyle	Director, Civil Service
Ms. Marina M. Kahn	Director, Finance
Ms. Shelia Webb	Director, Health
Dr. Morris F.X. Jeff, Jr.	Director, Human Resources
Mr. Kerry DeCay	Director, Property Management
Mr. Clifford J. Scineaux	Director, Public Works
Ms. Angele Wilson	Director, Recreation
Ms. Cynthia Sylvain-Lear	Director, Parkway and Parks
Mr. Keith Johnson	Director, Safety and Permits
Ms. Sharon Harrington	Director, Sanitation
Mr. Harold Gorman	Director, Sewerage and Water Board
Ms. Lilliam Zayas	Director, Utilities
Mr. William McDaniels	Superintendent, Fire
Mr. Richard Pennington	Superintendent, Police



THE CITY OF NEW ORLEANS

Organizational Chart





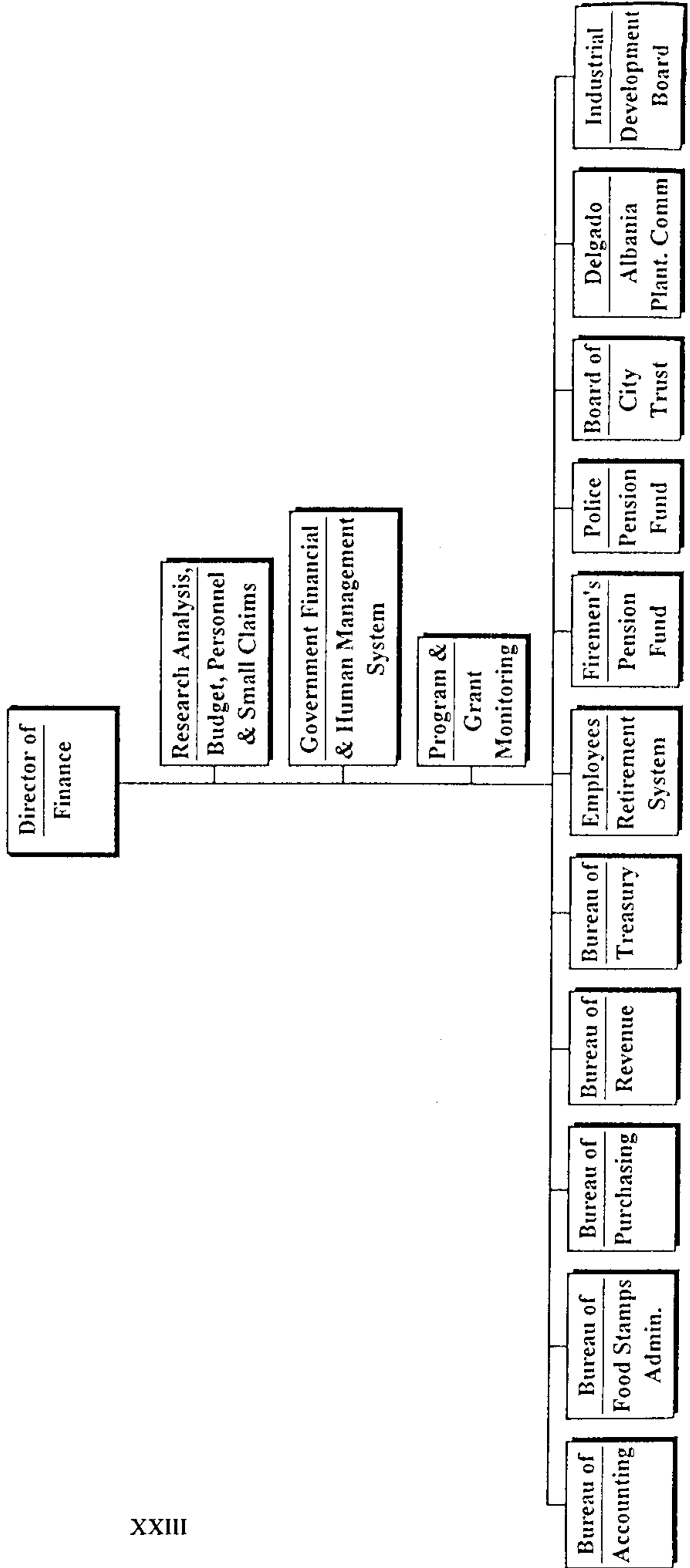
THE CITY OF NEW ORLEANS

Department of Finance

Organizational Chart

Marc H. Morial, Mayor
City of New Orleans

Marina M. Kahn, Director
Department of Finance



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of New Orleans,
Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

FINANCIAL SECTION



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, 1998 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, the Sewerage and Water Board of New Orleans, the French Market Corporation, the Upper Pontalba Building Restoration Corporation and the Canal Street Development Corporation, which represent 73 percent and 75 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 89 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 61 percent of the liabilities of the General Long-Term Debt Account Group. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Development District, the New Orleans Tourism Marketing Corporation, the Audubon Commission, the Sewerage and Water Board of New Orleans, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, the Canal Street Development 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 amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 respects, the financial position of the City as of December 31, 1998, and the results of its operations and the cash flows of its nonexpendable trust fund and similar discretely presented component units, and changes in plan net assets of its pension trust funds for the year then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 126 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the City is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant.

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 25, 1999 on our consideration of the City's compliance with laws and regulations and on its internal control over financial reporting.

Deloitte & Touche LLP

New Orleans, Louisiana
June 25, 1999

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CITY OF NEW ORLEANS, LOUISIANA

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

ASSETS	Governmental Fund Types				Fiduciary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency
Cash (Note 2)	\$ 10,439	\$ 5,534	\$ 22		\$ 26,451
Certificates of deposit (Note 2)	9,046	25,164	33,922	\$ 111,423	10,938
Investments (Note 2)	541	989			573,573
Receivables (net, where applicable, of allowances for uncollectibles):					
Sales taxes	13,310				
Property taxes (Note 3)	6,115				
Franchise taxes	2,868				
Accounts	10,261	433		831	196
Grantee loans (Note 4)		34,968			
Accrued interest	1,547				3,372
Grants					
Other			51		1,494
Due from other funds (Note 8)	27,412	2,567		113	9,190
Due from component units	779	81		382	2
Due from other governments		18,070		8,971	434
Due from primary government (Note 8)					
Inventory of supplies					
Prepaid expenses and deposits					
Advances to other funds (Note 8)	252				
Advance to primary government (Note 8)					
Restricted assets - cash and investments, at cost or amortized cost			729		
Fixed assets (net, where applicable, of accumulated depreciation) (Note 5)					
Other assets					481
Amounts available in debt service fund					
Amounts to be provided for:					
Retirement of general long term debt (Note 6)					
Claims and judgments (Note 11)					
Landfill closing costs (Note 11)					
Accrued annual and sick leave					
Payment to State of Louisiana for L.W.E. loans (Note 6)					
Payment to Municipal and State Police Employees' Retirement System (Notes 6 and 7)					
Payment to HUD for Section 108 loan (Note 6)					
Certificates of indebtedness (Note 6)					
Payment to Audubon Commission (Note 6)					
Payments to HUD and DOL for disallowed costs (Note 6)					
TOTAL ASSETS	\$ 82,570	\$ 87,806	\$ 34,724	\$ 121,720	\$ 626,131

See notes to financial statements.

Account Groups		Totals Primary Government (Memorandum Only)	Component Units		Totals Reporting Entity (Memorandum Only)	
General Fixed Assets	General Long Term Debt		Governmental	Proprietary	1998	1997 (Restated - Note 1)
		\$ 42,446	\$ 1,295	\$ 9,994	\$ 53,735	\$ 73,079
		190,493		15,226	205,719	210,693
		575,103	4,014	176,744	755,861	652,177
		13,310			13,310	10,037
		6,115		515	6,630	5,957
		2,868			2,868	2,268
		11,721	839	17,176	29,736	27,769
		34,968			34,968	13,926
		4,919	46	1,863	6,828	7,151
				1,145	1,145	643
		1,545		1,399	2,944	4,053
		39,282			39,282	26,404
		1,244		1,008	2,252	1,503
		27,475	412		27,887	19,449
				1,298	1,298	1,012
				6,319	6,319	5,974
				1,487	1,487	2,359
		252			252	252
				5,037	5,037	4,986
		729		238,953	239,682	203,790
\$477,678		477,678		1,370,721	1,848,399	1,807,202
		481	978	25,001	26,460	26,372
	\$ 33,362	33,362			33,362	31,143
	454,314	454,314			454,314	431,498
	126,947	126,947			126,947	126,081
	13,021	13,021			13,021	12,720
	53,840	53,840			53,840	53,769
						7,294
	75,983	75,983			75,983	79,132
	30,125	30,125			30,125	5,300
	22,445	22,445			22,445	27,120
	1,644	1,644			1,644	1,710
	7,223	7,223			7,223	8,793
<u>\$477,678</u>	<u>\$818,904</u>	<u>\$ 2,249,533</u>	<u>\$7,584</u>	<u>\$1,873,886</u>	<u>\$4,131,003</u>	<u>\$3,891,616</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental Fund Types				Fiduciary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency
LIABILITIES:					
Accounts payable	\$ 32,953	\$ 1,173		\$ 4,597	\$ 1,093
Retainages payable				2,777	
Other payables and accruals (Note 6)			\$ 1,362		39,434
Due to other funds (Note 8)	4,068	21,832		1,270	12,112
Due to primary government (Note 8)					
Due to other governments	316	21		5,052	7,804
Due to component units (Note 8)	1,219	35			44
Deferred revenues (Notes 3 and 4)	6,242	9,968			
Payable from restricted assets:					
Retainages 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 8)		252			
Advances from component units (Note 8)				5,037	
Certificates of indebtedness (Note 6)					
Loans payable					
Bonds payable:					
General obligation (Note 6)					
Limited tax (Note 12)					
Revenue, less unamortized discount of \$1,429					
Refunding					
Other					
Total liabilities	<u>44,798</u>	<u>33,281</u>	<u>1,362</u>	<u>18,733</u>	<u>60,487</u>
EQUITY AND OTHER CREDITS:					
Contributed capital (Note 12)					
Investment in general fixed assets (Note 5)					
Retained earnings:					
Reserved for:					
Property, plant and equipment					
Bond debt service					
Capital improvements					
Unreserved					
Total retained earnings	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance:					
Reserved (Note 9)	22,471	2,037	33,362	34,890	557,279
Unreserved:					
Designated for subsequent years' expenditures	2,218	37,263		61,461	
Undesignated	13,083	15,225		6,636	8,365
Total fund balance	<u>37,772</u>	<u>54,525</u>	<u>33,362</u>	<u>102,987</u>	<u>565,644</u>
Total equity and other credits	<u>37,772</u>	<u>54,525</u>	<u>33,362</u>	<u>102,987</u>	<u>565,644</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 82,570</u>	<u>\$ 87,806</u>	<u>\$ 34,724</u>	<u>\$ 121,720</u>	<u>\$ 626,131</u>

See notes to financial statements.

Account Groups		Totals Primary Government (Memorandum Only)	Component Units		Totals Reporting Entity (Memorandum Only)	
General Fixed Assets	General Long Term Debt		Governmental	Proprietary	1998	1997 (Restated - Note 1)
		\$ 39,816	\$ 525	\$ 20,574	\$ 60,915	\$ 46,762
		2,777		1,495	4,272	5,317
	\$ 181,836	222,632	55	32,201	254,888	238,427
		39,282		1,008	40,290	26,265
			634	610	1,244	1,504
		13,193			13,193	19,174
		1,298			1,298	1,150
		16,210	651	11	16,872	19,409
				1,783	1,783	308
				1,741	1,741	2,449
				1,825	1,825	1,673
				4,852	4,852	5,895
				7,948	7,948	7,203
				2,061	2,061	2,730
				7,734	7,734	6,545
	126,947	126,947		5,743	132,690	131,105
		252			252	252
		5,037			5,037	4,986
	22,445	22,445			22,445	27,120
				6,191	6,191	6,227
	474,421	474,421			474,421	448,081
	13,255	13,255		60,829	74,084	68,103
				84,607	84,607	52,664
				221,387	221,387	221,468
				946	946	3,835
	<u>818,904</u>	<u>977,565</u>	<u>1,865</u>	<u>463,546</u>	<u>1,442,976</u>	<u>1,348,652</u>
\$ 477,678		477,678	803	343,367	343,367	341,062
					478,481	459,967
				688,616	688,616	691,287
				25,607	25,607	27,295
				62,977	62,977	50,060
				133,160	133,160	122,982
				<u>910,360</u>	<u>910,360</u>	<u>891,624</u>
		650,039	2,425	156,613	809,077	754,433
		100,942	1,719		102,661	65,977
		43,309	772		44,081	29,901
		<u>794,290</u>	<u>4,916</u>	<u>156,613</u>	<u>955,819</u>	<u>850,311</u>
<u>477,678</u>		<u>1,271,968</u>	<u>5,719</u>	<u>1,410,340</u>	<u>2,688,027</u>	<u>2,542,964</u>
<u>\$ 477,678</u>	<u>\$ 818,904</u>	<u>\$ 2,249,533</u>	<u>\$ 7,584</u>	<u>\$ 1,873,886</u>	<u>\$ 4,131,003</u>	<u>\$ 3,891,616</u>

(Concluded)

CITY OF NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND SIMILAR DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES:				
Taxes (Note 3)	\$ 212,721	\$ 5,121	\$ 40,020	
Licenses and permits	55,166			
Intergovernmental	18,514	84,606		\$ 21,744
Charges for services	43,174			
Program income		520		
Fines and forfeits	11,515	2,239		
Interest income (Note 10)	8,811	1,466	2,989	15
Contributions, gifts and donations	6,614	1,536		
Miscellaneous	16,569	9,935	39	265
Total revenues	<u>373,084</u>	<u>105,423</u>	<u>43,048</u>	<u>22,024</u>
EXPENDITURES:				
Current:				
General government	129,329	9,961	362	
Public safety	154,299	5,605		
Public works	53,744	3		
Health and human services	12,414	9,344		
Culture and recreation	20,381	461		
Urban development and housing	176	32,322		
Economic development and assistance		9,727		55,440
Capital projects				
Debt service:				
Principal retirement	5,851		17,245	
Interest and fiscal charges	3,019		23,077	
Bond issuance costs			145	
Total expenditures	<u>379,213</u>	<u>67,423</u>	<u>40,829</u>	<u>55,440</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,129)</u>	<u>38,000</u>	<u>2,219</u>	<u>(33,416)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (Note 8)	9,882	2,215		
Transfer in from component unit (Note 8)	900			
Operating transfers out (Note 8)	(2,215)	(9,882)		
Proceeds from bond issuance				40,000
Proceeds of refunding bonds			106,520	
Payment to refunded bond escrow agent			(106,520)	
Other, net	100			
Total other financing sources (uses)	<u>8,667</u>	<u>(7,667)</u>		<u>40,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,538	30,333	2,219	6,584
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>35,234</u>	<u>24,192</u>	<u>31,143</u>	<u>96,403</u>
FUND BALANCES, END OF YEAR	<u>\$ 37,772</u>	<u>\$ 54,525</u>	<u>\$ 33,362</u>	<u>\$ 102,987</u>

See notes to financial statements.

EXHIBIT A-2

Fiduciary Fund Type	Totals Primary Government (Memorandum Only)	Component Units Governmental	Totals Reporting Entity (Memorandum Only)	
			1998	1997 (Restated - Note 1)
Expendable Trust	\$ 257,862	\$ 7,675	\$ 265,537	\$ 251,835
	55,166		55,166	44,462
	124,864		124,864	100,660
	43,174		43,174	44,717
	520		520	779
	13,754		13,754	14,982
\$ 472	13,753	432	14,185	15,956
1,068	9,218		9,218	3,221
	26,808	1,439	28,247	24,611
<u>1,540</u>	<u>545,119</u>	<u>9,546</u>	<u>554,665</u>	<u>501,223</u>
	139,652	4,503	144,155	133,464
	159,904		159,904	162,158
	53,747	2,254	56,001	60,866
98	21,856		21,856	28,094
1,332	22,174	3,461	25,635	26,509
	32,498		32,498	33,858
	65,167		65,167	10,252
			-	56,322
	23,096		23,096	21,724
	26,096		26,096	24,806
	145		145	128
<u>1,430</u>	<u>544,335</u>	<u>10,218</u>	<u>554,553</u>	<u>558,181</u>
<u>110</u>	<u>784</u>	<u>(672)</u>	<u>112</u>	<u>(56,958)</u>
	12,097		12,097	13,352
	900		900	-
	(12,097)		(12,097)	(13,352)
	40,000		40,000	50,000
	106,520		106,520	
	(106,520)		(106,520)	
	100	785	885	14
	<u>41,000</u>	<u>785</u>	<u>41,785</u>	<u>50,014</u>
110	41,784	113	41,897	(6,944)
<u>8,255</u>	<u>195,227</u>	<u>4,803</u>	<u>200,030</u>	<u>206,974</u>
<u>\$ 8,365</u>	<u>\$ 237,011</u>	<u>\$ 4,916</u>	<u>\$ 241,927</u>	<u>\$ 200,030</u>

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 1)				Variance Favorable (Unfavorable)
	Actual	Adjusted to Budgetary Basis	Actual on Budgetary Basis (Non-GAAP)	Revised Budget	
REVENUES:					
Taxes	\$ 212,721	\$ 1,891	\$ 214,612	\$ 214,611	\$ 1
Licenses and permits	55,166		55,166	55,146	20
Intergovernmental	18,514	(107)	18,407	18,275	132
Charges for services	43,174	(4)	43,170	43,640	(470)
Fines and forfeits	11,515	(1)	11,514	9,873	1,641
Interest income	8,811		8,811	8,800	11
Contributions, gifts and donations	6,614	(1)	6,613	6,544	69
Miscellaneous	16,569	(341)	16,228	18,299	(2,071)
Total revenues	<u>373,084</u>	<u>1,437</u>	<u>374,521</u>	<u>375,188</u>	<u>(667)</u>
EXPENDITURES:					
Current:					
General government	129,329	(2,019)	127,310	128,441	1,131
Public safety	154,299	824	155,123	155,227	104
Public works	53,744	(711)	53,033	53,048	15
Health and human services	12,414	285	12,699	12,706	7
Culture and recreation	20,381	190	20,571	21,046	475
Urban development and housing	176	29	205	254	49
Debt service:					
Principal retirement	5,851		5,851	5,851	
Interest and fiscal charges	3,019		3,019	3,019	
Total expenditures	<u>379,213</u>	<u>(1,402)</u>	<u>377,811</u>	<u>379,592</u>	<u>1,781</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,129)</u>	<u>2,839</u>	<u>(3,290)</u>	<u>(4,404)</u>	<u>1,114</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	9,882		9,882	3,168	6,714
Operating transfers out	(2,215)		(2,215)	(1,115)	(1,100)
Transfer in from component unit	900		900	2,351	(1,451)
Reduction in prior year's outstanding encumbrances		2,520	2,520		2,520
Other, net	100	763	863		863
Total other financing sources	<u>8,667</u>	<u>3,283</u>	<u>11,950</u>	<u>4,404</u>	<u>7,546</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,538	6,122	8,660		
FUND BALANCES, BEGINNING OF YEAR	<u>35,234</u>	<u>(29,045)</u>	<u>6,189</u>		
FUND BALANCES, END OF YEAR	<u>\$ 37,772</u>	<u>\$ (22,923)</u>	<u>\$ 14,849</u>		

See notes to financial statements.

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT A-4

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
 NONEXPENDABLE TRUST FUND AND SIMILAR DISCRETELY PRESENTED COMPONENT UNITS
 YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Non- expendable Trust Fund	Total Primary Government (Memorandum Only)	Component Units Proprietary Funds	Totals Reporting Entity (Memorandum Only)	
				1998	1997 (Restated - Note 1)
OPERATING REVENUES:					
Charges for services			\$ 173,404	\$ 173,404	\$ 173,623
Tax revenues (Note 1)			32,120	32,120	30,217
Other			1,775	1,775	1,453
Total operating revenues			207,299	207,299	205,293
OPERATING EXPENSES:					
Benefit payments			59,786	59,786	62,135
Personal services			88,128	88,128	88,303
Contractual services			1,753	1,753	5,741
Materials and supplies			54,896	54,896	49,973
Depreciation and amortization			8,345	8,345	8,438
Other					
Total operating expenses			212,908	212,908	214,590
OPERATING INCOME (LOSS)			(5,609)	(5,609)	(9,297)
NONOPERATING REVENUES (EXPENSES):					
Interest revenue			13,323	13,323	15,476
Interest expense			(22,282)	(22,282)	(22,205)
Dedicated taxes			8,881	8,881	8,094
Grants			1,677	1,677	2,691
Other			14,698	14,698	12,188
Unrealized gain					65
Total nonoperating revenues			16,297	16,297	16,309
INCOME BEFORE TRANSFERS			10,688	10,688	7,012
TRANSFER OUT TO PRIMARY GOVERNMENT			(900)	(900)	-
NET INCOME			9,788	9,788	7,012
DEPRECIATION ON FIXED ASSETS ACQUIRED BY CONTRIBUTIONS			8,948	8,948	6,634
INCREASE IN RETAINED EARNINGS/FUND BALANCES			18,736	18,736	13,646
RETAINED EARNINGS/FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	\$ 205	\$ 205	891,624	891,829	878,183
RETAINED EARNINGS/FUND BALANCES, END OF YEAR	\$ 205	\$ 205	\$ 910,360	\$ 910,565	\$ 891,829

See notes to financial statements.

**COMBINED STATEMENT OF CASH FLOWS -
NONEXPENDABLE TRUST FUND AND SIMILAR DISCRETELY
PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)**

	Non- expendable Trust Fund	Totals Primary Government (Memorandum Only)	Component Units Proprietary Funds	Totals Reporting Entity (Memorandum Only)	
				1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating loss	\$	\$	\$ (5,609)	\$ (5,609)	\$ (9,297)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization			54,896	54,896	49,973
Gain on disposal of property					10
Provision for claims			7,200	7,200	7,154
Provision for doubtful accounts			17	17	922
Changes in current assets and liabilities:					
Taxes receivable			112	112	28
Accounts receivable			1,141	1,141	2,484
Other receivables			(923)	(923)	(602)
Due from other funds					(66)
Due from primary government			(472)	(472)	104
Inventory			(426)	(426)	382
Prepaid expenses and deposits			767	767	(541)
Other assets			101	101	333
Capital projects payable			(587)	(587)	(2,066)
Accounts payable			4,629	4,629	(1,164)
Other payables and accruals			203	203	34
Due to other funds			50	50	19
Due to primary government			200	200	(76)
Advances from other funds, net			(119)	(119)	-
Deferred revenues			(4)	(4)	(11)
Increase in inventory of materials and supplies			(5,528)	(5,528)	27
Other			(131)	(131)	(6,871)
Increase in accrued salary/ compensation			(107)	(107)	643
Net cash provided by operating activities			<u>55,410</u>	<u>55,410</u>	<u>41,419</u>

(Continued)

COMBINED STATEMENT OF CASH FLOWS -
 NONEXPENDABLE TRUST FUND AND SIMILAR DISCRETELY
 PRESENTED COMPONENT UNITS
 YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Non- expendable Trust Fund	Totals Primary Government (Memorandum Only)	Component Units Proprietary Funds	Totals Reporting Entity (Memorandum Only)	
				1998	1997
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Payment of loans payable			(394)	(394)	(200)
Residual equity transfer					(166)
Other revenues			2,814	2,814	58
Dedicated taxes			2,371	2,371	4,068
Net cash provided by noncapital financing activities			4,791	4,791	3,760
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of property and equipment			(76,086)	(76,086)	(85,876)
Decrease (increase) in restricted assets			2,425	2,425	1,688
Decrease (increase) in restricted liabilities			(146)	(146)	
Proceeds from property taxes dedicated to construction			6,510	6,510	6,078
Principal paid on bonds			(14,778)	(14,778)	(28,185)
State and federal grants			11,644	11,644	14,276
Interest paid on bonds			(20,447)	(20,447)	(18,227)
Grants from Audubon Institute			1,677	1,677	2,691
Proceeds from issuance of bonds			51,148	51,148	85,378
Bond defeasance					(16,048)
Bond issuance costs			(474)	(474)	(1,149)
Passenger facilities charges			12,233	12,233	11,379
Other			(120)	(120)	(26,102)
Net cash used in capital and related financing activities			(26,414)	(26,414)	(54,097)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments			(364,127)	(364,127)	(259,561)
Proceeds from sale and maturity of investments			374,179	374,179	257,707
Interest and dividends received			15,068	15,068	15,100
Net cash provided by investing activities			25,120	25,120	13,246

(Continued)

**COMBINED STATEMENT OF CASH FLOWS -
NONEXPENDABLE TRUST FUND AND SIMILAR DISCRETELY
PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)**

	Non- expendable Trust Fund	Totals Primary Government (Memorandum Only)	Component Units Proprietary Funds	Totals Reporting Entity (Memorandum Only)	
				1998	1997
NET INCREASE IN CASH AND CASH EQUIVALENTS			58,907	58,907	4,328
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3</u>	<u>3</u>	<u>32,826</u>	<u>32,829</u>	<u>28,501</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 1)	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 91,733</u>	<u>\$ 91,736</u>	<u>\$ 32,829</u>

See notes to financial statements.

(Concluded)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT A-6

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

	Fire Fighters'		Police	Employees'	Totals	Proprietary	Total Reporting Entity	
	Old	New	Old	Retirement	Primary	Component	(Memorandum Only)	
	System	System	System	System	(Memorandum	Sewerage	1998	1997
					Only)	and Water		
						Board		
Additions								
CONTRIBUTIONS:								
Employer	\$ 16,430	\$ 2,484	\$ 726	\$ 8,739	\$ 28,379	\$ 5,402	\$ 33,781	\$ 35,957
Members		919	9	3,482	4,410	1,138	5,548	5,068
Drivers' and chauffers' licenses	838		232		1,070		1,070	151
Fire insurance rebate								821
Other				25	25	46	71	512
Total contributions	17,268	3,403	967	12,246	33,884	6,586	40,470	42,509
INVESTMENT INCOME:								
Net appreciation (depreciation)								
in fair value of investments	(69)	8,992			8,923	7,859	16,782	36,930
Interest and dividends	256	7,135	105	12,640	20,136	5,459	25,595	23,527
Other investment income		36		28,456	28,492		28,492	33,629
Less investment expense		(1,049)	(2)	(1,312)	(2,363)	(127)	(2,490)	(2,561)
Net investment income	187	15,114	103	39,784	55,188	13,191	68,379	91,525
OTHER INCOME:								
			5		5		5	5
Total additions	17,455	18,517	1,075	52,030	89,077	19,777	108,854	134,039
Deductions								
Pension benefits	16,400	5,291	601	14,469	36,761	5,592	42,353	40,483
Refunds of member contributions		88		1,043	1,131	317	1,448	1,124
Administrative expenses	352	210	122		684	665	1,349	1,061
Transfers		33	26	94	153		153	459
Total deductions	16,752	5,622	749	15,606	38,729	6,574	45,303	43,127
NET INCREASE	703	12,895	326	36,424	50,348	13,203	63,551	90,912
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR AS REPORTED								
	8,548	176,898	2,138	319,142	506,726	143,410	650,136	559,224
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR								
	\$ 9,251	\$ 189,793	\$ 2,464	\$ 355,566	\$ 557,074	\$ 156,613	\$ 713,687	\$ 650,136

See notes to financial statements.

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**NOTES TO
GENERAL PURPOSE
FINANCIAL STATEMENTS**

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CITY OF NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1998

1. 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 1954 and was amended effective January 1, 1996. The City operates under a Mayor-Council form of government and provides the following types of services as authorized by its charter: public safety, health, 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 which handles all matters relating to the bonded debt of the City and the Rivergate Development Corporation whose sole responsibility is to account for and oversee the development of the future land-based casino. Complete financial statements for these blended component units may be obtained at the entity's administrative offices.

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
 Canal Street Development Corporation
 Downtown Development District
 French Market Corporation
 Municipal Yacht 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

Condensed Financial Statements - The following are condensed financial statements of discretely presented component units disclosed 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 Marketing Corporation	Total
Assets:			
Current assets	\$ 5,800	\$ 394	\$ 6,194
Due from other governments		412	412
Other assets	<u>755</u>	<u>223</u>	<u>978</u>
Total assets	<u>\$ 6,555</u>	<u>\$ 1,029</u>	<u>\$ 7,584</u>
Liabilities:			
Current liabilities/deferred revenues	\$ 1,120	\$ 111	\$ 1,231
Due to primary government	<u>634</u>	<u> </u>	<u>634</u>
Total liabilities	<u>1,754</u>	<u>111</u>	<u>1,865</u>
Equity and other credits:			
Investment in general fixed assets	716	87	803
Fund balance	<u>4,085</u>	<u>831</u>	<u>4,916</u>
Total equity and other credits	<u>4,801</u>	<u>918</u>	<u>5,719</u>
Total liabilities, equity and other credits	<u>\$ 6,555</u>	<u>\$ 1,029</u>	<u>\$ 7,584</u>

Condensed Balance Sheet (amounts in thousands):

	Audubon Commission	New Orleans International Airport	Sewerage and Water Board	Other	Total
Assets:					
Current assets	\$ 1,964	\$ 44,965	\$ 176,744	\$ 8,195	\$ 231,868
Due from primary government		171	200	927	1,298
Property, net	111,082	366,370	864,270	28,999	1,370,721
Other assets	19,747	83,881	154,746	10,617	268,991
Due from other component units	836		138	34	1,008
Total assets	\$ 133,629	\$ 495,387	\$ 1,196,098	\$ 48,772	\$ 1,873,886
Liabilities:					
Current liabilities/ deferred revenues	\$ 6,839	\$ 21,798	\$ 52,499	\$ 1,089	\$ 82,225
Long-term bonds payable	57,008	216,413	86,120	7,282	366,823
Due to other component units	836		138	34	1,008
Due to primary government		17	211	382	610
Other liabilities	946		5,743	6,191	12,880
Total liabilities	65,629	238,228	144,711	14,978	463,546
Equity and other credits:					
Contributed capital		194,338	137,333	11,696	343,367
Retained earnings, reserved		14,184	757,441	5,575	777,200
Retained earnings, unreserved	68,000	48,637		16,523	133,160
Net assets - Pension Trust Fund			156,613		156,613
Total equity and other credits	68,000	257,159	1,051,387	33,794	1,410,340
Total liabilities, equity and other credits	\$ 133,629	\$ 495,387	\$ 1,196,098	\$ 48,772	\$ 1,873,886

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

	Downtown Development District	New Orleans Tourism Marketing Corporation	Total
Revenues	\$ 4,477	\$ 5,069	\$ 9,546
Expenditures	5,251	4,967	10,218
Excess (deficiency) of revenues over expenditures	(774)	102	(672)
Other, net	845		845
Fund balance, beginning of year	4,014	729	4,743
Fund balance, end of year	\$ 4,085	\$ 831	\$ 4,916

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

	Audubon Commission	New Orleans International Airport	Sewerage and Water Board	Other	Total
Operating revenues	\$ 22,458	\$ 49,755	\$ 93,885	\$ 9,081	\$ 175,179
Tax revenues			32,120		32,120
Operating and other expenses	(23,115)	(31,379)	(96,434)	(7,084)	(158,012)
Depreciation	<u>(4,990)</u>	<u>(21,512)</u>	<u>(26,849)</u>	<u>(1,545)</u>	<u>(54,896)</u>
Operating income (loss)	(5,647)	(3,136)	2,722	452	(5,609)
Nonoperating revenues, net	5,116	1,906	5,750	1,848	14,620
Specific grants	1,677				1,677
Transfer out to primary government				<u>(900)</u>	<u>(900)</u>
Net income (loss)	1,146	(1,230)	8,472	1,400	9,788
Depreciation on fixed assets acquired by contribution		8,948			8,948
Retained earnings, beginning of year	<u>66,854</u>	<u>55,103</u>	<u>748,969</u>	<u>20,698</u>	<u>891,624</u>
Retained earnings, end of year	<u>\$ 68,000</u>	<u>\$ 62,821</u>	<u>\$ 757,441</u>	<u>\$ 22,098</u>	<u>\$ 910,360</u>

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

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 custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

Accounting Changes - Effective January 1, 1998, the Sewerage and Water Board of New Orleans adopted the provisions of Governmental Accounting Standards Board Statement ("GASBS") No. 27, "Accounting for Pensions by State and Local Governmental Employers," by retroactively restating beginning retained earnings as of December 31, 1996. GASBS No. 27 establishes standards for the measurement, recognition, and display of pension expenditures, expenses and related liabilities, assets, note disclosures and required supplementary information in the financial statements of state and local government employers.

The following is a reconciliation of Proprietary Component Units total retained earnings as of December 31, 1996, as previously reported, to total retained earnings as restated (amount in thousands):

Total retained earnings as previously reported, December 31, 1996	\$877,484
Prior period adjustment to reflect GASBS 27 implementation	<u>494</u>
Total retained earnings as restated, December 31, 1996	<u>\$877,978</u>

Effective January 1, 1998, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASBS No. 31 requires that all investments be reported at fair value with gains and losses included in the statement of revenues and expenses. The effect of adopting this statement at January 1, 1998 was not material to the financial statements.

Prior Period Restatement - The Downtown Development District of the City of New Orleans adjusted its beginning fund balance in the amount of \$60,379 as a result of unrecorded prior year tax assessments that were collected in a subsequent period.

The following is a reconciliation of Governmental Component Unit total fund balances, as previously reported, to total retained earnings as restated (amount in thousands):

Fund balance as previously reported, December 31, 1996	\$4,643
Prior period restatement	<u>60</u>
Total fund balance as restated, December 31, 1996	<u>\$4,703</u>

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 revenue 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, fines 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.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. There 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 expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. Such revenues are recognized at the time of receipt or earlier if the "susceptible 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. Their revenues are recognized when earned, and their expenses are recognized when incurred. Unbilled utility service receivables of the Sewerage and Water Board of New Orleans 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 30, 1989.

Budgetary Data - 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. There were no supplemental appropriations necessary during the current year.

- (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 those 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-3 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.

- (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)	\$ 8,660
Adjustments:	
To adjust revenues for accruals and deferrals	(1,437)
To reverse December 31, 1998 encumbrances recorded as expenditures on the budgetary basis in 1998	12,963
Reduction in prior year's outstanding encumbrances	(2,520)
To add back prior year's encumbrances paid in 1998, but not recorded as expenditures on the budgetary basis in 1998	(13,270)
To adjust expenditures for accruals	<u>(1,858)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 2,538</u>

- (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 years' budget appropriations. Encumbrances do not constitute expenditures or liabilities on a GAAP basis.

Investments - Investments are stated at market value.

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.

Advances to Other Funds- Long-term advances to other funds are recorded as a receivable and as a reservation 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 Fixed Assets - General fixed 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 fixed 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 fixed 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 fixed assets account group. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for these capital expenditures is satisfied without recording such assets.

No depreciation has been provided on general fixed 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, entitlements, 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:

	Orleans Parish Communi- cation District	Audubon Commission	New Orleans International Airport	Sewerage and Water Board	Municipal Yacht Harbor Management Corporation	French Market Corpo- ration	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation
Piers and boat launch					100			
Canals				100				
Runways, aprons, etc.			5-15					
Buildings and improvements		10-35	3-25	25-57	25-100	10-50	25-40	50
Machinery and equipment	3-25	8	3-10	12-40	3	3-10	3	
Utility systems			10-25	50-75				

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 converting 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 \$53,840,000 at 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 balance/retained earnings is not appropriable for expenditure/expense or is legally segregated for a specific future use.

Component Unit Tax Revenues - The Sewerage and Water Board of New Orleans 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.

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 ninety days or less when purchased to be cash equivalents. The nonexpendable trust fund cash and cash equivalents consists of \$3,000 in cash. The discretely presented proprietary component unit accounts are as follows at December 31, 1998 (amounts in thousands):

	Orleans Parish Communication District	Audubon Commission	New Orleans International Airport	Sewerage and Water Board	Municipal Yacht Harbor Management Corporation	French Market Corporation	Uper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total
Cash	\$1,523	\$654	\$ 4,787	\$1,142	\$ 161	\$258	\$1,008	\$ 432	\$ 9,965
Certificates of deposit			13,267		959			1,000	15,226
Restricted cash			66,279	263					66,542
Cash and cash equivalents per Statement of Cash Flows	<u>\$1,523</u>	<u>\$ 654</u>	<u>\$84,333</u>	<u>\$1,405</u>	<u>\$1,120</u>	<u>\$ 258</u>	<u>\$1,008</u>	<u>\$1,432</u>	<u>\$91,733</u>

Memorandum Totals - 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 depositories 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.

At December 31, 1998, the carrying amount of the City's (primary government only) deposits was \$232,939,000, and the bank balance was \$239,158,000. 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	\$3,786	\$ 44,879	\$	\$ 48,665
Certificates of deposit		190,493		190,493
	<u>\$3,786</u>	<u>\$235,372</u>	<u>\$</u>	<u>\$239,158</u>

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
	1	2	3	
U.S. Government securities and instrumentalities	\$ 74,185		\$ -	\$ 74,185
Corporate bonds	14,747	\$ 105,292		120,039
Equity securities	80,115	241,884		321,999
Cash equivalent trusts		15,041		15,041
Discount notes		26,251		26,251
	<u>\$ 169,047</u>	<u>\$ 388,468</u>	<u>\$ -</u>	557,515
Mortgages				<u>17,588</u>
Total investments				<u>\$ 575,103</u>

3. TAX REVENUES

Tax revenues by fund type for the year ended December 31, 1998 are as follows (amounts in thousands):

	General	Special Revenue	Debt Service
Sales	\$ 126,899		
Real and personal property	19,918	\$ 5,121	\$ 40,020
Dedicated tax millage	41,460		
Penalties and interest on delinquent taxes	4,125		
Utilities	9,228		
Beverage excise	724		
Amusement	1,598		
Parking	1,870		
Documentary transaction	6,079		
Other	820		
	<u>\$ 212,721</u>	<u>\$ 5,121</u>	<u>\$ 40,020</u>

At December 31, 1998, 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.

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 statutes to levy taxes up to \$31.78 per \$1,000 of assessed valuation for general governmental services (including fire and police) other than the payment of principal and interest on long-term debt and other purposes specifically approved by the voters. It is permitted to levy taxes in unlimited amounts for the payment of principal and interest on general obligation bonds of the City.

Property tax levies per \$1,000 of assessed valuation accounted for within the funds of the City (primary government only) for the year ended December 31, 1998 are as follows:

General:	
General governmental services	\$ 14.91
Dedicated for fire and police	6.40
Public library	4.32
Fire and police	10.47
Parkways and parks and recreation department	3.00
Street and traffic control device maintenance	1.90
Special revenue:	
Neighborhood housing improvement fund	1.25
New Orleans economic development fund	1.25
Debt service	<u>29.40</u>
	<u>\$ 72.90</u>

Property taxes levied during 1998, collected during 1998, or expected to be collected within the first 60 days of 1999, are recognized as revenues in 1998. Taxes receivable, estimated to be collected subsequent to the first 60 days of 1999, in the amount of \$6,242,000 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. Twelve individual loans are outstanding at December 31, 1998 totalling \$34,968,000 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 revenue at December 31, 1998. 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.

The future maturities of grantee loans receivable as of December 31, 1998, including interest receipts of \$22,007,000, are as follows (amounts in thousands):

Year Ending December 31,	
1999	\$ 1,010
2000	2,157
2001	3,017
2002	3,021
2003	3,032
2004 and thereafter	<u>44,738</u>
	<u>\$ 56,975</u>

One of the grantee loans receivable, amounting to \$7,387,000, relates to the development of the Riverfront Marketplace. In addition to the stated interest of 6.55% 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 1986. No amounts were due at December 31, 1998.

Another grantee loan receivable, amounting to \$25,000,000, relates to the development of the Jazzland Theme Park. The City has agreed to borrow in total \$25,300,000 (\$25,000,000 in the current year) from the U.S. Department Housing and Urban Development from which the funds have been loaned to Jazzland, Inc. ("Jazzland"). The loan has a variable interest rate and is payable in bi-annual installments with the final payment due August 1, 2017.

5. FIXED ASSETS

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

	Balance January 1, 1998	Additions	Deletions	Balance December 31, 1998
Land	\$ 30,716			\$ 30,716
Buildings and improvements	175,278	\$ 13,233		188,511
Equipment	61,306	1,999	\$ 1,597	61,708
Construction in progress	<u>191,894</u>	<u>20,378</u>	<u>15,529</u>	<u>196,743</u>
	<u>\$ 459,194</u>	<u>\$ 35,610</u>	<u>\$ 17,126</u>	<u>\$ 477,678</u>

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

	Project Authorization	Expended to December 31, 1998	Committed
Mayor (CAO)	\$ 94,919	\$ 63,413	\$ 31,506
Police	16,415	12,818	3,597
Fire	11,342	9,251	2,091
Property Management	53,249	44,434	8,815
Recreation	26,467	17,395	9,072
Human Services	6,592	4,128	2,464
Parks and Parkways	18,228	14,501	3,727
Utilities	298	43	255
Public Library	8,564	7,241	1,323
Isaac Delgado Museum	6,021	6,010	11
Sanitation Department	17,165	11,668	5,497
Safety and Permits	1,134	140	994
Mosquito Control Board	1,187	1,108	79
Health	1,095	791	304
City Planning Commission	<u>4,871</u>	<u>3,802</u>	<u>1,069</u>
	<u>\$ 267,547</u>	<u>\$ 196,743</u>	<u>\$ 70,804</u>

6. LONG-TERM DEBT

Bond Transactions - The following is a summary of bond transactions for the City for the year ended December 31, 1998 (amounts in thousands):

Bonds payable at January 1, 1998	\$ 462,641
Bonds issued in 1998	146,520
Bonds retired/defaced	<u>(121,485)</u>
Bonds payable at December 31, 1998	<u>\$ 487,676</u>

The City's legal debt limit for general obligation bonds is \$689,305,000. At December 31, 1998, the City's legal debt margin (after the reduction for outstanding general obligation bonds of \$487,676,000, less \$33,362,000 available in Debt Service Funds) was \$234,991,000.

On February 1, 1998, the City issued \$40,000,000 in Public Improvement Bonds. The Bonds were issued for improvements to streets, parks, court buildings, House of Detention and central lock-up; and the acquisition, construction, improvements and renovation to public buildings.

On November 20, 1998, the City of New Orleans entered into a transaction whereby it issued \$106,520,000 of General Obligation Bonds for the purpose of refunding a portion of its outstanding general obligation bonds outstanding at December 31, 1998. Net proceeds from issuance of the refunding bonds were placed in an irrevocable escrow account and invested in U.S. Treasury obligation that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest on the refunded bonds. Accordingly, the escrow account and the refunded bonds are not included in these financial statements.

Bonds payable at December 31, 1998, 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)
<i>General obligation bonds:</i>			
1968-97 Public Improvement Bonds, due in annual installments ranging from \$12,365,000 to \$285,000 through December 2026	\$ 589,150	5.31 to 7.88	\$ 47,990
1991 General Obligation Refunding Bonds, due in annual installments ranging from \$2,080,000 to \$28,585,000 commencing September 2004 through September 2021	179,881	7.07	155,016
1995 General Obligation Refunding Bonds, due in annual installments ranging from \$2,080,000 to \$25,490,000 through October 1, 2021	167,340	6.03	164,895
1998 General Obligation Refunding Bonds, due in annual installments ranging from \$3,347,000 to \$11,766,000 commencing December 1998 through December 2012	106,520	4.95	106,520
1996 Limited Tax Bonds, due in annual installments from \$1,240,000 to \$1,970,000 commencing March 1997 through March 1, 2006	15,800	4.82	<u>13,255</u>
Total general obligation bonds			<u>\$ 487,676</u>

The requirement to amortize all bonds outstanding as of December 31, 1998, including interest payments of \$602,074,000 are as follows (amounts in thousands):

Year Ending December 31,	General Obligation
1999	\$ 44,838
2000	42,763
2001	44,674
2002	45,831
2003	45,847
2004 - 2008	103,309
2009 - 2013	164,536
2014 - 2018	220,934
2019 - 2023	230,573
2024 - 2026	<u>146,445</u>
	<u>\$ 1,089,750</u>

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 1974. All property taxes levied by the City and dedicated to the payment of outstanding general obligation bonds are collected by the City and, as required by law, paid over to the Board of Liquidation as collected.

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

Administrative expenditures paid in connection with the operations of the Board of Liquidation are recorded in the City's debt service fund.

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, 1998, 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, 1998 are as follows (amounts in thousands):

1986 General Obligation Bonds	\$ 53,710
1991 General Obligation Refunding Bonds	24,865
1976 Public Improvement General Obligation Bonds	2,735
1977 Public Improvement General Obligation Bonds	6,905
1992 Public Improvement General Obligation Bonds	58,905
1995 Public Improvement General Obligation Bonds	21,340
1997A Public Improvement General Obligation Bonds	41,910
1998A Public Improvement General Obligation Bonds	<u>6,505</u>
	<u>\$ 216,875</u>

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, 1998 (amounts in thousands):

	Balance January 1, 1998	Additions	Deletions	Balance December 31, 1998
Claims and judgments (Note 11)	\$ 126,081	\$ 45,970	\$ 45,104	\$ 126,947
Landfill closing costs (Note 11)	12,720	302		13,022
Accrued annual and sick leave (Note 1)	53,769	71		53,840
Payment due to the Audubon Commission (Note 8)	1,710		67	1,643
State of Louisiana World Exposition loans (see below)	7,294		7,294	-
Due to Municipal and State Police Employees' Retirement System (MSPRS) (see below)	79,132		3,149	75,983
HUD Section 108 loan (see below)	5,300	25,000	175	30,125
Certificates of Indebtedness (see below)	27,120		4,675	22,445
HUD and DOL for disallowed costs (see below)	<u>8,793</u>	<u> </u>	<u>1,570</u>	<u>7,223</u>
Total	<u>\$ 321,919</u>	<u>\$ 71,343</u>	<u>\$ 62,034</u>	<u>\$ 331,228</u>

The City established a \$15,000,000 line of credit, bearing interest at 8.1% to 8.6% with the State of Louisiana (the State) to provide funds for public works, repairs, effectuation 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 exchanges made within the boundaries of the Exposition site. In 1998, the City paid the remaining balance owed to the state.

The requirements to amortize the amount recorded in the general long-term debt account group that is due to MSPRS (see Note 7) are as follows (amounts in thousands):

Year Ending December 31,	Interest	Principal
1999	\$ 4,958	\$ 3,369
2000	4,722	3,605
2001	4,469	3,857
2002	4,199	4,128
2003	3,910	4,417
2004 and thereafter	<u>7,635</u>	<u>56,607</u>
Total	<u>\$29,893</u>	<u>\$75,983</u>

During 1989, 1993 and 1998, 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 loans consist of notes bearing interest at either fixed interest rates ranging from 8.70% to 8.75% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). As of December 31, 1998, \$30,125,000 is recorded as a liability in the general long-term debt account group.

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

Year Ending December 31,	Interest	Principal
1999	\$ 727	\$ 195
2000	1,863	210
2001	1,850	1,085
2002	1,789	5,405
2003	1,451	970
2004 and thereafter	<u>12,197</u>	<u>22,260</u>
Total	<u>\$19,877</u>	<u>\$30,125</u>

On August 6, 1992, the City issued \$46,000,000 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 9.00% to 6.65%, payable semiannually. As of December 31, 1998, \$22,445,000 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
1999	\$ 1,493	\$ 5,020
2000	1,159	5,395
2001	800	5,800
2002	<u>414</u>	<u>6,230</u>
Total	<u>\$3,866</u>	<u>\$22,445</u>

During 1996, the HUD and the Department of Labor (DOL) assessed the City for approximately \$12,000,000 of disallowed costs related to federal financial assistance that the City had received from these entities from 1978 to 1994. As of December 31, 1998, \$7,223,000 is recorded as a liability in the General Long-Term Debt Account Group. The City agreed to repay \$4,282,000 of these disallowed costs over a 6 year period with no interest. The repayment agreement for the remaining disallowed costs, approximately \$2,941,000, has not yet been determined.

The requirements to amortize the remaining disallowed costs under the existing repayment agreement recorded in the general long-term debt account group that is due to HUD and DOL are as follows (amounts in thousands):

Year Ending December 31,	
1999	\$ 1,071
2000	1,071
2001	1,071
2002	<u>1,069</u>
Total	<u>\$ 4,282</u>

7. PENSION PLANS AND POSTRETIREMENT HEALTHCARE BENEFITS

At December 31, 1998, the City sponsors and administers four separate single-employer, contributory defined benefit pension plans, namely: (1) Firefighters' Pension and Relief Fund - Old System; (2) Firefighters' Pension and Relief Fund - New System; (3) Police Pension Plan (Police Plan); and (4) Employees' Retirement System of the City of New Orleans (Employees' Plan). The Old System covers fire fighters who were employed prior to December 31, 1967. The New System covers fire fighters hired since that date. Effective March 6, 1983, all members of the Police Plan, active and retired, except for approximately 250 participants who did not meet the eligibility requirements, became members of the Municipal Police Employees' Retirement System (State of Louisiana) (MPERS). The Police Plan of the City will remain responsible for the payment of certain benefits due to differences in length of service and age requirements for the participants who were not transferred to the MPERS plan. MPERS is the only cost-sharing, multiple-employer retirement plan in which employees of the City participate. The Employees' Plan covers all City employees other than fire fighters and police.

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 employer contributions when due from the City.

MPERS Plan Description: On March 6, 1983, 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, 8401 United Plaza Boulevard, Room 270, 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 \$2,082,000 quarterly through December 2012, which includes interest at a rate of 7%. The total liability at December 31, 1998, which is recorded in the general long-term debt account group, is \$75,983,000.

Funding Policy: The contribution rate for MPERS per dollar of payroll is 7.5% and 9%, respectively, for the employee and employer as established by State statute. The City's contributions to the MPERS for the years ended December 31, 1998, 1997 and 1996 were \$4,277,000, \$3,950,000 and \$2,525,000, respectively, equal to the required contributions for each year.

Employees' Plan, Police Plan, Firefighters' Pension and Relief Fund - Old and New System Descriptions - The City contributes to four single-employer defined benefit pensions 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. Those reports may be obtained by writing or calling the plan.

Employee's Retirement System
of the City of New Orleans
2400 Canal Street, Room 342
New Orleans, Louisiana 70119
(504) 826-1985

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

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

Funding Policies and Annual Pension Costs - The Employer Contributions for the 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, and, in effect, is being funded on a "pay-as-you-go" basis. Employees covered under the Employees' Retirement System contribute 4% of their earnable 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 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)	\$8,739	\$724	\$18,978	\$2,898
Contributions made (thousands)	\$8,739	\$724	\$17,269	\$2,484
Actuarial valuation date	12/31/98	12/31/98	12/31/98	12/31/98
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)	13 years	13 years
Asset valuation method	Market Value	Cost which approximates market	Market value	Three year averaging
Actuarial assumptions:				
Investment rate of return*	7%	7%	7.5%	7.5%
Projected salary increases*	3%	N/A	5%	5%

- (a) The amortization period, which ends December 31, 2003, is being maintained. Beginning with the January 1, 1992 actuarial valuation, the amortization amount was "frozen" and is equal to the 12 year remaining amortization amount over the period January 1, 1992 through December 31, 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	12/31/98	\$ 8,739	100 %	\$ -
	12/31/97	\$ 9,063	100 %	\$ -
	12/31/96	\$ 9,859	100 %	\$ -
Police Pension Fund	12/31/98	\$ 724	100 %	\$ -
	12/31/97	\$ 864	100 %	\$ -
	12/31/96	\$ 972	100 %	\$ -
Firefighters' Pension and Relief Fund (Old System)	12/31/98	\$ 18,978	91 %	\$ 1,050
	12/31/97	\$ 17,878	103 %	\$ (658)
	12/31/96	\$ 18,400	94 %	\$ 1,104
Firefighters' Pension and Relief Fund (New System)	12/31/98	\$ 2,898	86 %	\$ 259
	12/31/97	\$ 2,856	105 %	\$ (147)
	12/31/96	\$ 3,156	100 %	\$ -

Schedule of Funding Progress (amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll ((a-b)/c)
Employees' Retirement System						
12/31/96	\$ 278,446	\$ 247,902	\$ 30,544	112.3 %	\$ 70,480	43.3 %
12/31/97	319,142	274,539	44,603	116.2 %	76,091	58.6 %
12/31/98	355,566	309,660	45,906	114.8 %	76,200	60.2 %

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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 ((a-b)/c)
Police Pension Fund						
12/31/96	\$ 1,953	\$ 1,963	\$ (10)	99.5 %	\$ -	N/A
12/31/97	2,111	1,549	562	136.3 %	-	N/A
12/31/98	2,434	959	1,475	253.8 %	-	N/A

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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 ((a-b)/c)
Firefighters' Pension and Relief Fund (Old System)						
12/31/96	\$ 5,628	\$ 166,906	\$ (161,278)	3.4 %	\$ 556	(29,006.8)%
12/31/97	8,548	172,848	(164,300)	4.9 %	337	(48,753.7)%
12/31/98	9,251	173,513	(164,262)	5.3 %	207	(79,353.6)%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll ((a-b)/c)
Firefighters' Pension and Relief Fund (New 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 accrued liability.

Postretirement Healthcare Benefits - In addition to providing pension benefits, the City provides postretirement healthcare benefits, as per City ordinance, for certain retired employees. City employees who have completed 10 years of service and who are eligible to receive pension benefits at the time they terminate employment with the City are eligible to participate in the City's health care plan as retirees. The cost of retirement hospitalization benefits is recognized as an expenditure on a pay-as-you-go basis. For 1998, the cost of providing those benefits for approximately 2,784 retirees was approximately \$11,443,784, of which \$9,009,343 and \$2,434,441 was provided by the City and retirees, respectively.

8. INDIVIDUAL FUND DISCLOSURES

Interfund Receivables and Payables - Individual fund interfund receivables and payables at December 31, 1998 were as follows (amounts in thousands):

	Interfund Receivables	Interfund Payables
General	<u>\$27,412</u>	<u>\$ 4,068</u>
Special revenue:		
Environmental Improvement	38	
Rivergate Development Corporation	313	8,500
Termite Control Fund	16	
Traffic Court Judicial Expense	59	161
Municipal Court Judicial Expense		294
Department of Safety and Permits - Demolition	5	104
Asset Seizure		49
Grant Recipient Funds	2,042	12,724
Public Library Donations	13	
Capital Improvement and Infrastructure	81	
Total special revenue	<u>2,567</u>	<u>21,832</u>
Capital projects	<u>113</u>	<u>1,270</u>
Trust and agency:		
Pension Trusts:		
Employees' Retirement System		75
Expendable trusts:		
Place DeFrance - Joan of Arc		3
Endowment Income		4
Delgado-Albania Plantation Commission	8	
Agency:		
Clearing	8,991	11,782
Deposit	191	248
Total trust and agency	<u>9,190</u>	<u>12,112</u>
Component units:		
Audubon Commission	836	836
Sewerage and Water Board	138	138
French Market Corporation	34	
Upper Pontalba Building Restoration Corporation		34
Total component units	<u>1,008</u>	<u>1,008</u>
Total	<u>\$40,290</u>	<u>\$40,290</u>

Component Unit Receivables and Payables - Receivables and payables with component units at December 31, 1998 were as follows (amounts in thousands):

	Receivables	Payables
General	<u>\$ 779</u>	<u>\$1,219</u>
Special revenue	<u>81</u>	<u>35</u>
Capital projects	<u>382</u>	<u> </u>
Trust and agency:		
Expendable trust	2	3
Clearing	<u> </u>	<u>41</u>
Total trust and agency	<u>2</u>	<u>44</u>
Component units:		
Downtown Development District		634
Sewerage and Water Board of New Orleans	200	211
Canal Street Development Corporation	927	
Upper Pontalba Building Restoration Corporation		282
French Market Corporation		100
New Orleans International Airport	<u>171</u>	<u>17</u>
Total component units	<u>1,298</u>	<u>1,244</u>
 Total	 <u>\$2,542</u>	 <u>\$2,542</u>

Interfund Advances - Individual fund interfund advances at December 31, 1998 were as follows (amounts in thousands):

	Advances to Other Funds	Advances from Other Funds
General	<u>\$ 252</u>	
Special revenue:		
Sidewalk Paving and Repairing		\$ 2
Department of Safety and Permits - Demolition	<u> </u>	<u>250</u>
Total special revenue	<u> </u>	<u>252</u>
 Total	 <u>\$ 252</u>	 <u>\$ 252</u>

Component Unit Advances - Advances between the primary government and its component units at December 31, 1998 were as follows (amounts in thousands):

	Advances to Primary Government	Advances from Component Units
Capital projects		\$5,037
Component units:		
New Orleans International Airport	\$4,611	
Upper Pontalba Building Restoration Corporation	21	
Municipal Yacht Harbor Management Corporation	<u>405</u>	
Total	<u>\$5,037</u>	<u>\$5,037</u>

Fund Transfers - Individual fund transfers for the year ended December 31, 1998 were as follows (amounts in thousands):

	Transfers In	Transfers Out
General	<u>\$ 9,882</u>	<u>\$ 2,215</u>
Special revenue:		
Grant Recipient Funds		882
Municipal Court Judicial Expense	1,100	
Municipal Endowment - Cox Cable		500
Traffic Court Judicial Expense	1,115	
Rivergate Development Corporation		<u>8,500</u>
Total special revenue	<u>2,215</u>	<u>9,882</u>
Total	<u>\$ 12,097</u>	<u>\$ 12,097</u>

Component Unit Transfers - Component unit transfers for the year ended December 31, 1998 were as follows (amounts in thousands):

	Transfers In	Transfers Out
General	<u>\$ 900</u>	
Component unit:		
French Market Corporation	<u>-</u>	<u>\$ 900</u>
Total	<u>\$ 900</u>	<u>\$ 900</u>

Interfund Charges for Support Services - Interfund charges for support services paid to the general fund during fiscal year 1998 by the New Orleans International Airport amounted to \$930,000 primarily for overhead reimbursement and fire protection and by the Orleans Parish Communication District amounted to \$264,000 for overhead reimbursement.

The City does not charge the French Market Corporation, the Municipal Yacht Harbor Management Corporation, the Upper Pontalba 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 which is owned by the City on which the golf course operates.

Riverfront Economic Development Agreement- On April 30, 1992, 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 \$13,000,000 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 Aquarium Revenue Bonds, Series 1992A, and \$2,000,000 was from self-generated funds of Audubon Commission.

In consideration for the \$11,000,000 payment, Audubon Commission is relieved of all rents 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 \$11,000,000 payment was recorded as prepaid rent and is being amortized over the remaining terms of the consent agreement. Such amount is included in other assets of the Audubon Commission at December 31, 1998.

In consideration for the Audubon Commission's \$2,000,000 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 \$200,000 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 \$1,643,000 at December 31, 1998, 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 \$200,000 in monthly installments of \$16,667. \$1,643,000 of the Audubon Commission's \$2,000,000 payment is included in other assets of the Audubon Commission at December 31, 1998. As payments are received from the City of New Orleans, this account is being reduced for that portion of the payment representing return of principal, with the balance credited to interest income.

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, 1998 are as follows (amounts in thousands):

	Governmental Fund Types			Fiduciary	Total
	General	Special Revenue	Debt Service	Trust and Agency	
Encumbrances	\$ 21,719	\$2,037			\$ 58,646
Endowments				\$ 205	205
Long-term advances	252				252
Employees' pension benefits				557,074	557,074
Debt service	<u>500</u>		<u>\$ 33,362</u>		<u>33,862</u>
Total	<u>\$ 22,471</u>	<u>\$2,037</u>	<u>\$ 33,362</u>	<u>\$ 557,279</u>	<u>\$ 650,039</u>

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 Permits-Demolition, Vieux Carre Commission and Municipal Court Judicial Expense) and certain agency funds (Clearing and Deposit) is recorded as revenue of the general fund. The amount of interest revenue recorded by the general fund on investments of the capital projects fund, certain special revenue funds and certain agency funds for the year ended December 31, 1998 was approximately \$8,431, \$-0- and \$380, respectively.

In addition, interest income on the nonexpendable 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 rent in 1998 for such operating lease agreements was \$5,258,000.

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 \$80,902,000.

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 an analysis of historical experience, the adequacy of the liability necessary to cover all losses and claims, both incurred and reported and incurred but not reported (IBNR), under its self-insurance programs. The liabilities of \$548,000 for motor vehicle fleet, \$80,902,000 for general liability and police department excessive force, \$38,152,000 for workers' compensation and \$7,345,000 for hospitalization have been accrued in the general long-term debt account group, in the total amount of \$126,947,000.

Changes to the City's claims liability amounts in fiscal 1998 and 1997 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:				
1997	80,000	7,964	5,114	82,850
1998	82,850	3,165	5,113	80,902
Workers' Compensation:				
1997	32,505	9,855	7,072	35,288
1998	35,288	11,305	8,441	38,152
Motor Vehicle Fleet:				
1997	340	442	478	304
1998	304	733	489	548
Hospitalization and Unemployment:				
1997	5,862	31,976	30,199	7,639
1998	7,639	30,767	31,061	7,345
Total:				
1997	118,707	50,237	42,863	126,081
1998	126,081	45,970	45,104	126,947

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 payouts will not occur until these landfills are capped and closed, respectively. The amount recognized each year to date is based on the landfills' capacities used as of the balance sheet date. As of December 31, 1998, the City had incurred a liability of \$13,022,000, which represents the amount of costs reported to date based on the 100 percent capacity of both landfills.

These amounts are based on what it would cost to perform all closure and postclosure care in 1998. Actual cost may be higher due to inflation, changes in technology, or changes in regulations and may need to be covered by charges from future tax revenue.

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.

Potential Litigation - The Internal Revenue Service ("IRS") and Securities and Exchange Commission ("SEC"), in numerous cases around the country, are looking into allegations that "yield burning" occurred in connection with the issuance of advance refunding bonds by local governments. In advance refundings, a portfolio of securities, usually direct U.S. Treasury securities, is purchased to defease the payments on the refunded bond issue(s) through their redemption or maturity on some future date or dates. Federal arbitrage regulations generally limit the yield of such defeasance escrows to the yield on the refunding bond issue. The IRS and SEC appear to believe that in some cases these defeasance escrow portfolios may have been sold by certain dealers to issuers at artificially high prices, thereby resulting in lower than market yields. This practice has been referred to as "yield burning."

The IRS has notified the City that it believes yield-burning may have occurred in connection with the City's General Obligation Refunding Bonds, Series 1991. Additionally, the City and the Board of Liquidation, City Debt have received information requests from both IRS and SEC in connection with their yield burning investigations, and have responded to the requests from both agencies. As of the date of this report no final determination has been made by the IRS or the SEC in connection with the Series 1991 Bonds.

Because investigations by the IRS and SEC into "yield burning" are widespread, several national local government interest groups and others have become involved and are pressing the IRS and SEC to resolve their claims with the dealers who may have participated in yield burning, rather than with the local government issuers who were the victims of the alleged yield burning schemes. The City has been given no assurance, however, that the IRS or the SEC will actually follow this course of action. On June 16, 1998, the City filed a complaint for damages and for a declaratory judgment by the United States District Court, Eastern District of Louisiana, against the investment bankers who participated in refunding the Series 1991 Bonds (Civil Action No. 98-1768). The declaratory judgment seeks to hold the defendants liable for any past or future determination and/or action by the IRS to deny the tax-exempt status of the Series 1991 Bonds, and indemnify, hold harmless, and defend the City from any and all potential claims occasioned thereby. Relief was sought for all damages caused to the City as a proximate result of the defendants' wrongful actions or inactions described in the liquidation, plus legal interest due thereon. The defendants moved to dismiss the Board's suit on the grounds that the claims are premature until such time as the IRS takes final action. On May 7, 1999, the Court denied the defendants' motions to dismiss, but stayed the litigation pending a final determination by the IRS on whether the bonds are taxable.

12. COMPONENT UNIT DISCLOSURES:

A. Cash and Time Certificates of Deposit

The carrying amount of component unit deposits at December 31, 1998 was \$187,783,000, and the bank balance was \$191,847,000. The component unit bank balances are categorized below (amounts in thousands) to give an indication of the level of risk assumed by the component unit at year-end. Category 1 includes insured or collateralized cash with securities held by the component unit or its agent in the component unit's name. Category 2 includes collateralized cash with securities held by the pledging

financial institution's trust department or its agent in the component unit'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 component unit's name.

	Category			Total
	1	2	3	
Bank balances:				
Cash and certificates of deposit	<u>\$ 4,231</u>	<u>\$ 187,616</u>	<u>\$ -</u>	<u>\$ 191,847</u>

B. Investments

These investments are categorized below (amounts in thousands) to give an indication of the level of risk assumed by the component unit at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the component unit or its agent in the component unit'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 component unit'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 component unit's name.

	Category			Carrying Value
	1	2	3	
U.S. Government securities and instrumentalities	\$ 31,357	\$ 105,289	\$ 5,642	\$ 142,288
Corporate bonds		30,002		30,002
Equity securities		<u>86,153</u>		<u>86,153</u>
	<u>\$ 31,357</u>	<u>\$ 221,444</u>	<u>\$ 5,642</u>	<u>\$ 258,443</u>

C. Fixed Assets

A summary of proprietary component unit property, plant and equipment at December 31, 1998 follows (amounts in thousands):

	Orleans Parish Communication District	Audubon Commission	New Orleans International Airport	Sewerage and Water Board	Municipal Yacht Harbor	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total
Piers and boat launch Canals					\$ 1,943				\$ 1,943
Runways, aprons, etc.			\$ 192,506	\$ 187,719					187,719
Buildings and improvements		\$ 126,480	254,967	164,514	3,782	\$ 11,273	\$ 9,198	\$ 8,444	578,658
Machinery and equip	\$ 2,770	12,343	6,181	458,739	98	655	99		480,885
Utility systems			8,315	236,670					244,985
Land		950					52	896	1,898
	<u>2,770</u>	<u>139,773</u>	<u>461,969</u>	<u>1,047,642</u>	<u>5,823</u>	<u>11,928</u>	<u>9,349</u>	<u>9,340</u>	<u>1,688,594</u>
Less: accumulated depreciation	<u>(1,573)</u>	<u>(31,552)</u>	<u>(186,842)</u>	<u>(361,365)</u>	<u>(1,956)</u>	<u>(4,931)</u>	<u>(1,282)</u>	<u>(794)</u>	<u>(590,295)</u>
	1,197	108,221	275,127	686,277	3,867	6,997	8,067	8,546	1,098,299
Land and air rights			77,128	7,360					84,488
Construction in progre		2,861	14,115	170,633	223	102			187,934
Total	<u>\$ 1,197</u>	<u>\$ 111,082</u>	<u>\$ 366,370</u>	<u>\$ 864,270</u>	<u>\$ 4,090</u>	<u>\$ 7,099</u>	<u>\$ 8,067</u>	<u>\$ 8,546</u>	<u>\$ 1,370,721</u>

Construction in progress in the proprietary component units consists primarily of renovations to the New Orleans International Airport and the Sewerage and Water Board of New Orleans' construction of water, sewerage and drainage systems within the City. Outstanding commitments to complete these construction projects as of December 31, 1998 amounted to approximately \$157,116,000 for the New Orleans International Airport.

D. Long-Term Debt

The City is not liable for bonds issued by the Sewerage and Water Board of New Orleans 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, 1998 was \$43,350,000.

The following represents debt service requirements (amounts in thousands) for all significant component unit bonds outstanding at December 31, 1998. Interest payments for the Sewerage and Water Board of New Orleans, New Orleans International Airport and Audubon Commission of \$48,433,000, \$161,153,000 and \$38,687,000 respectively, are included. Amounts shown on individual component units balance sheets are net of unamortized losses on refunding of \$-0-, \$24,167 and \$3,420 for the Sewerage and Water Board of New Orleans, New Orleans International Airport and Audubon Commission, respectively.

Year Ending December 31,	Audubon Commission	New Orleans International Airport	Sewerage and Water Board	Total
1999	\$ 5,787	\$ 20,971	\$ 9,295	\$ 36,053
2000	5,863	21,041	10,036	36,940
2001	5,908	21,220	8,271	35,399
2002	5,850	21,311	8,253	35,414
2003	5,890	21,594	8,235	35,719
2004 and thereafter	<u>73,365</u>	<u>303,326</u>	<u>95,069</u>	<u>471,760</u>
	<u>\$ 102,663</u>	<u>\$ 409,463</u>	<u>\$ 139,159</u>	<u>\$ 651,285</u>

Arbitrage - The New Orleans International Airport has issued tax-exempt bonds which are subject to arbitrage regulations of the Internal Revenue Service (IRS), which regulations 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 New Orleans International Airport being subject to arbitrage rebates. The estimated arbitrage rebate liability for the New Orleans International Airport's Series 1994 Revenue bonds is \$2,188,000 as of December 31, 1998.

E. Contributed Capital

The following proprietary component units recorded contributed capital in the following amounts as of December 31, 1998: New Orleans International Airport, \$194.3 million; Sewerage and Water Board of New Orleans, \$137.3 million; French Market Corporation, \$2.9 million; and Canal Street Development Corporation, \$8.8 million. Total contributed capital across these funds increased in 1998 by \$2.2 million from \$341.1 million to \$343.3 million. This increase resulted from grants to the New Orleans International Airport and the Sewerage and Water Board of New Orleans from federal and state agencies and the City of New Orleans to finance the cost of construction of airport facilities and for the acquisition of property, plant and equipment, respectively.

* * * * *

**FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS**

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GENERAL FUND

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT B-1
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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)
Taxes:			
Real estate	\$ 13,506	\$ 13,490	(16)
Personal property	8,246	8,319	73
Dedicated millage:			
Police	14,310	14,309	(1)
Fire	14,226	14,212	(14)
Library	5,610	6,140	530
Recreation	2,100	2,082	(18)
Parkway	2,100	2,082	(18)
Streets	2,600	2,635	35
Sales - undedicated	127,000	126,899	(101)
Penalty and interest on delinquent taxes	3,942	4,125	183
Utilities	9,350	9,228	(122)
Chain store	275	246	(29)
Special real property service charge		1	1
Interest on special real property service charge		1	1
Beverage excise	725	724	(1)
Amusement	2,000	1,598	(402)
Off-track betting	800	569	(231)
Parking	1,871	1,870	(1)
Inheritance tax		3	3
Documentary transaction	5,950	6,079	129
Total taxes	<u>214,611</u>	<u>214,612</u>	<u>1</u>
Licenses and permits:			
Bingo or keno licenses		6	6
Electrical licenses	588	585	(3)
Air conditioning and gas fitter licenses	117	81	(36)
Hoisting and portable licenses	29	10	(19)
Occupational licenses	9,015	9,043	28
Special operating engineer licenses	1		(1)
Stationary engineer licenses	103	63	(40)
Miscellaneous licenses	232	314	82
Service cuts	16		(16)

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT B-1
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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)
Licenses and permits (continued):			
Franchises:			
Cable TV	2,850	2,740	(110)
Louisiana Power and Light Company	650	662	12
New Orleans Public Service Inc.	26,400	26,434	34
South Central Bell, Inc.	6,450	6,514	64
Miscellaneous franchises	150	157	7
Beverage permits	1,150	1,118	(32)
Brake tag permits	3,100	3,167	67
Building permits	2,520	2,511	(9)
Mayoral permits	100	100	
Mechanical permits	578	548	(30)
Taxi and chauffeurs permits	677	679	2
Massage parlor permits	1		(1)
Mardi Gras parade permits	26	27	1
Medical transportation vehicle permits	21	26	5
Freight loading zone	23	36	13
Public right-of-way use	170	192	22
Miscellaneous	179	153	(26)
Total licenses and permits	<u>55,146</u>	<u>55,166</u>	<u>20</u>
Intergovernmental:			
Federal aid - HUD	25		(25)
Federal aid - other	90	94	4
Civil defense machine fund	900	900	
Reimbursement - food stamps	20	20	
Federal Natural Resources Environment	131	233	102
State Revenue Sharing	2,298	2,722	424
State aid - DHRR	897	898	1
State aid - public safety	90	106	16
State aid - other	3,152	3,985	833
Parish transportation fund	6,295	5,098	(1,197)
Automobile rental tax	50	52	2
Office of the Governor			

(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)
Intergovernmental (continued):			
Racing		8	8
Severance tax		4,026	(21)
Tobacco tax	4,047	265	(15)
Orleans Parish Comm. District Telephone Tax	280		
Total intergovernmental	<u>18,275</u>	<u>18,407</u>	<u>132</u>
Charges for services:			
Admission charge	19		(19)
Commercial disposal charges	40	153	113
Food/drink concessions	6	18	12
Driving range fees	2	14	12
Emergency medical service charge	5,000	5,088	88
Sales - maps and documents	62	41	(21)
Fire protection - New Orleans Airport	2,297	2,189	(108)
Grass cutting	100	78	(22)
Golf cart rentals			
Green fees	310	456	146
Indirect cost	1,517	1,463	(54)
Inspection fees, vacant buildings		1	1
Park entrance fees	50	29	(21)
Parking meters	3,215	3,130	(85)
Police and fire services - other	855	924	69
Public cemetery burial	74	70	(4)
Sanitation service charges	20,000	19,235	(765)
Service fees - uninhabitable buildings		30	30
Tax collection service:			
Levee Board	105	(28)	(133)
Orleans Parish School Board	1,060	1,051	(9)
Regional Transit Authority	649	673	24
Lien research service	150	134	(16)
Zoning books and petitions	500	473	(27)
Data processing services - parish agencies		3	3
Maintenance of state highways	350	351	1
Towing and immobilization charges	450	462	12

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT B-1
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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)
Charges for services (continued):			
Utility regulatory fees	4,000	4,477	477
Cubside recycling	2,360	1,914	(446)
Municipal service charge			
Other	369	618	249
Notorial	100	123	23
Total charges for services	<u>43,640</u>	<u>43,170</u>	<u>(470)</u>
Fines and forfeits:			
Health care violations		9	9
Fines and fees	7,565	9,363	1,798
Bond forfeits			
Impounded cars	33	60	27
Traffic violations	2,000	1,790	(210)
Municipal court fines	75	98	23
Municipal court costs	30		(30)
Library fines	170	170	
Administration adjudication fees		24	24
Traffic, municipal court reimbursement			
Total fines and forfeits	<u>9,873</u>	<u>11,514</u>	<u>1,641</u>
Interest income:			
Interest income	8,800	8,811	11
Interest on 1987 Capital Fund bonds			
Interest on 1988 Capital Fund bonds			
Interest on 1992 Capital Fund bonds			
Interest on 1995 Capital Fund bonds			
Interest on 1996 Capital Fund bonds			
Interest on 1996A Capital Fund bonds			
Interest on 1997A Capital Fund bonds			
Total interest income	<u>8,800</u>	<u>8,811</u>	<u>11</u>
Contributions, gifts and donations	<u>6,544</u>	<u>6,613</u>	<u>69</u>
Miscellaneous:			
Adjudication to City			
Cash overage		213	213
Workers' compensation subrogation		211	211
Building and ground rental	1,302	1,460	158
Food service royalty		23	23
Parking royalties			
Vending machine royalties			

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT B-1
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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)
Miscellaneous (continued):			
Pay phone royalties	150	392	242
Riverboat gaming fees	11,000	10,340	(660)
Insurance proceeds	51	406	355
Other	3,796	3,183	(613)
Appropriations from prior year's fund balance	<u>2,000</u>		<u>(2,000)</u>
Total miscellaneous	<u>18,299</u>	<u>16,228</u>	<u>(2,071)</u>
Total revenues	<u>375,188</u>	<u>374,521</u>	<u>(667)</u>
Other financing sources:			
Operating transfers in	3,168	9,882	6,714
Transfer in from component unit	2,351	900	(1,451)
Reduction in prior year's outstanding encumbrances		2,520	2,520
Other, net		<u>863</u>	<u>863</u>
Total other financing sources	<u>5,519</u>	<u>14,165</u>	<u>8,646</u>
Total revenues and other financing sources	<u>\$ 380,707</u>	<u>\$ 388,686</u>	<u>\$ 7,979</u>

(Concluded)

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:			
The Council:			
Personal services	\$ 2,788	\$ 2,762	26
Other operating expenditures	6,916	6,895	21
	<u>9,704</u>	<u>9,657</u>	<u>47</u>
The Mayor:			
Personal services	9,608	9,574	34
Other operating expenditures	29,413	29,372	41
	<u>39,021</u>	<u>38,946</u>	<u>75</u>
Department of Law:			
Personal services	2,999	2,981	18
Other operating expenditures	2,625	2,623	2
	<u>5,624</u>	<u>5,604</u>	<u>20</u>
Judicial and parochial:			
Personal services	5,110	5,058	52
Other operating expenditures	38,148	37,983	165
	<u>43,258</u>	<u>43,041</u>	<u>217</u>
Department of Finance:			
Personal services	7,448	7,448	
Other operating expenditures	15,562	14,896	666
	<u>23,010</u>	<u>22,344</u>	<u>666</u>
Unattached boards and commissions:			
Personal services	2,170	2,156	14
Other operating expenditures	604	561	43
	<u>2,774</u>	<u>2,717</u>	<u>57</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

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	1,835	1,824	11
Other operating expenditures	421	420	1
	<u>2,256</u>	<u>2,244</u>	<u>12</u>
General services:			
Personal services			
Other operating expenditures	2,794	2,757	37
	<u>2,794</u>	<u>2,757</u>	<u>37</u>
Total general government	<u>128,441</u>	<u>127,310</u>	<u>1,131</u>
Public safety:			
Department of Police:			
Personal services	87,662	87,613	49
Other operating expenditures	8,022	7,980	42
	<u>95,684</u>	<u>95,593</u>	<u>91</u>
Department of Fire:			
Personal services	54,700	54,700	
Other operating expenditures	2,249	2,244	5
	<u>56,949</u>	<u>56,944</u>	<u>5</u>
Department of Safety and Permits:			
Personal services	2,365	2,364	1
Other operating expenditures	229	222	7
	<u>2,594</u>	<u>2,586</u>	<u>8</u>
Total public safety	<u>155,227</u>	<u>155,123</u>	<u>104</u>
Public works:			
Department of Public Works:			
Personal services	9,451	9,449	2
Other operating expenditures	7,591	7,591	
	<u>17,042</u>	<u>17,040</u>	<u>2</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)
Public works (continued):			
Department of Sanitation:			
Personal services	2,065	2,065	
Other operating expenditures	21,494	21,493	1
	<u>23,559</u>	<u>23,558</u>	<u>1</u>
Department of Property Management:			
Personal services	6,928	6,925	3
Other operating expenditures	4,208	4,208	
	<u>11,136</u>	<u>11,133</u>	<u>3</u>
Department of Utilities:			
Personal services	918	909	9
Other operating expenditures	393	393	
	<u>1,311</u>	<u>1,302</u>	<u>9</u>
Total public works	<u>53,048</u>	<u>53,033</u>	<u>15</u>
Health and human services:			
Department of Health:			
Personal services	8,507	8,507	
Other operating expenditures	1,890	1,890	
	<u>10,397</u>	<u>10,397</u>	
Department of Human Services:			
Personal services	2,022	2,019	3
Other operating expenditures	287	283	4
	<u>2,309</u>	<u>2,302</u>	<u>7</u>
Total health and human services	<u>12,706</u>	<u>12,699</u>	<u>7</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)
Culture and recreation:			
Public Library:			
Personal services	4,652	4,361	291
Other operating expenditures	1,204	1,176	28
	<u>5,856</u>	<u>5,537</u>	<u>319</u>
Historical District Landmarks Commission:			
Personal services	372	366	6
Other operating expenditures	38	30	8
	<u>410</u>	<u>396</u>	<u>14</u>
Vicux Carre Commission:			
Personal services	368	363	5
Other operating expenditures	24	23	1
	<u>392</u>	<u>386</u>	<u>6</u>
Museum of Art:			
Other operating expenditures	240	240	
	<u>240</u>	<u>240</u>	
Parkway and Parks Commission:			
Personal services	5,515	5,490	25
Other operating expenditures	1,849	1,845	4
	<u>7,364</u>	<u>7,335</u>	<u>29</u>
Department of Recreation:			
Personal services	5,190	5,142	48
Other operating expenditures	1,594	1,535	59
	<u>6,784</u>	<u>6,677</u>	<u>107</u>
Total culture and recreation	<u>21,046</u>	<u>20,571</u>	<u>475</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT B-2
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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)
Urban development and housing general services - community development:			
Personal services	183	156	27
Other operating expenditures	<u>71</u>	<u>49</u>	<u>22</u>
Total urban development and housing	<u>254</u>	<u>205</u>	<u>49</u>
Debt service:			
Principal	5,851	5,851	
Interest and fiscal charges	<u>3,019</u>	<u>3,019</u>	
Total debt service	<u>8,870</u>	<u>8,870</u>	
Total expenditures	<u>379,592</u>	<u>377,811</u>	<u>1,781</u>
Other financing uses:			
Operating transfers out	1,115	2,215	(1,100)
Appropriations from prior year's fund balance			
Other, net			
Total other financing uses	<u>1,115</u>	<u>2,215</u>	<u>(1,100)</u>
Total expenditures and other financing uses	<u>\$380,707</u>	<u>\$380,026</u>	<u>\$ 681</u>

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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.

Environmental Improvement - Used to account for funds received from fines, fees, costs and penalties and allocated to programs designed to improve health, housing and environmental conditions in the City.

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.

Traffic Court Judicial Expense - Used to account for monies collected from contempt fines and penalties paid by persons charged with traffic violations and allocated to the proper administration of the court or offices of the individual judges.

Municipal Court Judicial Expense - Used to account for monies collected from bond forfeitures in connection with the administration of the Municipal Court or in other manners provided by law.

Department of Safety and Permits - Demolition - Used to account for funds allocated to the demolition of buildings or structures.

Music and Entertainment Commission - Used to account for funds allocated for programs designed to attract music and entertainment to the City.

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

Plant a Tree Campaign - Used to account for funds allocated to programs designed for planting and beautifying trees, plants and flowers throughout the City.

Municipal Endowment - Cox Cable - Used to account for funds allocated for programs related to video or audio community service programming in New Orleans or the arts, humanities and culture of New Orleans.

Capital Improvement and Infrastructure - Used to account for funds allocated for the improvement of infrastructures within the City.

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

CITY OF NEW ORLEANS, LOUISIANA

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	National League of Cities	New Orleans Economic Development	Neighborhood Housing Improvement	Environmental Improvement	Rivergate Special Fund	Rivergate Development Corporation
ASSETS						
Cash	\$ 1	\$ 69	\$ 383	\$ 222	\$ 79	\$ 1,852
Certificates of deposit	5	3,526	2,615	813	600	6,775
Investments, at cost or amortized cost						
Accounts receivable (net, where applicable, of allowances for uncollectibles)				21		
Grantee loans receivable						
Due from other funds				38		313
Due from other governments						
Due from component units				8		69
TOTAL ASSETS	\$ 6	\$ 3,595	\$ 2,998	\$ 1,102	\$ 679	\$ 9,009
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2	\$ 1	\$ 3			\$ 2
Due to other funds						8,500
Due to other governments						
Deferred revenues						
Advances from other funds						
Due to component units						
Total liabilities	2	1	3			8,502
Fund balances:						
Reserved for encumbrances		1,201	446	\$ 90		55
Unreserved:						
Designated for subsequent years' expenditures		104				
Undesignated	4	2,289	2,549	1,012	\$ 679	452
Total fund balances	4	3,594	2,995	1,102	679	507
TOTAL LIABILITIES AND FUND BALANCES	\$ 6	\$ 3,595	\$ 2,998	\$ 1,102	\$ 679	\$ 9,009

Termite Control Fund	Piazza D'italia Development	Traffic Court Judicial Expense	Municipal Court Judicial Expense	Sidewalk Paving and Repairing	Special Event	Adopt a Pothole Program	Department of Safety and Permits - Demolition
\$ 96 352	\$ 4 13	\$ 66	\$ 5	\$ 2	\$ 3	\$ 9 20	\$134 111
		86	21				281
16		59					5
3			287				1
<u>\$467</u>	<u>\$ 17</u>	<u>\$211</u>	<u>\$ 313</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 29</u>	<u>\$532</u>
		\$ 18 161	\$ 16 294				\$100 104
		32	3	\$ 2			250
		211	313	2			454
\$ 27						\$ 29	32
440	17				\$ 3		46
467	17				3	29	78
<u>\$467</u>	<u>\$ 17</u>	<u>\$211</u>	<u>\$ 313</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 29</u>	<u>\$532</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Music and Entertainment Commission	New Orleans Police Department - Crime Prevention	Asset Seizure	New Orleans War on Drugs	New Orleans Recreation Department
ASSETS					
Cash	\$ 111		\$ 319	\$ 8	\$ 49
Certificates of deposit	93	\$ 1	986		
Investments, at cost or amortized cost					
Accounts receivable (net, where applicable, of allowances for uncollectibles)					
Grantee loans receivable					
Due from other funds					
Due from other governments					
Due from component units					
TOTAL ASSETS	\$ 204	\$ 1	\$ 1,305	\$ 8	\$ 49
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable			\$ 32		
Due to other funds			49		
Due to other governments					
Deferred revenues					
Advances from other funds					
Due to component units					
Total liabilities			81		
Fund balances:					
Reserved for encumbrances			27		
Unreserved:					
Designated for subsequent years' expenditures					
Undesignated	\$ 204	\$ 1	1,197	\$ 8	\$ 49
Total fund balances	204	1	1,224	8	49
TOTAL LIABILITIES AND FUND BALANCES	\$ 204	\$ 1	\$ 1,305	\$ 8	\$ 49

New Orleans Film Commission	New Orleans Special Events	Vieux Carre Commission	Vieux Carre Restoration	Public Library Donations	Sanitation Recycling
\$ 65 154	\$ 6 55	\$ 56	\$ 1	\$ 192	\$ 7 37
				13	
<u>\$ 219</u>	<u>\$ 61</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>\$ 205</u>	<u>\$ 44</u>
				\$ 1	
				<u>1</u>	
	\$ 7				
<u>\$ 219</u>	<u>54</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>204</u>	<u>\$ 44</u>
<u>219</u>	<u>61</u>	<u>56</u>	<u>1</u>	<u>204</u>	<u>44</u>
<u>\$ 219</u>	<u>\$ 61</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>\$ 205</u>	<u>\$ 44</u>

(Continued)

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)**

	Plant a-Tree Campaign	Municipal Endowment- Cox Cable	Capital Improvement and Infrastructure	Grant Recipient Funds	Total	
					1998	1997
ASSETS						
Cash	\$ 44	\$ 615	\$ 273	\$ 868	\$ 5,534	\$ 3,940
Certificates of deposit	100	1,155	3,528	4,220	25,164	16,171
Investments, at cost or amortized cost				989	989	
Accounts receivable (net, where applicable, of allowances for uncollectibles)		24			433	342
Grantee loans receivable				34,968	34,968	13,926
Due from other funds			81	2,042	2,567	1,369
Due from other governments				17,783	18,070	15,132
Due from component units					81	50
TOTAL ASSETS	\$ 144	\$ 1,794	\$ 3,882	\$ 60,870	\$ 87,806	\$ 50,930
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable				\$ 998	\$ 1,173	\$ 1,164
Due to other funds				12,724	21,832	11,172
Due to other governments				21	21	58
Deferred revenues				9,968	9,968	13,926
Advances from other funds					252	252
Due to component units					35	166
Total liabilities				23,711	33,281	26,738
Fund balances:						
Reserved for encumbrances	\$ 32	\$ 91			2,037	2,492
Unreserved:						
Designated for subsequent years' expenditures				37,159	37,263	11,710
Undesignated	112	1,703	\$ 3,882		15,225	9,990
Total fund balances	144	1,794	3,882	37,159	54,525	24,192
TOTAL LIABILITIES AND FUND BALANCES	\$ 144	\$ 1,794	\$ 3,882	\$ 60,870	\$ 87,806	\$ 50,930

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CITY OF NEW ORLEANS, LOUISIANA

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)**

	National League of Cities	New Orleans Economic Development	Neighborhood Housing Improvement	Environment Improvement	Rivergate Special Fund	Rivergate Development Corporation
REVENUES:						
Taxes		\$ 1,791	\$ 1,791			
Intergovernmental						
Program income		16	122			
Fines and forfeits				\$ 587		
Interest income		164	118			
Contributions, gifts and donations						
Miscellaneous						\$ 9,304
Total revenues		<u>1,971</u>	<u>2,031</u>	<u>587</u>		<u>9,304</u>
EXPENDITURES:						
General government						
Public safety						
Public works						
Health and human services				108		
Culture and recreation						
Urban development and housing			1,114			
Economic development and assistance		<u>1,326</u>				<u>514</u>
Total expenditures		<u>1,326</u>	<u>1,114</u>	<u>108</u>		<u>514</u>
Excess (deficiency) of revenues over expenditures		<u>645</u>	<u>917</u>	<u>479</u>		<u>8,790</u>
Other financing sources (uses):						
Operating transfers in						
Operating transfers out						<u>(8,500)</u>
Total other financing sources (uses)						<u>(8,500)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		645	917	479		290
FUND BALANCES, BEGINNING OF YEAR	<u>\$ 4</u>	<u>2,949</u>	<u>2,078</u>	<u>623</u>	<u>\$ 679</u>	<u>217</u>
FUND BALANCES, END OF YEAR	<u>\$ 4</u>	<u>\$ 3,594</u>	<u>\$ 2,995</u>	<u>\$ 1,102</u>	<u>\$ 679</u>	<u>\$ 507</u>

Termite Control Fund	Piazza D'italia Development	Traffic Court Judicial Expense	Municipal Court Judicial Expense	Sidewalk Paving and Repairing	Special Event	Adopt a Pothole Program	Department of Safety and Permits - Demolition
		\$ 1,197	\$ 455				
<u>\$ 498</u>	<u>\$ 43</u>						
<u>498</u>	<u>43</u>	<u>1,197</u>	<u>455</u>				
	26	2,313	1,555				
178						\$ 3	
<u>178</u>	<u>26</u>	<u>2,313</u>	<u>1,555</u>			<u>3</u>	
<u>320</u>	<u>17</u>	<u>(1,116)</u>	<u>(1,100)</u>			<u>(3)</u>	
		1,115	1,100				
		<u>1,115</u>	<u>1,100</u>				
320	17	(1)				(3)	
<u>147</u>		<u>1</u>			<u>\$ 3</u>	<u>32</u>	<u>\$ 78</u>
<u>\$ 467</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$-</u>	<u>\$ 3</u>	<u>\$ 29</u>	<u>\$ 78</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Music and Entertain- ment Commission	New Orleans Police Department - Crime Prevention	Asset Seizure	New Orleans War on Drugs	New Orleans Recreation Department
REVENUES:					
Taxes					
Intergovernmental					
Program income					
Fines and forfeits					
Interest income	\$ 7		\$ 52		
Contributions, gifts and donations			390		
Miscellaneous	90				
Total revenues	<u>97</u>	<u>—</u>	<u>442</u>	<u>—</u>	<u>—</u>
EXPENDITURES:					
General government					
Public safety			390		
Public works					
Health and human services					
Culture and recreation	130				
Urban development and housing					
Economic development and assistance					
Total expenditures	<u>130</u>	<u>—</u>	<u>390</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(33)</u>	<u>—</u>	<u>52</u>	<u>—</u>	<u>—</u>
Other financing sources (uses):					
Operating transfers in					
Operating transfers out					
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(33)</u>	<u>—</u>	<u>52</u>	<u>—</u>	<u>—</u>
FUND BALANCES, BEGINNING OF YEAR					
	<u>237</u>	<u>\$ 1</u>	<u>1,172</u>	<u>\$ 8</u>	<u>\$ 49</u>
FUND BALANCES, END OF YEAR					
	<u>\$ 204</u>	<u>\$ 1</u>	<u>\$ 1,224</u>	<u>\$ 8</u>	<u>\$ 49</u>

New Orleans Film Commission	New Orleans Special Events	Vieux Carre Commission	Vieux Carre Restoration	Public Library Donations	Sanitation Recycling
\$ 6	\$ 3				\$ 3
170				\$231	
<u>176</u>	<u>3</u>	<u> </u>	<u> </u>	<u>231</u>	<u>3</u>
					1
99				38	
<u>99</u>	<u> </u>	<u> </u>	<u> </u>	<u>38</u>	<u>1</u>
<u>77</u>	<u>3</u>	<u> </u>	<u> </u>	<u>193</u>	<u>2</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>
77	3			193	2
<u>142</u>	<u>58</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>11</u>	<u>42</u>
<u>\$219</u>	<u>\$ 61</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>\$204</u>	<u>\$ 44</u>

(Continued)

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Plant A-Tree Campaign	Municipal Endowment- Cox Cable	Capital Improvement and Infrastructure	Grant Recipient Funds	Total	
					1998	1997
REVENUES:						
Taxes			\$ 1,539		\$ 5,121	\$ 4,092
Intergovernmental				\$ 84,606	84,606	58,642
Program income				382	520	779
Fines and forfeits					2,239	2,025
Interest income	\$ 11	\$ 43	105	954	1,466	1,664
Contributions, gifts and donations	45	700			1,536	1,689
Miscellaneous					9,935	9,738
Total revenues	<u>56</u>	<u>743</u>	<u>1,644</u>	<u>85,942</u>	<u>105,423</u>	<u>78,629</u>
EXPENDITURES:						
General government				6,067	9,961	7,929
Public safety				5,214	5,605	5,139
Public works					3	35
Health and human services				9,058	9,344	12,918
Culture and recreation	121			73	461	429
Urban development and housing				31,208	32,322	33,692
Economic development and assistance				7,887	9,727	10,252
Total expenditures	<u>121</u>	<u>---</u>	<u>---</u>	<u>59,507</u>	<u>67,423</u>	<u>70,394</u>
Excess (deficiency) of revenues over expenditures	<u>(65)</u>	<u>743</u>	<u>1,644</u>	<u>26,435</u>	<u>38,000</u>	<u>8,235</u>
Other financing sources (uses):						
Operating transfers in					2,215	1,771
Operating transfers out		(500)		(882)	(9,882)	(11,581)
Total other financing sources (uses)		<u>(500)</u>		<u>(882)</u>	<u>(7,667)</u>	<u>(9,810)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(65)	243	1,644	25,553	30,333	(1,575)
FUND BALANCES, BEGINNING OF YEAR	<u>209</u>	<u>1,551</u>	<u>2,238</u>	<u>11,606</u>	<u>24,192</u>	<u>25,767</u>
FUND BALANCES, END OF YEAR	<u>\$ 144</u>	<u>\$ 1,794</u>	<u>\$ 3,882</u>	<u>\$ 37,159</u>	<u>\$ 54,525</u>	<u>\$ 24,192</u>

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CITY OF NEW ORLEANS, LOUISIANA

**GRANT RECIPIENT FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)**

	Department of Housing and Urban Development	Federal Justice Administration	FDJ Office of Justice Program	Federal Health Administration
ASSETS				
Cash	\$ 125	\$ 70		\$ 191
Certificates of deposit				198
Investments				
Grantee loans receivable	25,000			
Due from other funds	1,200		\$750	
Due from other governments	<u>9,065</u>	<u>554</u>	<u> </u>	<u>263</u>
TOTAL ASSETS	<u>\$35,390</u>	<u>\$ 624</u>	<u>\$750</u>	<u>\$ 652</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 78	\$ 44		\$ 25
Due to other funds	10,245	580		551
Due to other governments				
Deferred revenues	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>10,323</u>	<u>624</u>	<u> </u>	<u>576</u>
Fund balances:				
Unreserved:				
Designated for subsequent years' expenditures	<u>25,067</u>	<u> </u>	<u>\$ 750</u>	<u>76</u>
Total fund balances	<u>25,067</u>	<u> </u>	<u>750</u>	<u>76</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$35,390</u>	<u>\$ 624</u>	<u>\$750</u>	<u>\$ 652</u>

Federal UDAG	Department of Economic Development	Federal Energy Grant	Federal Department of Agriculture	Louisiana Commission on Law Enforcement	Department of Health and Human Resources	Environmental Protection Agency
\$ 217		\$ 5	\$ 103	\$ 27	\$ 82	
3,602				420		
989						
9,968						
2		57		27		
<u>6,168</u>	<u>\$ 13</u>	<u> </u>	<u> </u>	<u>314</u>	<u>514</u>	<u>\$ 32</u>
<u>\$ 20,946</u>	<u>\$ 13</u>	<u>\$ 62</u>	<u>\$ 103</u>	<u>\$ 788</u>	<u>\$ 596</u>	<u>\$ 32</u>
\$ 2				\$ 395	\$ 27	
274	\$ 13				569	\$ 32
		\$ 5				
<u>9,968</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>10,244</u>	<u>13</u>	<u>5</u>	<u> </u>	<u>395</u>	<u>596</u>	<u>32</u>
<u>10,702</u>	<u> </u>	<u>57</u>	<u>\$ 103</u>	<u>393</u>	<u> </u>	<u> </u>
<u>10,702</u>	<u> </u>	<u>57</u>	<u>103</u>	<u>393</u>	<u> </u>	<u> </u>
<u>\$ 20,946</u>	<u>\$ 13</u>	<u>\$ 62</u>	<u>\$ 103</u>	<u>\$ 788</u>	<u>\$ 596</u>	<u>\$ 32</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

GRANT RECIPIENT FUNDS COMBINING BALANCE SHEET DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Louisiana Department of Public Safety	Federal Department of Commerce	Louisiana Department of Education	Louisiana Department of Agriculture and Forest	Department of Culture, Recreation and Tourism
ASSETS					
Cash	\$ 15		\$ 2	\$ 3	
Certificates of deposit					
Investments					
Grantee loans receivable					
Due from other funds			3		\$ 2
Due from other governments		\$ 1			
TOTAL ASSETS	\$ 15	\$ 1	\$ 5	\$ 3	\$ 2
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					
Due to other funds	\$ 15	\$ 1			
Due to other governments					
Deferred revenues					
Total liabilities	15	1			
Fund balances:					
Unreserved:					
Designated for subsequent years' expenditures			\$ 5	\$ 3	\$ 2
Total fund balances			5	3	2
TOTAL LIABILITIES AND FUND BALANCES	\$ 15	\$ 1	\$ 5	\$ 3	\$ 2

Department of Labor	Department of Resources	Traffic Court	Private Grants	Federal Department of Social Service	Total	
					1998	1997
		\$ 16		\$ 12	\$ 868	\$ 1,904
					4,220	5,139
					989	
					34,968	13,926
			\$ 1		2,042	577
<u>\$819</u>	<u>\$ 3</u>			<u>\$ 37</u>	<u>17,783</u>	<u>14,679</u>
<u>\$819</u>	<u>\$ 3</u>	<u>\$ 16</u>	<u>\$ 1</u>	<u>\$ 49</u>	<u>\$60,870</u>	<u>\$36,225</u>
\$425				\$ 2	\$ 998	\$ 1,020
394	\$ 3			47	12,724	9,615
		\$ 16			21	58
					9,968	13,926
<u>819</u>	<u>3</u>	<u>16</u>		<u>49</u>	<u>23,711</u>	<u>24,619</u>
			\$ 1		37,159	11,606
			1		37,159	11,606
<u>\$819</u>	<u>\$ 3</u>	<u>\$ 16</u>	<u>\$ 1</u>	<u>\$ 49</u>	<u>\$60,870</u>	<u>\$36,225</u>

(Concluded)

CITY OF NEW ORLEANS, LOUISIANA

GRANT RECIPIENT FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Department of Housing and Urban Development	Federal Justice Administration	FDJ Office of Justice Program	Federal Health Administration
REVENUES:				
Intergovernmental	\$ 56,105	\$ 2,374	\$ 2,592	\$ 10,361
Program income	110			
Interest income	67			
Total revenues	<u>56,282</u>	<u>2,374</u>	<u>2,592</u>	<u>10,361</u>
EXPENDITURES:				
General government		314		4,452
Public safety	614	2,073	1,842	
Public works				
Health and human services				5,850
Culture and recreation				
Urban development and housing	30,601			
Economic development and assistance				
Total expenditures	<u>31,215</u>	<u>2,387</u>	<u>1,842</u>	<u>10,302</u>
Excess (deficiency) of revenues over expenditures	<u>25,067</u>	<u>(13)</u>	<u>750</u>	<u>59</u>
Other financing uses:				
Operating transfers out				
Total other financing uses				
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	25,067	(13)	750	59
FUND BALANCES, BEGINNING OF YEAR		13		17
FUND BALANCES, END OF YEAR	<u>\$ 25,067</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ 76</u>

Federal UDAG	Department of Economic Development	Federal Energy Grant	Federal Department of Agriculture	Louisiana Commission on Law Enforcement	Department of Health and Human Resources	Environmental Protection Agency
\$ 122			\$ 114	\$ 887	\$ 3,391	\$ 15
887					150	
<u>1,009</u>			<u>114</u>	<u>887</u>	<u>3,541</u>	<u>15</u>
			11	295	123	15
				519	145	
				74	3,134	
607					73	
<u>607</u>			<u>11</u>	<u>888</u>	<u>3,475</u>	<u>15</u>
<u>402</u>			<u>103</u>	<u>(1)</u>	<u>66</u>	
<u>(816)</u>					<u>(66)</u>	
<u>(816)</u>					<u>(66)</u>	
(414)			103	(1)		
<u>11,116</u>		<u>\$ 57</u>		<u>394</u>		
<u>\$10,702</u>	<u>\$-</u>	<u>\$ 57</u>	<u>\$103</u>	<u>\$ 393</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

GRANT RECIPIENT FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Louisiana Department of Public Safety	Federal Department of Commerce	Louisiana Department of Education	Louisiana Department of Agriculture and Forest	Department of Culture, Recreation and Tourism
REVENUES:					
Intergovernmental	\$ 21			\$ 3	
Program income					
Interest income					
Total revenues	<u>21</u>			<u>3</u>	
EXPENDITURES:					
General government					
Public safety	21				
Public works					
Health and human services					
Culture and recreation					
Urban development and housing					
Economic development and assistance					
Total expenditures	<u>21</u>				
Excess (deficiency) of revenues over expenditures				<u>3</u>	
Other financing uses:					
Operating transfers out					
Total other financing uses					
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses				3	
FUND BALANCES, BEGINNING OF YEAR					
			<u>\$ 5</u>		<u>\$ 2</u>
FUND BALANCES, END OF YEAR					
	<u>\$ -</u>	<u>\$-</u>	<u>\$ 5</u>	<u>\$ 3</u>	<u>\$ 2</u>

Department of Labor	Department of Resources	Traffic Court	Private Grants	Federal Department of Social Service	Total	
					1998	1997
\$ 7,887	\$ 3	\$ 52		\$ 801	\$ 84,606	\$ 58,642
					382	779
					954	837
<u>7,887</u>	<u>3</u>	<u>52</u>		<u>801</u>	<u>85,942</u>	<u>60,258</u>
	4	52		801	6,067	3,924
					5,214	5,018
						35
					9,058	12,767
					73	68
					31,208	32,266
<u>7,887</u>					<u>7,887</u>	<u>7,076</u>
<u>7,887</u>	<u>4</u>	<u>52</u>		<u>801</u>	<u>59,507</u>	<u>61,154</u>
	(1)				26,435	(896)
					(882)	(485)
					(882)	(485)
	(1)				25,553	(1,381)
	<u>1</u>		<u>\$ 1</u>		<u>11,606</u>	<u>12,987</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 37,159</u>	<u>\$ 11,606</u>

(Concluded)

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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 laws, and by the City at amounts determined by actuarial study.

The nonexpendable 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 expendable 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 expendable trust funds are as follows:

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

Edward Wisner - Used to account for approximately 53,500 acres of land and waterbottoms in Jefferson, St. John the Baptist and Lafourche Parishes, Louisiana from the estate of Edward Wisner 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 several 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, 1914.

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

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

Institute of Mental Hygiene - Used to account for funds for the purpose of study, research and treatment in the field of mental hygiene and psychiatry.

Simon Hersheim - Used to account for funds for the purpose of purchasing books for the Public Library.

Helen Alder Levy Library - Used to account for funds for the purpose of establishment and maintenance of the Helen Alder Levy Memorial Room at the New Orleans Public Library.

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.

Escrow 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.

CITY OF NEW ORLEANS, LOUISIANA

TRUST AND AGENCY FUNDS COMBINING BALANCE SHEET DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

ASSETS	Pension Trust Funds	Nonexpendable Trust Fund	Expendable Trust Funds
Cash	\$ 5,653	\$ 3	\$ 256
Certificates of deposit		162	3,789
Investments	548,812	40	4,205
Receivables:			
Accounts			103
Accrued interest	3,372		
Other	1,493	1	
Due from other funds			8
Due from component units			2
Due from other governments			
Other assets	<u>469</u>	<u> </u>	<u>12</u>
TOTAL ASSETS	<u>\$559,799</u>	<u>\$ 206</u>	<u>\$ 8,375</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 328		
Other payables and accruals	2,317	\$ 1	
Due to other funds	75		\$ 7
Due to other governments	5		
Due to component units			3
Total liabilities	<u>2,725</u>	<u>1</u>	<u>10</u>
 FUND BALANCES:			
Reserved for:			
Endowments		205	
Employees' pension benefits	557,074		
Unreserved - undesignated			8,365
Total fund balances	<u>557,074</u>	<u>205</u>	<u>8,365</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$559,799</u>	<u>\$ 206</u>	<u>\$ 8,375</u>

EXHIBIT D-1

Agency Funds			Total	
Clearing	Deposit	Escrow	1998	1997
\$ 14,795	\$ 1,262	\$ 4,482	\$ 26,451	\$ 39,103
	1,920	5,067	10,938	33,567
	3,611	16,905	573,573	498,993
	93		196	524
			3,372	2,330
			1,494	1,339
8,991	191		9,190	6,191
			2	2
264	170		434	229
			481	436
<u>\$ 24,050</u>	<u>\$ 7,247</u>	<u>\$ 26,454</u>	<u>\$ 626,131</u>	<u>\$ 582,714</u>
\$ 303	\$ 17	\$ 445	\$ 1,093	\$ 1,300
4,125	6,982	26,009	39,434	35,917
11,782	248		12,112	12,022
7,799			7,804	18,196
41			44	93
<u>24,050</u>	<u>7,247</u>	<u>26,454</u>	<u>60,487</u>	<u>67,528</u>
			205	205
			557,074	506,726
			8,365	8,255
			<u>565,644</u>	<u>515,186</u>
<u>\$ 24,050</u>	<u>\$ 7,247</u>	<u>\$ 26,454</u>	<u>\$ 626,131</u>	<u>\$ 582,714</u>

CITY OF NEW ORLEANS, LOUISIANA

PENSION TRUST FUNDS COMBINING STATEMENT OF PLAN NET ASSETS DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

ASSETS	Firefighters'		Police Old System
	Old System	New System	
Cash	\$5,142	\$ 210	\$ 284
Investments	3,739	189,065	2,147
Receivables:			
Accrued interest	34	1,511	8
Other	591	326	24
Due from other funds			
Other assets	<u>2</u>	<u> </u>	<u>1</u>
TOTAL ASSETS	<u>\$9,508</u>	<u>\$191,112</u>	<u>\$2,464</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 4	\$ 163	
Other payables and accruals	248	1,156	
Due to other governments	5		
Due to other funds	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>257</u>	<u>1,319</u>	<u> </u>
FUND BALANCES:			
Reserved for:			
Employees' pension benefits	<u>9,251</u>	<u>189,793</u>	<u>\$2,464</u>
Total fund balances	<u>9,251</u>	<u>189,793</u>	<u>2,464</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$9,508</u>	<u>\$191,112</u>	<u>\$2,464</u>

EXHIBIT D-2

Employees' Retirement System	Total	
	1998	1997
\$ 17	\$ 5,653	\$ 4,592
353,861	548,812	498,953
1,819	3,372	2,330
552	1,493	1,339
	-	135
466	469	423
<u>\$356,715</u>	<u>\$559,799</u>	<u>\$507,772</u>
\$ 161	\$ 328	\$ 487
913	2,317	534
	5	25
75	75	-
<u>1,149</u>	<u>2,725</u>	<u>1,046</u>
<u>355,566</u>	<u>557,074</u>	<u>506,726</u>
<u>355,566</u>	<u>557,074</u>	<u>506,726</u>
<u>\$356,715</u>	<u>\$559,799</u>	<u>\$507,772</u>

CITY OF NEW ORLEANS, LOUISIANA

EXPENDABLE TRUST FUNDS COMBINING BALANCE SHEET DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

ASSETS	Delgado- Albania Plantation Commission	Edward Wisner	Institute of Mental Hygiene	LaHache Music	Place DeFrance- Joan of Arc
Cash	\$ 47	\$ 128	\$ 35	\$ 1	
Certificates of deposit	173	2,988		5	\$ 7
Investments	2,651	1,554			
Accounts receivable		102			
Due from other funds	8				
Due from component units	2				
Other assets	12				
TOTAL ASSETS	<u>\$2,893</u>	<u>\$4,772</u>	<u>\$ 35</u>	<u>\$ 6</u>	<u>\$ 7</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					
Due to other funds					\$ 3
Due to component units					
Total liabilities					<u>3</u>
FUND BALANCES:					
Unreserved - undesignated	<u>\$2,893</u>	<u>\$4,772</u>	<u>\$ 35</u>	<u>\$ 6</u>	<u>4</u>
Total fund balances	<u>2,893</u>	<u>4,772</u>	<u>35</u>	<u>6</u>	<u>4</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,893</u>	<u>\$4,772</u>	<u>\$ 35</u>	<u>\$ 6</u>	<u>\$ 7</u>

EXHIBIT D-3

Simon Hersheim	Kiwanis Club Lee Circle Sprinkler System	Ella West Freeman Foundation	Endowment Income	Total	
				1998	1997
\$ 6			\$ 39	\$ 256	\$ 133
47	\$ 5	\$ 6	558	3,789	8,081
				4,205	-
			1	103	126
				8	11
				2	2
				12	12
<u>\$ 53</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 598</u>	<u>\$ 8,375</u>	<u>\$ 8,365</u>
				\$ -	\$ 10
			\$ 4	7	100
			3	3	-
			7	10	110
<u>\$ 53</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>591</u>	<u>8,365</u>	<u>8,255</u>
<u>53</u>	<u>5</u>	<u>6</u>	<u>591</u>	<u>8,365</u>	<u>8,255</u>
<u>\$ 53</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 598</u>	<u>\$ 8,375</u>	<u>\$ 8,365</u>

CITY OF NEW ORLEANS, LOUISIANA

EXPENDABLE TRUST FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Delgado- Albania Plantation Commission	Edward Wisner	Institute of Mental Hygiene	LaHache Music	Place DeFrance- Joan of Arc
REVENUES:					
Contributions, gifts and donations	\$ 157	\$ 775	\$ 133	\$ 1	
Interest income	<u>138</u>	<u>292</u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>295</u>	<u>1,067</u>	<u>133</u>	<u>1</u>	<u> </u>
EXPENDITURES:					
Health and human services			98		
Culture and recreation	<u> </u>	<u>1,332</u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u> </u>	<u>1,332</u>	<u>98</u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	295	(265)	35	1	
FUND BALANCES, BEGINNING OF YEAR	<u>2,598</u>	<u>5,037</u>	<u> </u>	<u>5</u>	<u>\$ 4</u>
FUND BALANCES, END OF YEAR	<u>\$2,893</u>	<u>\$4,772</u>	<u>\$ 35</u>	<u>\$ 6</u>	<u>\$ 4</u>

EXHIBIT D-4

Simon Hersheim	Kiwaniis Club Lee Circle Sprinkler System	Ella West Freeman Foundation	Endowment Income	Total	
				1998	1997
\$ 2				\$ 1,068	\$ 944
<u>3</u>			\$ 39	<u>472</u>	<u>425</u>
<u>5</u>			<u>39</u>	<u>1,540</u>	<u>1,369</u>
				98	102
				<u>1,332</u>	<u>1,040</u>
				<u>1,430</u>	<u>1,142</u>
5			39	110	227
<u>48</u>	\$ 5	\$ 6	<u>552</u>	<u>8,255</u>	<u>8,028</u>
<u>\$ 53</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 591</u>	<u>\$ 8,365</u>	<u>\$ 8,255</u>

CITY OF NEW ORLEANS, LOUISIANA

EXPENDABLE TRUST FUNDS - ENDOWMENT INCOME TRUST FUNDS COMBINING BALANCE SHEET DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

ASSETS	Isaac Delgado Memorial	John McDonogh School	Lafayette Cemetery No. 1 Under Will of Lilly Violet	Mahalia Zimmerman Tomb
Cash	\$ 20	\$ 1	\$ 1	
Certificates of deposit	327	7	4	\$ 6
Accounts receivable	_____	_____	_____	_____
TOTAL ASSETS	<u>\$ 347</u>	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ 6</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable				
Due to other funds				
Due to component units	_____	_____	_____	<u>\$ 3</u>
Total liabilities	_____	_____	_____	<u>3</u>
 FUND BALANCES:				
Unreserved - undesignated	<u>\$ 347</u>	<u>\$ 8</u>	<u>\$ 5</u>	<u>3</u>
Total fund balances	<u>347</u>	<u>8</u>	<u>5</u>	<u>3</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 347</u>	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ 6</u>

EXHIBIT D-5

Mrs. Otto Joachim	Sickles Legacy	Helen Adler Levy Library	Total	
			1998	1997
	\$ 16	\$ 1	\$ 39	\$ 24
\$ 1	179	34	558	530
<u>1</u>	<u>195</u>	<u>1</u>	<u>1</u>	<u>5</u>
		\$ 36	\$ 598	\$ 559
		\$ 4	\$ -	\$ 7
		<u>4</u>	<u>4</u>	<u>-</u>
			3	-
		<u>4</u>	<u>7</u>	<u>7</u>
<u>\$ 1</u>	<u>\$ 195</u>	<u>\$ 32</u>	<u>591</u>	<u>552</u>
<u>1</u>	<u>195</u>	<u>32</u>	<u>591</u>	<u>552</u>
<u>\$ 1</u>	<u>\$ 195</u>	<u>\$ 36</u>	<u>\$ 598</u>	<u>\$ 559</u>

CITY OF NEW ORLEANS, LOUISIANA

EXPENDABLE TRUST FUNDS - ENDOWMENT INCOME TRUST FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Isaac Delgado Memorial	John McDonogh School	Lafayette Cemetery No. 1 Under Will of Lilly Violet	Mahalia Zimmerman Tomb
REVENUES:				
Contributions, gifts and donations				
Interest income	<u>\$ 22</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>
Total revenues	<u>22</u>	<u>1</u>	<u>1</u>	<u>1</u>
EXCESS OF REVENUES OVER EXPENDITURES	22	1	1	1
FUND BALANCES, BEGINNING OF YEAR	<u>325</u>	<u>7</u>	<u>4</u>	<u>2</u>
FUND BALANCES, END OF YEAR	<u>\$ 347</u>	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ 3</u>

EXHIBIT D-6

Mrs. Otto Joachim	Sickles Legacy	Helen Adler Levy Library	Total	
			1998	1997
	\$ 14		\$ -	\$ 5
	14		39	26
	14		39	31
	14		39	31
\$ 1	181	\$ 32	552	521
<u>\$ 1</u>	<u>\$ 195</u>	<u>\$ 32</u>	<u>\$ 591</u>	<u>\$ 552</u>

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT D-7
Page 1 of 2

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Balance January 1, 1998	Additions	Deductions	Balance December 31, 1998
CLEARING FUND				
ASSETS				
Cash	\$ 30,026	\$ 2,317,429	\$ 2,332,660	\$ 14,795
Certificates of deposit		500	500	-
Accounts receivable	66	3,140	3,206	-
Due from other funds	5,768	14,848	11,625	8,991
Due from other governments	229	1,751	1,716	264
	<u>\$ 36,089</u>	<u>\$ 2,337,668</u>	<u>\$ 2,349,707</u>	<u>\$ 24,050</u>
LIABILITIES				
Accounts payable	\$ 263	\$ 36,156	\$ 36,116	\$ 303
Other payables and accruals	5,939	318,074	319,888	4,125
Due to other funds	11,637	13,164	13,019	11,782
Due to other governments	18,157	771,847	782,205	7,799
Due to component units	93	41	93	41
	<u>\$ 36,089</u>	<u>\$ 1,139,282</u>	<u>\$ 1,151,321</u>	<u>\$ 24,050</u>
DEPOSIT FUND				
ASSETS				
Cash	\$ 1,247	\$ 12,531	\$ 12,516	\$ 1,262
Certificates of deposit	5,020	992	4,092	1,920
Investments	-	3,611		3,611
Accounts receivable	332	93	332	93
Due from other funds	277	1	87	191
Due from other governments		170		170
	<u>\$ 6,876</u>	<u>\$ 17,398</u>	<u>\$ 17,027</u>	<u>\$ 7,247</u>
LIABILITIES				
Accounts payable	\$ 12	\$ 1,086	\$ 1,081	\$ 17
Other payables and accruals	6,567	2,373	1,958	6,982
Due to other funds	283	53	88	248
Due to other governments	14		14	-
	<u>\$ 6,876</u>	<u>\$ 3,512</u>	<u>\$ 3,141</u>	<u>\$ 7,247</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT D-7
Page 2 of 2

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

	Balance January 1, 1998	Additions	Deductions	Balance December 31, 1998
ESCROW FUND				
ASSETS				
Cash	\$ 3,102	\$ 92,613	\$ 91,233	\$ 4,482
Certificates of deposit	20,304	8,882	24,119	5,067
Investments	-	16,905		16,905
Accounts receivable	-	1,200	1,200	-
	<u>\$23,406</u>	<u>\$ 119,600</u>	<u>\$ 116,552</u>	<u>\$26,454</u>
LIABILITIES				
Accounts payable	\$ 528	\$ 10,306	\$ 10,389	\$ 445
Other payables and accruals	22,876	41,527	38,394	26,009
Due to other funds	2		2	-
	<u>\$23,406</u>	<u>\$ 51,833</u>	<u>\$ 48,785</u>	<u>\$26,454</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash	\$34,375	\$2,422,573	\$2,436,409	\$20,539
Certificates of deposit	25,324	10,374	28,711	6,987
Investments	-	20,516	-	20,516
Accounts receivable	398	4,433	4,738	93
Due from other funds	6,045	14,849	11,712	9,182
Due from other governments	229	1,921	1,716	434
	<u>\$66,371</u>	<u>\$2,474,666</u>	<u>\$2,483,286</u>	<u>\$57,751</u>
LIABILITIES				
Accounts payable	\$ 803	\$ 47,548	\$ 47,586	\$ 765
Other payables and accruals	35,382	361,974	360,240	37,116
Due to other funds	11,922	13,217	13,109	12,030
Due to other governments	18,171	771,847	782,219	7,799
Due to component units	93	41	93	41
	<u>\$66,371</u>	<u>\$1,194,627</u>	<u>\$1,203,247</u>	<u>\$57,751</u>

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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 E-1

**SCHEDULE OF GENERAL FIXED ASSETS BY ASSET CLASS AND SOURCE
DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)**

General fixed assets:	
Land	\$ 30,716
Buildings and improvements	188,511
Equipment	61,708
Construction in progress	<u>196,743</u>
 Total general fixed assets	 <u>\$ 477,678</u>
 Investment in general fixed assets from:	
Special revenue funds	\$ 11,159
Capital projects funds:	
General obligation bonds	206,169
Federal grants	40,765
State grants	12,708
Miscellaneous capital funds	11,526
Gifts	1,679
Miscellaneous revenues	17,341
General fund revenues	56,115
Unidentified sources*	<u>120,216</u>
 Total investment in general fixed assets	 <u>\$ 477,678</u>

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

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT E-2

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

Function and Activity	Land	Buildings and Improvements	Equipment	Total
General government:				
The Council			\$ 744	\$ 744
The Mayor	\$ 448	12,000	5,301	17,749
Department of Law			143	143
Judicial and Parochial			1,034	1,034
Department of Finance			1,533	1,533
Unattached boards and commissions		\$ 445	1,795	2,240
Department of Civil Service			128	128
General services			74	74
General government	<u>14,179</u>	<u>65,253</u>		<u>79,432</u>
Total general government	<u>14,627</u>	<u>77,698</u>	<u>10,752</u>	<u>103,077</u>
Public safety:				
Department of Police	1,868	9,585	21,412	32,865
Department of Fire	993	7,893	9,777	18,663
Department of Safety and Permits		4,160	66	4,226
Total public safety	<u>2,861</u>	<u>21,638</u>	<u>31,255</u>	<u>55,754</u>
Public works:				
Department of Public Works		339	9,285	9,624
Department of Sanitation	17	6,464	1,665	8,146
Department of Property Management		2,832	1,478	4,310
Department Utilities			125	125
Total public works	<u>17</u>	<u>9,635</u>	<u>12,553</u>	<u>22,205</u>
Health and Human Services:				
Department of Health	49	7,955	1,894	9,898
Department of Human Services	160	3,162	408	3,730
Total health and human services	<u>209</u>	<u>11,117</u>	<u>2,302</u>	<u>13,628</u>
Culture and recreation:				
Public Library	478	7,070	1,066	8,614
Cultural Commission		5,582	319	5,901
Department of Recreation	12,524	55,771	2,985	71,280
Total culture and recreation	<u>13,002</u>	<u>68,423</u>	<u>4,370</u>	<u>85,795</u>
Urban development and housing			1,306	1,306
Economic development and assistance			74	74
Total general fixed assets allocated to functions	<u>\$30,716</u>	<u>\$188,511</u>	<u>\$62,612</u>	<u>281,839</u>
Construction in progress				<u>196,743</u>
Total general fixed assets				<u>\$478,582</u>

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT E-3

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
YEAR ENDED 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	\$ 682	\$ 62		\$ 744
The Mayor	5,595	12,223	\$ 68	17,750
Department of Law	143			143
Judicial and Parochial	1,033	1		1,034
Department of Finance	1,346	187		1,533
Unattached boards and commissions	2,247	44	51	2,240
Department of Civil Service	128			128
General services	74			74
General government	<u>79,432</u>			<u>79,432</u>
Total general government	<u>90,680</u>	<u>12,517</u>	<u>119</u>	<u>103,078</u>
Public safety:				
Department of Police	32,328	611	74	32,865
Department of Fire	18,600	63		18,663
Department of Safety and Permits	<u>4,220</u>	<u>6</u>		<u>4,226</u>
Total public safety	<u>55,148</u>	<u>680</u>	<u>74</u>	<u>55,754</u>
Public works:				
Department of Public Works	9,331	317	26	9,622
Department of Sanitation	8,263	10	126	8,147
Department of Property Management	4,246	64		4,310
Department Utilities	<u>112</u>	<u>13</u>		<u>125</u>
Total public works	<u>21,952</u>	<u>404</u>	<u>152</u>	<u>22,204</u>
Health and human services:				
Department of Health	9,631	286	19	9,898
Department of Human Services	<u>3,729</u>	<u>1</u>		<u>3,730</u>
Total health and human services	<u>13,360</u>	<u>287</u>	<u>19</u>	<u>13,628</u>
Culture and recreation:				
Public Library	8,592	22		8,614
Cultural Commission	5,901			5,901
Department of Recreation	<u>70,304</u>	<u>976</u>		<u>71,280</u>
Total culture and recreation	<u>84,797</u>	<u>998</u>		<u>85,795</u>
Urban development and housing	<u>1,289</u>	<u>17</u>		<u>1,306</u>
Economic development and assistance	<u>74</u>			<u>74</u>
Construction in progress	<u>191,894</u>	<u>20,378</u>	<u>15,529</u>	<u>196,743</u>
Total general fixed assets	<u>\$459,194</u>	<u>\$35,281</u>	<u>\$15,893</u>	<u>\$478,582</u>

DEBT SERVICE REQUIREMENTS

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 Bonds	
	Principal	Interest
1999	\$ 23,040	\$ 21,798
2000	22,035	20,728
2001	25,005	19,669
2002	27,695	18,136
2003	29,415	16,431
2004	10,705	14,561
2005	6,480	14,000
2006	6,855	13,656
2007	5,200	13,329
2008	5,460	13,064
2009	5,750	12,796
2010	6,105	12,473
2011	15,224	23,998
2012	16,844	27,240
2013	16,548	27,558
2014	16,320	27,808
2015	16,154	27,998
2016	16,077	28,120
2017	16,100	28,112
2018	16,206	28,040
2019	24,177	27,903
2020	24,778	27,333
2021	25,502	26,616
2022	11,310	25,812
2023	11,269	25,872
2024	11,323	25,834
2025	11,414	25,763
2026	23,575	3,793
2027	21,300	2,444
2028	19,810	1,189
	<u>\$ 487,676</u>	<u>\$ 602,074</u>

COMPONENT UNITS - GOVERNMENTAL FUNDS

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT G-1

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

ASSETS	Downtown Development District	New Orleans Tourism Marketing Corporation	Total	
			1998	1997 (Restated)
Cash	\$ 917	\$ 378	\$1,295	\$1,187
Investments, at cost or amortized cost	4,014		4,014	3,794
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	823	16	839	655
Accrued interest	46		46	73
Due from other governments		412	412	385
Other assets	755	223	978	993
TOTAL ASSETS	\$6,555	\$1,029	\$7,584	\$7,087
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 446	\$ 79	\$ 525	\$ 97
Other payables and accruals	23	32	55	48
Due to primary government	634		634	984
Deferred revenues	651		651	375
Total liabilities	<u>1,754</u>	<u>111</u>	<u>1,865</u>	<u>1,504</u>
Equity and other credits:				
Investment in general fixed assets	716	87	803	780
Fund balance:				
Reserved for capital project	2,425		2,425	29
Unreserved:				
Designated for subsequent year's expenditures	1,650	69	1,719	3,505
Undesignated	10	762	772	1,269
Total fund balances	<u>4,085</u>	<u>831</u>	<u>4,916</u>	<u>4,803</u>
Total equity and other credits	<u>4,801</u>	<u>918</u>	<u>5,719</u>	<u>5,583</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$6,555	\$1,029	\$7,584	\$7,087

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT G-2

**COMPONENT UNITS - GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)**

	Downtown Development District	New Orleans Tourism Marketing Corporation	Total	
			1998	1997 (Restated)
REVENUES:				
Taxes	\$3,763	\$3,912	\$ 7,675	\$ 7,346
Interest income	413	19	432	506
Miscellaneous	301	1,138	1,439	1,000
Total revenues	<u>4,477</u>	<u>5,069</u>	<u>9,546</u>	<u>8,852</u>
EXPENDITURES:				
General government	2,997	1,506	4,503	4,078
Public works	2,254		2,254	1,498
Culture and recreation		3,461	3,461	3,190
Total expenditures	<u>5,251</u>	<u>4,967</u>	<u>10,218</u>	<u>8,766</u>
Excess of revenues over expenditures	(774)	102	(672)	86
Other, net	785		785	14
	11	102	113	100
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED				
	<u>4,074</u>	<u>729</u>	<u>4,803</u>	<u>4,703</u>
FUND BALANCES, END OF YEAR				
	<u>\$4,085</u>	<u>\$ 831</u>	<u>\$ 4,916</u>	<u>\$ 4,803</u>

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COMPONENT UNITS - PROPRIETARY FUNDS

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	\$ 1,523	\$ 654	\$ 4,787	\$ 1,171
Certificates of deposit			13,267	
Investments	1,150		18,541	156,848
Receivables (net of allowances for uncollectibles):				
Property taxes				19
Accounts	404	555	7,281	8,743
Accrued interest		22	186	1,655
Grants				944
Other				1,207
Due from other component units		836		138
Due from primary government			171	200
Inventory of supplies		302	195	5,822
Prepaid expenses and deposits		431	708	335
Total current assets	<u>3,077</u>	<u>2,800</u>	<u>45,136</u>	<u>177,082</u>
Advances to primary government			4,611	
Restricted assets - cash and investments:				
Customer deposits				5,159
Construction account				67,409
Current debt service account		3,007	4,010	
Future debt service account			12,054	8,065
Contingency (renewal and replacement) account			2,014	
Operation and maintenance account			5,874	
Capital improvements		4,137	49,058	59,156
Escrow funds			130	
Health insurance reserve				10,015
Other			1,911	1,816
Total restricted assets		<u>7,144</u>	<u>75,051</u>	<u>151,620</u>
Property, plant and equipment - at cost, less accumulated depreciation	<u>1,197</u>	<u>111,082</u>	<u>366,370</u>	<u>864,270</u>
Other assets		<u>12,603</u>	<u>4,219</u>	<u>3,126</u>
TOTAL ASSETS	<u>\$ 4,274</u>	<u>\$ 133,629</u>	<u>\$ 495,387</u>	<u>\$ 1,196,098</u>

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total	
				1998	1997 (Restated)
\$ 161 959	\$ 258 205	\$ 1,008	\$ 432 1,000	\$ 9,994 15,226 176,744	\$ 9,815 22,147 148,468
56	113	24	496	515 17,176 1,863	131 17,033 2,382
54	138 34		201	1,145 1,399 1,008	643 2,714 139
			927	1,298 6,319 1,487	1,012 5,974 2,359
<u>1,230</u>	<u>748</u>	<u>1,045</u>	<u>3,056</u>	<u>234,174</u>	<u>212,817</u>
<u>405</u>		<u>21</u>		<u>5,037</u>	<u>4,986</u>
	113 261	1,182		5,159 68,704 7,278 20,119	5,198 42,125 8,194 22,386
	1,308 1,423			2,014 7,182 113,774 130	2,041 6,993 103,938 291
<u>801</u>	<u>50</u>			<u>10,015</u> <u>4,578</u>	<u>9,460</u> <u>3,164</u>
<u>801</u>	<u>3,155</u>	<u>1,182</u>		<u>238,953</u>	<u>203,790</u>
<u>4,090</u>	<u>7,099</u>	<u>8,067</u>	<u>8,546</u>	<u>1,370,721</u>	<u>1,348,008</u>
	<u>10</u>	<u>200</u>	<u>4,843</u>	<u>25,001</u>	<u>25,003</u>
<u>\$6,526</u>	<u>\$11,012</u>	<u>\$10,515</u>	<u>\$16,445</u>	<u>\$1,873,886</u>	<u>\$1,794,604</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

COMPONENT UNITS - PROPRIETARY FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

LIABILITIES AND EQUITY	Orleans Parish Communications District	Audubon Commission	New Orleans International Airport	Sewerage and Water Board
Current liabilities (payable from current assets):				
Accounts payable	\$ 5	\$ 4,095	\$ 7,499	\$ 8,866
Retainages payable				1,495
Other payables and accruals		132	1,443	30,233
Due to other component units		836		138
Due to primary government			17	211
Deferred revenues				
Total current liabilities (payable from current assets)	<u>5</u>	<u>5,063</u>	<u>8,959</u>	<u>40,943</u>
Current liabilities (payable from restricted assets):				
Retainages payable				1,726
Capital projects payable			1,741	
Accrued interest		194	1,197	415
Limited tax bonds		1,482		3,370
Bonds payable, current portion			7,730	
Revenue bonds		636		1,235
Deposits and other		300	2,188	5,159
Total current liabilities (payable from restricted assets)		<u>2,612</u>	<u>12,856</u>	<u>11,905</u>
Total current liabilities	<u>5</u>	<u>7,675</u>	<u>21,815</u>	<u>52,848</u>
Long-term liabilities:				
Claims payable				5,743
Loans payable				
Limited tax bonds (net of current portion)		44,781		13,935
Revenue bonds (net of current portion)		13,656		72,185
Less unamortized discounts		(1,429)		
Refunding bonds (net of current portion and unamortized loss on advance refunding)			216,413	
Other		946		
Total long-term liabilities		<u>57,954</u>	<u>216,413</u>	<u>91,863</u>
Total liabilities	<u>5</u>	<u>65,629</u>	<u>238,228</u>	<u>144,711</u>
Equity:				
Contributed capital			194,338	137,333
Net plan assets - Pension Trust Fund				156,613
Retained earnings:				
Reserved for property, plant and equipment				688,616
Reserved for bond debt service			12,184	9,669
Reserved for capital improvements			2,000	59,156
Unreserved	4,269	68,000	48,637	
Total retained earnings	<u>4,269</u>	<u>68,000</u>	<u>62,821</u>	<u>757,441</u>
Total fund equity	<u>4,269</u>	<u>68,000</u>	<u>257,159</u>	<u>1,051,387</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$4,274</u>	<u>\$133,629</u>	<u>\$495,387</u>	<u>\$1,196,098</u>

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total	
				1998	1997 (Restated)
\$ 7	\$ 70	\$ 29	\$ 3	\$ 20,574	\$ 15,467
71	314		8	1,495	2,819
		34		32,201	29,986
	100	282		1,008	139
	11			610	520
				11	20
<u>78</u>	<u>495</u>	<u>345</u>	<u>11</u>	<u>55,899</u>	<u>48,951</u>
		57		1,783	308
	2	17		1,741	2,449
63		155		1,825	1,673
	190			4,852	5,895
		87		7,948	7,203
				2,061	2,730
				7,734	6,545
<u>63</u>	<u>192</u>	<u>316</u>		<u>27,944</u>	<u>26,803</u>
<u>141</u>	<u>687</u>	<u>661</u>	<u>11</u>	<u>83,843</u>	<u>75,754</u>
				5,743	5,024
2,113			6,191	6,191	6,227
	195			60,829	53,543
				86,036	54,283
				(1,429)	(1,619)
		4,974		221,387	221,468
				946	3,835
<u>2,113</u>	<u>195</u>	<u>4,974</u>	<u>6,191</u>	<u>379,703</u>	<u>342,761</u>
<u>2,254</u>	<u>882</u>	<u>5,635</u>	<u>6,202</u>	<u>463,546</u>	<u>418,515</u>
	2,894		8,802	343,367	341,055
				156,613	143,410
				688,616	691,287
599	3,155			25,607	27,295
	1,821			62,977	50,060
<u>3,673</u>	<u>2,260</u>	<u>4,880</u>	<u>1,441</u>	<u>133,160</u>	<u>122,982</u>
<u>4,272</u>	<u>7,236</u>	<u>4,880</u>	<u>1,441</u>	<u>910,360</u>	<u>891,624</u>
<u>4,272</u>	<u>10,130</u>	<u>4,880</u>	<u>10,243</u>	<u>1,410,340</u>	<u>1,376,089</u>
<u>\$6,526</u>	<u>\$11,012</u>	<u>\$10,515</u>	<u>\$16,445</u>	<u>\$1,873,886</u>	<u>\$1,794,604</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		\$ 21,461	\$ 49,755	\$ 93,885
Tax revenues				32,120
Other		997		
Total operating revenues		22,458	49,755	126,005
Operating expenses:				
Personal services	\$ 131	11,916	12,533	33,233
Contractual services	959	11,199	17,408	55,164
Materials and supplies	34		1,438	
Depreciation and amortization	396	4,990	21,512	26,849
Other	137			8,037
Total operating expenses	1,657	28,105	52,891	123,283
Operating income (loss)	(1,657)	(5,647)	(3,136)	2,722
Nonoperating revenues (expenses):				
Interest revenue	118	1,645	5,419	5,878
Interest expense		(3,923)	(14,805)	(2,858)
Dedicated taxes	2,371	6,490		20
Specific grants - The Audubon Institute, Inc.		1,677		
Other - net	(14)	904	11,292	2,710
Unrealized gain				
Total nonoperating revenues (expenses)	2,475	6,793	1,906	5,750
Income (loss) before transfers	818	1,146	(1,230)	8,472
Transfer out to primary government				
Net income (loss)	818	1,146	(1,230)	8,472
Depreciation on fixed assets acquired by contributions			8,948	
Increase (decrease) in retained earnings	818	1,146	7,718	8,472
Retained earnings, beginning of year, as restated	3,451	66,854	55,103	748,969
Retained earnings, end of year	\$ 4,269	\$ 68,000	\$ 62,821	\$ 757,441

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total	
				1998	1997 (Restated)
\$1,149	\$5,036	\$1,046	\$ 1,072	\$173,404	\$173,623
	714	11	53	32,120	30,217
<u>1,149</u>	<u>5,750</u>	<u>1,057</u>	<u>1,125</u>	<u>1,775</u>	<u>1,453</u>
				<u>207,299</u>	<u>205,293</u>
415	1,364	77	117	59,786	62,135
256	2,684	458		88,128	88,303
28	244	6	3	1,753	5,741
113	574	244	218	54,896	49,973
<u>10</u>	<u>32</u>	<u>20</u>	<u>109</u>	<u>8,345</u>	<u>8,438</u>
<u>822</u>	<u>4,898</u>	<u>805</u>	<u>447</u>	<u>212,908</u>	<u>214,590</u>
<u>327</u>	<u>852</u>	<u>252</u>	<u>678</u>	<u>(5,609)</u>	<u>(9,297)</u>
37	163	63		13,323	15,476
(136)	(28)	(187)	(345)	(22,282)	(22,205)
				8,881	8,094
		(194)		1,677	2,691
				14,698	12,188
					65
<u>(99)</u>	<u>135</u>	<u>(318)</u>	<u>(345)</u>	<u>16,297</u>	<u>16,309</u>
228	987	(66)	333	10,688	7,012
	(900)			(900)	
<u>228</u>	<u>87</u>	<u>(66)</u>	<u>333</u>	<u>9,788</u>	<u>7,012</u>
				<u>8,948</u>	<u>6,634</u>
228	87	(66)	333	18,736	13,646
<u>4,044</u>	<u>7,149</u>	<u>4,946</u>	<u>1,108</u>	<u>891,624</u>	<u>877,978</u>
<u>\$4,272</u>	<u>\$7,236</u>	<u>\$4,880</u>	<u>\$ 1,441</u>	<u>\$910,360</u>	<u>\$891,624</u>

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)	\$ (1,657)	\$ (5,647)	\$ (3,136)	\$ 2,722
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	396	4,990	21,512	26,849
Loss on disposal of property				7,200
Provision for claims				837
Provision for doubtful accounts			(853)	
Decrease (increase) in current assets:				
Taxes receivable				112
Accounts receivable	(344)	143	1,188	
Other receivables	71			(1,347)
Due from other funds				
Due from primary government			(42)	
Inventory				(426)
Prepaid expenses and deposits			578	180
Other assets				
Increase (decrease) in current liabilities				
(Decrease) increase in capital projects payable			(708)	39
Accounts payable	(24)	280	4,461	
Other payables and accruals	(36)		249	
Due to other funds				
Due to primary government				
Advances from other funds, net	(119)			
Deferred revenues				
Increase in inventory of materials and supplies			31	(5,559)
Other	162		(287)	
(Decrease) increase in accrued salary/compensation			114	(221)
Net cash provided by (used for) operating activities	<u>(1,551)</u>	<u>(234)</u>	<u>23,107</u>	<u>30,386</u>
Cash flows from noncapital financing activities:				
Advances from primary government				
Payment of loans payable			(200)	
Residual equity transfers				
Other revenues	104			2,710
Dedicated taxes	2,371			
Net cash provided by (used for) noncapital financing activities	<u>2,475</u>	<u></u>	<u>(200)</u>	<u>2,710</u>

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total	
				1998	1997
\$ 327	\$ 852	\$ 252	\$ 678	\$ (5,609)	\$ (9,297)
113	574	244	218	54,896	49,973
				-	10
				7,200	7,154
	33			17	922
				112	28
(17)	7		164	1,141	2,484
170			183	(923)	(602)
				-	(66)
			(430)	(472)	104
				(426)	382
	6	3		767	(541)
(1)	(1)	103		101	333
		82		(587)	(2,066)
7	(4)		(91)	4,629	(1,164)
(32)	23		(1)	203	34
	50			50	19
		200		200	(76)
				(119)	-
	(4)			(4)	(11)
				(5,528)	27
		(6)		(131)	(6,871)
				(107)	643
<u>567</u>	<u>1,536</u>	<u>878</u>	<u>721</u>	<u>55,410</u>	<u>41,419</u>
		(194)		(394)	(200)
					(166)
				2,814	58
				<u>2,371</u>	<u>4,068</u>
		(194)		<u>4,791</u>	<u>3,760</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

COMPONENT UNIT - PROPRIETARY FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 1998 (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	\$ (19)	\$ (6,757)	\$ (21,205)	\$ (47,584)
Decrease (increase) in restricted assets		2,474		
(Increase) decrease in restricted liabilities		(146)		
Proceeds from property taxes dedicated to construction		6,490		20
Principal payments on bonds payable		(1,400)	(5,695)	(7,055)
Capital contributed by federal and state grants		201	6,788	4,655
Interest paid on bonds payable		(3,551)	(13,517)	(2,689)
Grants from Audubon Institute		1,677		
Proceeds from issuance of bonds				51,000
Bond defeasance				
Bond issuance costs			(127)	(347)
Passenger facilities charges collected			12,233	
Other		(120)		
Net cash used for capital and related financing activities	<u>(19)</u>	<u>(1,132)</u>	<u>(21,523)</u>	<u>(2,000)</u>
Cash flows from investing activities:				
Payments for purchase of investments	(1,450)			(356,899)
Proceeds from sale and maturities of investments	450		50,618	318,905
Interest and dividends on investments		1,681	5,882	7,243
Net cash provided by (used for) investing activities	<u>(1,000)</u>	<u>1,681</u>	<u>56,500</u>	<u>(30,751)</u>
Net increase (decrease) in cash	(95)	315	57,884	345
Cash and cash equivalents, beginning of year	<u>1,618</u>	<u>339</u>	<u>26,449</u>	<u>1,060</u>
Cash and cash equivalents, end of year	<u>\$ 1,523</u>	<u>\$ 654</u>	<u>\$ 84,333</u>	<u>\$ 1,405</u>

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total	
				1998	1997
\$ (4) 74	\$ (42)	\$ (215) (123)	\$ (260)	\$ (76,086) 2,425	\$ (85,876) 1,688
				(146)	
(130)	(170)	(145)	(183)	6,510 (14,778)	6,078 (28,185)
(136)	(27)	(183)	(344)	11,644 (20,447)	14,276 (18,227)
			148	1,677 51,148	2,691 85,378
				(474)	(1,149)
				12,233 (120)	11,379 (26,102)
<u>(196)</u>	<u>(239)</u>	<u>(666)</u>	<u>(639)</u>	<u>(26,414)</u>	<u>(54,097)</u>
	(5,778)			(364,127)	(259,561)
<u>37</u>	<u>4,206</u> <u>162</u>	<u>63</u>		<u>374,179</u> <u>15,068</u>	<u>257,707</u> <u>15,100</u>
<u>37</u>	<u>(1,410)</u>	<u>63</u>		<u>25,120</u>	<u>13,246</u>
408	(113)	81	82	58,907	4,328
<u>712</u>	<u>371</u>	<u>927</u>	<u>1,350</u>	<u>32,826</u>	<u>28,498</u>
<u>\$ 1,120</u>	<u>\$ 258</u>	<u>\$ 1,008</u>	<u>\$ 1,432</u>	<u>\$ 91,733</u>	<u>\$ 32,826</u>

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**REQUIRED SUPPLEMENTAL
SCHEDULE (UNAUDITED)**

CITY OF NEW ORLEANS, LOUISIANA

YEAR 2000 INFORMATION (UNAUDITED)

YEAR ENDED DECEMBER 31, 1998 (AMOUNTS IN THOUSANDS)

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as the fiscal year 1999.

The City of New Orleans has completed an inventory of its computer systems that may be affected by the year 2000 issue and that are necessary to conducting City operations. The City identified the following systems requiring year 2000 mediation.

- *Mainframe infrastructure.* The mainframe infrastructure, hardware and systems software, has been completely remediated and placed into production. The hardware has been replaced, and all system software has been brought to the levels required for year 2000 compliance.
- *Networking Infrastructure.* The City of New Orleans' network infrastructure was remediated to be year 2000 compliant. The system is currently in use.
- *Financial Management System.* The City of New Orleans' financial management has been completely remediated. The system was replaced with AMS' Advantage Financial Management System in September of 1995. It was updated in September of 1997 to make it year 2000 ready.
- *Human Resources System.* A year 2000 compliant human resource system was placed into production on April 6, 1999. The software implemented was AMS' Advantage Human Resources System.
- *Revenue and Tax Collection Systems.* These systems were remediated and are in the testing and validation phases. It is planned that these systems will be placed into production in July 1999.
- *Assessor System.* This system has been assessed and is in remediation. It should be tested, validated and into production by the end of the second quarter, 1999.
- *911 Police/Fire/EMS Dispatch System.* This system is a turnkey system from De Le Rue Printrack. The year 2000 ready version of the hardware and software is being placed into production during the month of June 1999.
- *Cashiering System.* The Finance Department's cashiering system will be replaced with a remediated system by the vendor in July of 1999.
- *Safety and Permits System.* This system was completely year 2000 compliant when developed and is in production.
- *Traffic Court.* The Traffic Court's case management system running on a IBM AS/400 has been updated in May of 1999 to be year 2000 compliant. This includes the hardware, system software, and application software.
- *Imaging Systems.* The City of New Orleans operates two imaging systems. One at City Hall and one at NOPD Headquarters. Both of these systems were remediated in the third quarter of 1998.
- *Public Safety Radio System.* General Electric is being contracted to provide the update for the Public Safety's 800 trunked radio system. This system should be remediated during the third quarter of 1999.
- *NOPD System(s).* These systems have been assessed and are in varying stages of remediation. All have been assessed, some have been completed and placed into production, others are being remediated, and yet others are being tested and validated. This process will continue through the third quarter of 1999. As the systems are completed, they will be moved into production. All remediation should be completed by the end of the third quarter.

Because of the uncertainty of the year 2000 issues, the process of assessing, remediating, testing and validating will continue through the end of the year 2000. It is critical that the City continue to monitor and respond to issues that may surface from now to January 1, 2001.

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STATISTICAL SECTION
(Unaudited)

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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
1989	\$ 83,556	\$ 108,343	\$ 48,271	\$ 13,423
1990	79,698	123,643	55,245	15,686
1991	120,965	136,514	58,018	14,521
1992	92,515	152,717	57,205	16,739
1993	86,034	135,640	55,549	17,053
1994	95,321	135,634	57,694	14,610
1995	121,827	135,702	62,396	12,946
1996	118,622	138,800	49,740	14,301
1997	142,853	155,604	56,139	15,124
1998	129,525	155,123	53,033	12,699

(1) General government expenditures include other financing uses.

TABLE 1

Culture and Recreation	Urban Development and Housing	Economic Development and Assistance	Debt Service	Total
\$ 13,687	\$ 13,815	\$ 9,628	\$ 52,224	\$ 342,947
15,384	15,156	11,427	51,534	367,773
16,384	1,050	-	25,064	372,516
18,707	222	-	36,128	374,233
17,145	2	-	45,539	356,962
17,505	2	-	44,796	365,562
18,838	245	-	40,759	392,713
17,869	336	-	45,509	385,177
21,648	166	-	47,040	438,574
20,571	205	-	49,699	420,855

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
1989	\$ 148,674	\$ 31,950	\$ 42,318	\$ 46,945	\$ 10,506
1990	171,324	31,752	50,370	33,520	9,684
1991	173,750	31,284	17,731	35,908	8,869
1992	183,234	32,591	20,630	37,434	11,682
1993	186,842	34,464	21,546	37,723	10,326
1994	187,327	33,150	18,245	39,637	10,856
1995	194,735	35,296	18,825	43,555	10,430
1996	199,355	34,639	17,038	41,778	10,498
1997	202,828	44,462	17,547	44,690	12,957
1998	214,612	55,166	18,407	43,170	11,514

(1) Other financing sources are included as miscellaneous revenues.

TABLE 2

Interest Income	Contributions, Gifts and Donations	Miscellaneous (1)	Debt Service	Total
\$ 18,290	\$ 259	\$ 3,211	\$ 52,406	\$ 354,559
13,455	299	19,077	53,377	382,858
9,487	322	56,181	49,612	383,144
6,568	292	60,619	40,357	393,407
6,765	16,047	7,907	35,075	356,695
4,257	30,724	22,545	35,675	382,416
7,284	6,612	34,082	36,782	387,601
8,089	484	21,603	39,578	373,062
10,406	589	44,780	40,787	419,046
8,811	6,613	33,493	43,048	434,834

CITY OF NEW ORLEANS, LOUISIANA

GENERAL AND DEBT 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
1989	\$ 79,993	\$ 107,789	\$ 46,618	\$ 13,321
1990	76,205	122,299	56,897	15,602
1991	120,815	135,425	55,633	14,354
1992	93,929	152,499	59,345	17,202
1993	81,627	134,272	57,053	17,019
1994	90,076	134,566	53,692	14,606
1995	101,508	135,374	55,686	12,570
1996	103,316	138,257	52,848	14,682
1997	122,846	157,019	59,333	15,074
1998	131,544	154,299	53,744	12,414

(1) General government expenditures include other financing uses.

TABLE 3

Culture and Recreation	Urban Development and Housing	Economic Development and Assistance	Debt Service	Total
\$ 13,695	\$ 13,815	\$ 9,628	\$ 52,224	\$ 337,083
15,378	15,151	11,427	51,534	364,493
16,397	1,171	-	25,064	368,859
18,795	245	-	36,128	378,143
17,012	-	-	45,539	352,522
17,469	4	-	44,796	355,209
18,714	223	-	40,759	364,834
17,824	358	-	45,509	372,794
21,850	166	-	47,040	423,328
20,381	176	-	49,699	422,257

CITY OF NEW ORLEANS, LOUISIANA

GENERAL AND DEBT 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 Forfeits
1989	\$ 148,674	\$ 31,950	\$ 42,305	\$ 46,940	\$ 10,506
1990	171,855	31,752	50,472	33,837	9,684
1991	173,616	31,284	17,678	35,908	8,869
1992	184,101	32,591	20,487	37,666	11,682
1993	187,341	34,464	21,546	37,760	10,326
1994	186,702	33,150	18,227	39,637	10,856
1995	195,076	35,296	18,572	43,555	10,430
1996	199,417	34,639	17,590	41,778	10,498
1997	203,088	44,462	16,927	44,717	12,957
1998	212,721	55,166	18,514	43,174	11,515

(1) Other financing sources are included as miscellaneous revenues.

TABLE 4

Interest Income	Contributions, Gifts and Donations	Miscellaneous (1)	Debt Service	Total
\$ 18,290	\$ 259	\$ 2,444	\$ 52,406	\$ 353,774
13,455	299	3,134	53,377	367,865
9,487	322	41,985	49,612	368,761
6,568	292	37,421	40,357	371,165
6,765	16,047	7,472	35,075	356,796
4,257	30,742	21,896	35,675	381,142
7,284	6,612	20,208	36,782	373,815
8,067	484	22,916	39,578	374,967
10,406	588	23,710	40,787	397,642
8,811	6,614	27,451	43,048	427,014

CITY OF NEW ORLEANS, LOUISIANA

TABLE 5

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

Fiscal Year	Total Levied	Collected through December 31, 1998		Balance Outstanding at December 31, 1998		Collected During 1998
		Amount	Percent	Amount	Percent	
Real estate taxes:						
1989	\$ 148,683	\$ 147,079	98.92	\$ 1,604	1.08	\$ 143
1990	144,620	142,655	98.64	1,965	1.36	156
1991	158,047	155,666	98.49	2,381	1.51	209
1992	153,070	150,520	98.33	2,550	1.67	245
1993	149,627	146,912	98.19	2,715	1.81	276
1994	146,451	143,630	98.07	2,821	1.93	261
1995	145,005	141,379	97.50	3,626	2.50	415
1996	155,297	148,102	95.37	7,195	4.63	2,207
1997	157,517	141,694	89.95	15,823	10.05	7,269
1998	163,715	151,301	92.42	12,414	7.58	151,301
Personal property taxes:						
1989	\$ 62,583	\$ 55,994	89.47	\$ 6,589	10.53	\$ -
1990	70,248	64,692	92.09	5,556	7.91	-
1991	74,939	69,793	93.13	5,146	6.87	289
1992	75,053	70,003	93.27	5,050	6.73	288
1993	72,866	67,836	93.10	5,030	6.90	409
1994	74,955	70,749	94.39	4,206	5.61	258
1995	79,258	74,252	93.68	5,006	6.32	723
1996	85,538	74,365	86.94	11,173	13.06	2,929
1997	88,126	77,992	88.50	10,134	11.50	3,940
1998	94,777	83,357	87.95	11,420	12.05	83,357

CITY OF NEW ORLEANS, LOUISIANA

TABLE 6

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (UNAUDITED, 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	
1989	\$1,001,889	\$8,587,595	\$430,802	\$2,872,013	\$1,432,691	\$11,459,608	12.5
1990	992,145	8,504,076	492,316	3,282,107	1,484,461	11,786,183	12.6
1991	1,001,971	8,588,298	485,333	3,235,553	1,487,304	11,823,851	12.6
1992	938,752	8,020,709	468,707	3,124,713	1,407,459	11,145,422	12.6
1993	918,234	7,870,555	456,806	3,045,373	1,375,040	10,915,928	12.6
1994	894,733	7,669,118	467,805	3,118,700	1,362,538	10,787,818	12.6
1995	885,899	7,593,398	467,699	3,117,993	1,353,598	10,711,391	12.6
1996	948,777	8,132,351	533,425	3,556,167	1,482,202	11,688,518	12.7
1997	960,554	8,233,296	548,893	3,659,287	1,509,447	11,892,583	12.7
1998	977,783	8,380,973	578,512	3,856,747	1,556,295	12,237,720	12.7

(1) Amounts are net of the homestead exemption.

CITY OF NEW ORLEANS, LOUISIANA

**TABLE 7
Page 1 of 4**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED, NUMBER OF MILLS)**

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Direct Property Tax Rates										
City alimony, Sec. 15 Act 4 of 1916; Art. XIV Sec. 24 Const. 1921 Act 151 of 1962	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.01	14.01	14.01
Interest and redemption city bond, Sec. 15, Act 4 of 1916 (Amended Act 575 of 1966)	26.90	26.90	26.90	26.90	26.90	26.90	26.90	35.30	35.30	37.90
Special tax for sewerage, water and drainage, Act 197 of 1938 and Act 626 of 1960, Art. XIV, Sec. 23.1, 23.4-23.12 Const. 1921				-	-	-	-	4.00	4.00	4.00
Special tax for maintenance, operations and extension of the drainage system, Act 565 of 1966, Art. XIV, Sec. 23.2 Const. 1921 and Art VI, Sec. 22.36 and 32 Const. 1974.1 and Art. VII, Sec. 23, 1974 Const. LSA R.S. 47:1705 (B)	22.59	22.59	22.59	22.59	22.59	22.59	22.59	21.23	21.23	21.23
Special tax for establishing and maintaining a zoological garden in Audubon Park, Art. X Sec. 10 and Sec. 801 of Title 39 Louisiana Const. 1972 approved by voters in a referendum November 1972	.44	.44	.44	.44	.44	.44	.44	.41	.41	.41
Special dedicated tax to operate the Public Library Act VII, Part II Sec. 23 of Louisiana Const. 1974, LSA R.S. 47:1705(B) approved by voters in November 1986	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.06	4.06	4.06

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

TABLE 7
Page 2 of 4

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED, NUMBER OF MILLS)

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Special tax dedicated to maintenance of double platoon Fire Department and triple platoon Police Department, Act 7 of 1920 Art. XIV, Sec. 25, Const. 1921	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.01	4.01	4.01
Special tax (additional) for increase in pay to officers and members of Police and Fire Department, Act 260 of 1928, Art. XIV, Sec. 25, Const. 1921	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.00	2.00	2.00
Special tax to establish and maintain an aquarium by the Audubon Commission Act. VII, Part II Sec. 23, of La. Const. 1974. LSA R-5, 47:1705(B) approved by the voters in November 1986	4.11	4.11	4.11	4.11	4.11	4.11	4.11	3.86	3.86	3.86
Special tax, Police without Homestead Exemption: additional millages for police protection, Act 1103 of 1990; Art. VII, Sec. 23	5.26	5.26	5.26	5.26	5.26	5.26	5.26	5.00	-	-
Special tax, Fire without Homestead Exemption: additional millages for fire protection, Act 1103 of 1990; Art. VII, Sec. 23	5.21	5.21	5.21	5.21	5.21	5.21	5.21	4.00	-	-
Special tax, Neighborhood Housing Improvement	1.25	1.25	1.25	2.50	2.50	2.50	2.50	-	-	-

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

TABLE 7
Page 3 of 4

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED, NUMBER OF MILLS)

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Capital improvements & Infrastructure Trust Fund	2.50	2.50	2.50	-	-	-	-	-	-	-
Special tax, New Orleans Economic Development Fund	1.25	1.25	1.25	2.50	2.50	2.50	2.50	-	-	-
Special tax, Parkways and Park and Recreation Department	3.00	3.00	3.00	3.00	3.00	3.00	3.00	-	-	-
Special tax, Street and Traffic Control Device Maintenance	<u>1.90</u>	<u>1.90</u>	<u>1.90</u>	<u>1.90</u>	<u>1.90</u>	<u>1.90</u>	<u>1.90</u>	-	-	-
Total direct property tax rates	<u>100.04</u>	<u>100.04</u>	<u>100.04</u>	<u>100.04</u>	<u>100.04</u>	<u>100.04</u>	<u>100.04</u>	<u>97.88</u>	<u>88.88</u>	<u>91.48</u>
Overlapping Property Tax Rates										
Special tax to provide funds for Board of Assessors according to Sec. 1925.1, 1925.2A title 47 La. revised statute Act 450, 1986	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.12	1.12	1.12
Special tax, Orleans Parish Levee Board for support, maintenance and construction of levees and levee drainage as authorized by Act 6, Sec. 39, Const. 1974	5.85	5.85	5.85	5.85	5.85	5.13	5.85	5.13	5.13	5.13
Special tax, Orleans Parish Levee Board, for support, maintenance and construction of levees and levee drainage Art. XVI, Sec. 2 Const. 1921 amended, ratified Art. 6, Sec.31 of the 1974 Const.	6.16	6.16	6.16	6.16	6.16	6.16	6.16	6.16	6.16	6.16

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

**TABLE 7
Page 4 of 4**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED, NUMBER OF MILLS)**

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
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, Art. XII, Sec. 16 Const. 1921 Act 264 of 1926; Act 751 of 1964	48.80	45.40	45.10	45.10	45.10	45.10	45.10	42.39	42.39	42.39
Special tax, Law Enforcement District of Orleans Parish, LRS 33:90001-9010	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>2.90</u>	<u>2.80</u>	<u>-</u>	<u>-</u>
Total overlapping property tax rates	<u>65.00</u>	<u>61.60</u>	<u>61.30</u>	<u>61.30</u>	<u>61.30</u>	<u>60.58</u>	<u>61.20</u>	<u>57.60</u>	<u>54.80</u>	<u>54.80</u>
Total	<u>165.04</u>	<u>161.64</u>	<u>161.34</u>	<u>161.34</u>	<u>161.34</u>	<u>160.62</u>	<u>161.24</u>	<u>155.48</u>	<u>143.68</u>	<u>146.28</u>

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

(Concluded)

CITY OF NEW ORLEANS, LOUISIANA

TABLE 8

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 1998 (UNAUDITED, AMOUNTS IN THOUSANDS)**

Assessed value	\$1,969,443
Debt limitation - 35% of total assessed value*	<u>689,305</u>
Amount of debt applicable to debt limitation:	
General obligation bonds	474,421
Limited tax bonds	<u>13,255</u>
	487,676
Less assets in debt service fund available for retirement of general obligation bonds	<u>33,362</u>
Total amount of debt applicable to debt limit	<u>454,314</u>
Legal debt margin	<u>\$ 234,991</u>

*Per Act 4 of 1916 of the Legislature of the State of Louisiana, as amended by Act 576 of 1966, as amended by Act 420 of 1978, as amended by Act 159 of 1984, as amended by Act 1 of 1994.

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 (1)
1989	557	\$1,918,620	\$390,523	20.35	701
1990	497	1,918,540	368,610	19.21	742
1991	497	1,896,329	383,721	20.24	772
1992	497	1,802,997	442,142	24.52	890
1993	497	1,770,985	429,243	24.24	864
1994	497	1,786,595	415,625	23.26	836
1995	497	1,784,739	432,261	24.22	870
1996	497	1,914,889	414,711	21.66	834
1997	497	1,969,443	448,081	22.76	901
1998	497	1,969,443	474,421	24.09	955

*Per 1980 and 1990 U.S. Census.

(1) Bonded debt per capita not in thousands.

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
1989	\$20,501	\$28,954	\$49,455	\$342,947	14.42
1990	21,913	27,509	49,422	367,773	13.44
1991	8,628	14,807	23,435	372,516	6.29
1992	11,580	21,153	32,733	374,233	8.75
1993	12,614	22,969	35,583	356,962	9.97
1994	13,618	21,966	35,584	365,562	9.73
1995	11,538	17,307	28,845	392,713	7.35
1996	17,550	20,718	38,268	372,441	10.27
1997	17,870	21,600	39,470	415,593	9.49
1998	17,245	23,077	40,322	418,640	9.63

(1) Includes general and debt service funds only.

CITY OF NEW ORLEANS, LOUISIANA

TABLE 11

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 1998 (UNAUDITED, AMOUNTS IN THOUSANDS)**

	Bonded Debt	Percentage Overlapping	Overlapping Debt
City of New Orleans:			
General obligation and limited tax bonds	\$ 487,676	100 %	\$ 487,676
Sewerage and Water Board	90,725	100	90,725
Audubon Commission	<u>60,555</u>	100	<u>60,555</u>
Total direct City debt	<u>638,956</u>		<u>638,956</u>
Overlapping debt:			
Orleans Parish School Board (1)	365,476	100	365,476
Orleans Levee District (1)	<u>121,661</u>	100	<u>121,661</u>
Total overlapping debt	<u>487,137</u>		<u>487,137</u>
Total direct and overlapping debt	<u>\$1,126,093</u>		<u>\$1,126,093</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, 1998 financial information.

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 Permits	Residential Valuation	Nonresidential Permits	Nonresidential Valuation
1989	\$8,587,595	\$2,872,013	\$11,459,608	2,993	\$58,760	996	\$36,956
1990	8,504,076	3,282,107	11,786,183	3,118	97,043	870	80,671
1991	8,588,298	3,235,553	11,823,851	3,413	55,707	892	96,701
1992	8,020,709	3,124,713	11,145,422	10,203	54,735	1,241	90,768
1993	7,870,555	3,045,373	10,915,928	11,358	99,151	3,039	90,433
1994	7,669,118	3,118,700	10,787,818	2,993	98,675	824	131,997
1995	7,593,398	3,117,993	10,711,391	2,595	105,590	604	39,063
1996	8,132,351	3,556,167	11,688,518	2,163	79,469	365	175,218
1997	8,233,296	3,659,287	11,892,583	2,131	62,761	1,501	123,250
1998	8,380,973	3,856,747	12,237,720	1,962	104,227	339	146,053

Source: Department of Safety and Permits.

TABLE 12

Commercial		Industrial	
Permits	Valuation	Permits	Valuation
759	\$105,362	96	\$21,575
591	46,236	64	12,278
730	43,716	53	20,922
1,033	77,116	2	8,340
233	70,176	1	6,887
904	77,500	20	5,700
627	219,679	47	22,548
160	28,921	8	846
900	97,325	18	1,163
184	49,028	2	11,796

CITY OF NEW ORLEANS, LOUISIANA

TABLE 13

PRINCIPAL TAXPAYERS
 DECEMBER 31, 1998 (UNAUDITED, AMOUNTS IN THOUSANDS)

Name of Taxpayer	Type of Business	1998 Assessed Value	Percentage of Total Assessed Value
BellSouth Telecommunications	Telephone utilities	\$ 67,511	3.60 %
Entergy Services	Electric and gas utilities	78,571	4.19
Hibernia National Bank	Financial institution	23,794	1.27
First NBC	Financial institution	29,679	1.58
Whitney National Bank	Financial institution	22,377	1.19
AT&T Communications	Telecommunications	16,725	0.89
Metropolitan Life Insurance	Insurance	16,195	0.86
Tenetsub (Mercy & Baptist Hospitals)	Medical complex	12,603	0.67
Marriot Hotel Properties	Hotel	13,343	0.71
University Health Care System	Medical complex	<u>12,409</u>	<u>0.66</u>
		<u>\$ 293,207</u>	<u>15.62 %</u>

DEMOGRAPHICAL AND MISCELLANEOUS STATISTICS
(UNAUDITED)

Location:

Southcentral Louisiana between Lake Pontchartrain and the Mississippi River

Size:

363.5 square miles, with 199.4 square miles (54%) of land

Population:

496,938 (1990 U.S. Census)

Climate:

Average winter temperature (October - March) 59.8 degrees; average summer temperature (April - September) 77.4 degrees; annual average humidity - 63%; annual average rainfall - 53.9 inches

Public Safety:

Department of Police
Police districts - 8
Budgeted positions - 2,016.75

Department of Fire
Fire districts - 6
Budgeted positions - 865

Public Works:

Developed expressways	35	miles
Paved roadways with curbs, gutters and subsurface drainage	1,067	miles
Asphalt center strip roadways with some related subsurface drainage	355	miles
Temporary surfaces, roadways	273	miles
Unopened or undeveloped streets	29	miles
Total	<u>1,759</u>	miles

Budgeted positions - 426

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
Acreage	425
Associated agencies' acreage	4,691
Municipal golf courses	7
Budgeted positions	247

Source: City Records.

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

*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, 1998, and have issued our report thereon dated June 25, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting 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. Reportable conditions are described in detail in the attached appendix.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the attached appendix, we consider item No. 98-1 to be a material weakness.

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 over financial reporting that we will report to the management of the City in a separate letter dated June 25, 1999.

This report is intended solely for the information and use of the Audit Committee, management, the State of Louisiana Legislative Auditor and officials of the applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 25, 1999

CITY OF NEW ORLEANS

APPENDIX

MATERIAL WEAKNESS

COMMENT 98-1

FIXED ASSET INVENTORY

Observation

The City of New Orleans (the "City") has not performed an inventory of its significant fixed assets for a number of years to confirm additions and deletions. In the current year, the City implemented a new Fixed Asset Management System in AFIN Advantage 2.0. During the conversion from the previous fixed asset system to the new system, a complete listing of prior assets owned, current year additions, and current year deletions were not added to this new system. This failure in the conversion process precluded the City from producing a complete listing of all assets owned as of December 31, 1998. During the conversion, a key fixed asset accountant had taken a leave of absence; however, management did not reassign that employee's duties to any other accountant. Since these duties were not reassigned during the year, the difficulties in the conversion process discussed herein resulted. Without an accurate detail of all fixed assets owned, the City has experienced difficulties relating to fixed asset management, recording additions and disposals, and safeguarding its assets.

This situation will become more critical due to the issuance of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which will require the addition of infrastructure capital assets including bridges and roads. The implementation of this statement will require the City to engage a specialist to determine these amounts. This statement will be effective for the City in the fiscal year ending December 31, 2002.

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). Since there has been a system conversion in the current year, all assets should be counted during the initial year when implementing this procedure. Also, controls should be established to reconcile the system's fixed asset amounts to a sub ledger that should detail each item by identifiable asset numbers on at least a quarterly basis.

Management Response

We agree that the City experienced various problems with the conversion of fixed assets. This included the fact that two of the senior consultants left and the City did not have sufficient funds to pay for additional support for this function. One senior accountant was on extended sick leave; however, his assignments were reassigned. The City will proceed to coordinate with MIS, Purchasing, Accounting and AMS consultants to make this documentation of additions or deletions on the new system by end of year 2000.

Completion Date

Ongoing

Contact

Wayne DeLarge, Comptroller

Earl Kilbride, MIS Director

Juanita Barrow, Assistant Purchasing Agent

REPORTABLE CONDITIONS

COMMENT 98-2

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 \$4,900,000 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 to the general purpose 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.

Management's Response

The City of New Orleans' Advantage Financial System (AFIN) does maintain a detail of accounts payable for all funds. The system produces several reports, specifically the A661 (Scheduled Payment Voucher Report) which list the detail of all vouchers that have updated the funds vouchers payment account.

However, it may be necessary to develop a procedure to manually account for outstanding capital invoices related to prior year that are submitted to finance for payment in the subsequent year. A year end cut-off procedure is in effect which requests all agencies to submit payment request for goods and services received in the current year to the Finance Department for timely input to the financial system. The City and AMS will develop a procedure to account for such outstanding accounts for 1999.

Completion Date

April 2000

Contact

Calvin Aguiard, Accountant

COMMENT 98-3

CASH-BANK RECONCILIATIONS

Observations

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.

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 reconciliations 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 deposits and recorded deposits, 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.

Management's Response

The City is just going through the process of implementation of a cash management module developed by AMS. Policies and procedures regarding cash deposit points and bank reconciliations are being reviewed by Liberty Bank and Bruno and Tervalon. The consultants are also reviewing the various cash deposit points of the City to streamline and improve efficiency in this process. This process should be completed by April 1999.

Completion Date

June 2000

Contact

Richard Brune, Bureau Chief of Treasury

COMMENT 98-4

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Observation

The City's Charter provides that expenditures may not legally exceed appropriations either at a departmental level or at the principal object in satisfaction with the ordinance. The clean-up ordinance for fiscal 1998 for expenditures and revenues was introduced at the end of December 1998; however, the amended ordinance was not approved and adopted until end of May 1999. Some departmental budget overruns occurred in 1998 and were included in the clean-up amendment. Controls built into the GFS system to prevent expenditures in excess of budget are circumvented by changing the budget amounts prior to the council approving the budget amendments.

Historically, the clean-up ordinance is introduced at the end of a fiscal year and approved during the first quarter after providing a reconciliation of all accrued revenues and expenditures. Subsequently, after reviewing which expenditures and revenues should be accrued, amendments are prepared to be included within the clean-up ordinance. The ordinance is generally adopted and approved by March 31.

Recommendation

The City should review its budget monitoring system that could aid in detecting budgetary problem areas earlier in the year and allow the City more time to react to problems noted. Such a system should include a continuous review of current budget as compared to projected expenditures to the end of the fiscal year. Budget overruns identified prior to year end should be resolved at that time through budget amendments. The clean-up ordinance should only be used to cover year end accruals. Budget amendments which cover all accrued revenues and expenditures should be completed no later than March 31.

Management's Response

The City will provide reports and updates to the Council regarding expenditures and revenues to be accrued. The City is committed to complete the clean-up ordinance by March 31 of each year.

Completion Date

March 2000

Contact

Marlin Gusman, Council Administrative Officer

Deloitte & Touche



Deloitte & Touche LLP

Suite 3700
One Shell Square
701 Poydras Street
New Orleans, Louisiana 70139-3700

Telephone: (504) 581-2727

Facsimile: (504) 561-7293

June 25, 1999

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, 1998 (on which we have issued our report dated June 25, 1999), we developed the following recommendations concerning certain matters related to its internal control 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, together with a corrective action plan, and should be read in conjunction with this letter. Our comments are presented in Exhibit I and are listed in the table of contents thereto. See also "Status of the 1997 Recommendations" on pages 20 through 22.

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 solely for the information and use of the audit committee, management, the State of Louisiana Legislative Auditor, and officials of applicable federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

CITY OF NEW ORLEANS

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EXHIBIT I

INTERNAL CONTROL STRUCTURE

GENERAL AND POLICE LITIGATION RESERVES

Observation

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 "NA," the "NA" signifying that the attorney does not have enough information on the claim to determine a best estimate.

The data that the City compiles and provides to the actuaries 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.

Management's Response

We concur with the auditor's recommendations and we will proceed with developing a method of getting information through a cooperative endeavor with outside auditors and consultants.

Completion Date

December 31, 1999

Contact

Avis Russell, City Attorney
Raymond A. Person

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.

Management's Response

We concur with the auditor's recommendations and we are proceeding to meet with the auditor and consultants to develop the databases as required.

Completion Date

December 31, 1999

Contact

Avis Russell, City Attorney

Observation

For the workers' compensation industry as a whole, indemnity (compensation) losses as a percentage of total losses are usually in the range of 50% to 60% of total losses. Medical losses are typically 40% to 50% of total losses. Over the last eight 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.

	<u>Percentage of Paid Losses to Total</u>	
	<u>Medical</u>	<u>Indemnity</u>
1991	45 %	55 %
1992	59 %	41 %
1993	55 %	45 %
1994	51 %	49 %
1995	53 %	47 %
1996	54 %	46 %
1997	58 %	42 %
1998	63 %	37 %

Recommendation

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

Management's Response

The City will continue to analyze and investigate this matter in conjunction with our outside auditors.

Completion Date

December 31, 1999

Contact

Avis Russell, City Attorney

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 utilized in an efficient manner.

Management's Response

The Department of Property Management has developed a plan and budget request to maintain separate duplicate copies of all original documents. This plan will be implemented in 1999.

Completion Date

December 31, 1999

Contact

Kerry DeCay, Director - Property Management

FIXED ASSET INVENTORY

Observation

During our testing of fixed assets, we noted that the City maintained various non-productive assets that currently appear to have limited uses to the City.

Recommendation

We recommend that the City target this inventory and sell those items. The cash generated could be used to finance other uses.

Management's Response

We concur with the auditors finding and will endeavor to auction, dispose, surplus, sell for parts non-productive assets in adherence to the City Charter or City Code.

Completion Date

June 30, 2000

Contact

Ronnie Rovain, Purchasing Agent
Juanita Barrow, Assistant Purchasing Agent

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 1998 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 expenditure will be made.

Management's Response

We concur with the auditor's recommendation. We have set up guidelines and procedures for the end of fiscal year 1998. These guidelines have been included in our "closeout" procedures wherein we will have the responsible departments validate the ongoing nature of old encumbrances.

Completion Date

Completed. Performed at each fiscal year end.

Contact

Knox Tumlin, Capital Projects Administrator

COMPONENT UNIT ACCOUNTS

Observation

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

A number of audit reclassification entries were required at December 31, 1998 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 to/due from balances and segregate on its own records those balances which are due to/due from the primary government versus component units.

Management's Response

The Department of Finance, Bureau of Accounting has established guidelines effective January 1998, which would require quarterly reconciliation of the due to/due from balances due to/due from the primary government vs. component units.

Completion Date

Completed. Reviews performed periodically.

Contact

Wayne DeLarge, Comptroller

PAYROLL SYSTEM - SURPRISE PAYCHECK DISTRIBUTIONS

Observation

A surprise distribution of randomly selected paychecks by the Internal Audit department is an effective test of payroll expenditures that is increasingly being performed by other entities. Auditors hand deliver paychecks and request identification of employees receiving the checks. This process helps to identify fictitious employees that may have been entered into 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.

Management's Response

The City will strive to accomplish this objective based upon availability of Internal Audit staffing level.

Completion Date

Not completed subject to Internal Audit staffing

Contact

Paul Medus, Director - Internal Audit

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 debt footnotes. 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.

Management's Response

We agree with the observation and recommendation; however, the module offered by AMS does not fulfill our requirements. The Finance Department will work with MIS to obtain software which will provide this data.

Completion Date

May 2000

Contact

Wayne DeLarge, Comptroller

REVIEW OF ACCESS PRIVILEGES

Observation

The City of New Orleans has no consistent procedures for performing periodic review of computer users' access privileges to ensure each user's access to the application data is appropriate. While there was corroboration that this process is periodically performed, no documentation of the process was retained by the City. Inappropriate user access privileges could result in unintentional or unauthorized modifications to City information.

The City of New Orleans has reviewed access privileges for the AFIN. However, there does not appear to be any consistent documented procedure for conducting these reviews on a regular basis. This process is important, especially in an environment as large as the City of New Orleans, where there potentially could be terminated or transferred employees with access to the City's systems, or cross functional access resulting in a lack of segregation of duties.

Recommendation

The City should develop and implement a regular procedure for review by department managers of user access. Detection of unauthorized user access can be achieved with periodic review. Note that this review procedure would be specified in the information security policy.

Management's Response

The review cycle will be increased to quarterly, with a more consistent method of documentation. The review procedure will be included in the City's Security Policy.

Completion Date

Ongoing

Contact

John Evans, MIS Security Director

STAGING LIBRARY

Observation

Currently, there is no secure staging library to prevent programmers from modifying program code between the time it is approved and the time it is moved into production. Unapproved/unauthorized changes to City programs could be made without detection which could effect the processing integrity, and thus, reliability of City information.

All completed or modified programs must be tested and then approved prior to movement into production. However, the program is not secure from further modification by the programmer while it is waiting to be approved and moved to production. Any unauthorized changes, unintentional or intentional, may not be detected.

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 procedure would prevent further modification to programs after they have been tested and approved.

Management's Response

This is an ongoing project for MIS. The renaming of data systems had not yet been completed, but is continuing upon the completion of the renaming phase, the process will be implemented.

Completion Date

June 30, 2000

Contact

Earl Kilbride, MIS Director

PROGRAM CHANGE STANDARDS

Observation

Currently, there are no formal program change standards that are being followed. As a result, inconsistent programming methodologies may be used by programmers which could effect the quality of the programs, and thus, the processing and reliability of City information.

The City of New Orleans has made a significant effort in developing a formal program change methodology. Currently, this formal policy is in a draft state, and thus, is not being used. Due to unavailability of defined formal standards, each programmer may document and make program changes differently making maintenance to the system difficult and confusing. Implementation of the formal procedures will allow each programmer to know exactly what is expected and allow all program changes to be completed in a similar and consistent basis.

Recommendation

The draft version of the formal program change methodology should be finalized and implemented. Implementation includes the distribution to all programmers and enforcement of these standards.

Management's Response

Program change standards have been developed for AFIN as well as the other systems maintained by the City. A review of these standards is being performed by the MIS administration. The final implementation of the program change standards will be included in MIS Technical Policies and Procedures for the City.

Completion Date

June 30, 2000

Contact

Earl Kilbride, MIS Director

TESTING OF PROGRAM CHANGES

Observation

Users are not required to test program changes prior to movement into production. This could result in changes inconsistent with user expectations.

Generally, the programmers, not the users, are expected to test the modified programs using test data. There is no requirement for users to test changes, and thus, often the programs are not tested. Without sufficient program change controls, management cannot be reasonably assured that changes made to the application systems are appropriately requested, authorized and implemented.

Recommendation

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

Management's Response

MIS will develop a user sign off form to formally document the user involvement in the testing process. This form will be made a part of the work order request form and will be required before a change is moved into production.

Completion Date

June 30, 2000

Contact

Earl Kilbride, MIS Director

DIAL-IN ACCESS

Observation

The City does not monitor dial-in access activity. There is a VPN number allowing direct access to the mainframe. This could result in failure to detect unauthorized system activities from external sources which could affect the confidentiality and reliability of system information and the system itself.

The use of dial-in access has significantly increased during the past few years. There is no monitoring of dial-in users nor other stronger authentication features like dial-back being utilized. Lack of appropriate controls in this area could lead to unauthorized access to City's systems not being detected or reasonably prevented from external sources.

Recommendation

Management should include the daily review of dial-in access to the monitoring procedures which are currently performed. Additionally, the City should regulate and administer the use of all modem connections to networked PCs.

Management's Response

Dial-in access is the only way many of our smaller facilities can gain access to the systems, therefore, it would be *unpractical to restrict modem connections to networked PCs. All dial-in access must come through the City's firewall and are subject to all of the security of the mainframe, i.e. locked out after three attempts.*

Completion Date

N/A

Contact

Earl Kilbride, MIS Director

INFORMATION SECURITY POLICY

Observation

During our review of information security practices, we noted that user IDs for terminated or transferred employees are not promptly revoked. There is no mechanism or procedure by which these IDs in need of revocation are communicated to the MIS department.

Non-adherence to prescribed information security standards and procedures increases the risk of loss or compromise of production data and misuse of company resources. Active user accounts for terminated or transferred employees pose an unnecessary risk.

Recommendation

We recommend the City take measures to develop and implement a means of insuring that all active user IDs are for current employees, and that the permissions for those IDs accurately reflect the individuals current access needs.

Management's Response

With the implementation of the new Human Resources System, MIS will be able to develop a program to quickly identify 1) new employees, 2) terminated employees, and 3) transferred employees.

Completion Date

Ongoing

Contact

John Evans, MIS Security

SOFTWARE LICENSE COMPLIANCE

Observation

While the City's policy states that insuring proper software license compliance is the responsibility of the users, there is no consistent means of monitoring for the use of unlicensed software.

Federal authorities interpret the use of unlicensed software as unauthorized use of intellectual property and infringement of copyright protection laws. Offenders (both employers and their employees) may be subject to significant civil and criminal penalties, including fines, jail sentence and property forfeiture.

Recommendation

To help manage this risk, we recommend that management implement additional procedures to control the use of copyrighted software, including:

- The authorization of periodic audits of installed software to help ensure compliance with such policy; and
- Institute the centralized filing of software to ensure availability of licenses in the event of an outside audit.

Management's Response

There are several things being done to address this issue, they include:

- A contract has been left with Corel to allow for the acquisition of the desktop software needed by most users. The contract covers: WordPerfect, Paradox, Quattro, Pro, etc.;
- The City is testing plans to implement ZEN works, desktop management software. ZEN works will not allow the user to install non authorized software; and
- MIS will work with the CAO to develop a policy to allow for the auditing workstations and for the detection of non licenses software.

Completion Date

Ongoing

Contact

Earl J. Kilbride, MIS Director

ACCOUNTING, ADMINISTRATIVE AND OPERATING MATTERS

LONG-TERM PLANNING MODEL

Observation

The City does not appear to have a long-term fiscal plan in place. Such a plan would attempt to project City expenditures for the next three to five years, identify funding sources and project tax revenues and rates. Such a plan would:

- Identify major tax, service level or labor related decisions required to be made in order to avoid fiscal problems.
- Identify essential services and prioritize funding.
- Evaluate the consequences of staff reductions or other service cuts.
- Identify appropriate debt limits and contingency reserves.

The major benefits of such a plan is that it can identify and evaluate potential problems and allow the City Council time to make more informed financial decisions.

Recommendation

We suggest that the City consider developing a formal long-term fiscal plan.

Management's Response

The City on an ongoing monthly, quarterly and annual basis reviews all of its revenues and expenditures. During the annual budget process the City also provides five year revenue and expenditure projections. However, the City has not implemented a long-term five year fiscal plan. The Chief Administrative office is committed to developing such a plan in conjunction with members of the Revenue Estimating Conference Committee.

Completion Date

Ongoing

Contact

Marlin Gusman, CAO

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 workloads can result in an inefficient use of City personnel resources.

Recommendation

Reevaluate 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.

Management's Response

We agree and have addressed these issues and developed a plan to ensure adequate staffing during the 1998 budgetary process. Please note that any staffing enhancement must be approved by the City Council, Chief Administrative Office and Civil Service. Currently, the revised qualifications, salary and staffing level have been approved by Civil Service staff and City Council and need approval from the Chief Administrative Office and Civil Service Commission.

Completion Date

Ongoing

Contact

Marlin Gusman, CAO

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 expenditure requirements. For each of the past two years, expenditures in the general fund have exceeded revenues. If these appropriations continue at the same rate as the past three years and if additional revenue sources do not materialize, the City's general fund could be in a deficit position on a budgetary basis in the near 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.

Management's Response

The Chief Administrative Office will develop a policy and establish parameters for the requirement of a minimum level of fund balances. This policy would be agreed upon by both the administrative and legislative branches of government.

Completion Date

Ongoing

Contact

Marlin Gusman, CAO

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 risk 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 cosourcing 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.

Management's Response

We concur and proceeded to develop a plan to enhance our internal audit department through out sourcing these services.

Completion Date

Ongoing

Contact

Marlin Gusman, CAO

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 the annual financial report. Manually reentering 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.

Management's Response

We concur with the recommendation in general; however, the utilization of a special data sheet did not cause problems or delays.

Completion Date

December 31, 2000

Contact

Wayne DeLarge, Comptroller

NEW REPORTING MODEL

Observation

The Governmental Accounting Standards Board ("GASB") has adopted new requirements for annual financial statements of state and local governments. GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" will significantly change the way governments report their finances to the public. The financial reports prepared under the new system will not only improve information provided for major funds, but, most importantly will provide financial information from a total government perspective. Under GASB Statement No. 34, the City will be required to provide: (1) a financial manager's analysis discussing the City's overall financial position and results of the previous year's operations, (2) a statement of net assets and a statement of activities disclosing all of its assets, liabilities, revenues, and expenses, (3) disaggregated information about the most important or major funds, including the general fund, and (4) a supplementary schedule comparing original, final, and actual information on the budgetary basis for the City's general fund and major special revenue funds. The new GASB statement will become effective for the City in the fiscal year ending after December 31, 2002.

Recommendation

In order to avoid delays in issuing Comprehensive Annual Financial Reports under the new reporting model, the City should begin the process of reviewing the new GASB statement and forming a plan to implement the required revisions to the financial statements. Also, as part of this plan, the City should begin to gather any additional information that will be required under GASB Statement No. 34, such as the historical cost of infrastructure. Finally, the City should begin assessing the cost to implement the new statement in order for these amounts to be included in future budgets.

Management's Response

We agree and will work to complete this AMS implementation reporting module by 2000.

Completion Date

December 31, 2000

Contact

Wayne DeLarge, Comptroller

DISASTER RECOVERY PLAN

Observation

Critical business processing functions may not be recovered in the event of major damage or inaccessibility of key company facilities.

Currently, the City of New Orleans lacks a 'Disaster Recovery Plan.' A Disaster Recovery plan contains the necessary arrangements to perform key processing functions in the event of a disaster. This plan would help reduce the financial impact and the time necessary to replace key processing components after the event. The plan would be developed from an overall business perspective, and would address critical data processing functions. A plan should include:

- The identification of key automated business processes required to continue when a disaster is declared.
- The specific arrangements to recover those key processes identified, including personnel, facilities, telecommunications, supplies and equipment.
- A process to identify changes within the organization and make updates to help ensure the plan remains current.
- Periodic testing, where feasible and cost effective, to help ensure the plan is operational.

Upon completion of a business impact analysis that would define risks and exposures to the business and drive the recovery strategy, Information Systems management can secure the most cost effective arrangements for recovering EDP services in the event of a disaster.

Recommendation

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

Management's Response

The Chief Administrative Office will prepare a Policy Memorandum requiring each department to develop a business continuity plan in the event of a disaster. Additionally, MIS has begun conversations with Com DISCC to look into developing a full disaster recovery plan and process that will be part of the City's disaster recovery plan.

Completion Date

December 31, 2000

Contact

Marlin Gusman, CAO

CAPITALIZATION POLICY

Observation

The City currently has a policy to capitalize all expenditures for moveable 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-87 has recently been amended to allow a capitalization floor of \$5,000.

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-87, 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. The City should consider increasing the limit to \$5,000. Additionally, consider maintaining subsidiary records for those controllable assets whose value falls below the threshold.

Management's Response

We agree with this recommendation and we have implemented a fixed asset management module in AFIN Advantage 2.0.

Completion Date

December 31, 2000

Contact

Junita Barrow, Assistant Purchasing Director

TRUST FUNDS

Observation

During our audit of expendable and nonexpendable trust funds, we noted that none of these trust funds were documented by formal legal trusts that 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 (currently 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. Mahalia Zimmerman Tomb

This fund was established according to the terms of the will of Mrs. Mahalia 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 deFrance - Joan of Arc

g. Sickles Legacy

The Sickles Legacy Fund was established by the bequest of Mr. Simon Van Antwerp Sickles, 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. Helen Adler Levy Library

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

i. 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.

j. 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 Carre 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 each of these trusts are being met, and the Board of City Trusts should become more involved in monitoring the activities of those funds which fall under its jurisdiction.

Management's Response

The Law Department is currently reviewing the terms of these trust fund requirements and is reevaluating each as to activities and performance of trusts. Additionally, the Board of City Trusts will annually review said funds.

Completion Date

Ongoing

Contact

Avis Russell, City Attorney

OVERSIGHT OF COMPONENT UNITS

Observation

Each year, at least one component unit is not able to provide the City their 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.

Management's Response

We disagree with this observation. Please note that all of the City's financial reports were submitted for inclusion into the City's general purpose financial statements. The City has continued to provide additional auditing consulting support to supplement lack of auditing staffing levels for those outside component units.

Completion Date

Ongoing

Contact

Marina Kahn, Director of Finance

STATUS OF THE 1997 RECOMMENDATIONS

The following is a summary of the 1997 recommendations from our report dated June 29, 1998 and the status of implementation thereof:

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
<ul style="list-style-type: none"> • Management should develop a database of current and historical general and police reserves and workers' compensation reserves. 		X	
<ul style="list-style-type: none"> • Investigate why medical losses are greater than indemnity losses as this distribution is opposite of what typically occurs in the industry. 			X
<ul style="list-style-type: none"> • All original property documents maintained by the City should be safeguarded in fire proof cabinets. 			X
<ul style="list-style-type: none"> • Adopt a policy to ensure that all fixed assets are counted on a periodic basis. 			X
<ul style="list-style-type: none"> • A detailed review of outstanding encumbrances should be performed at the end of each fiscal year. 			X
<ul style="list-style-type: none"> • Accounting personnel with the City should contact the appropriate personnel at each respective component unit periodically in order to reconcile the due to/due from balances. 			X
<ul style="list-style-type: none"> • The internal audit department should consider periodically performing surprise paycheck distributions at the various City departments, requiring proper identification of employees. 			X
<ul style="list-style-type: none"> • Maintain debt amortization schedules and implement the GFS module relating to the general long-term debt account group in the general ledger system. 			X

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
• A periodic review of access applications should be performed.		X	
• A secure staging library should be developed.		X	
• Publish formal program change standards.		X	
• Develop procedures to have program changes tested by users and are approved by users.		X	
• Management should include the daily review of dial-in activity to the monitoring procedures which are currently performed.		X	
• Enhance the developed information security policy based on its security strategy. This information security policy should be reviewed annually by management and updated to reflect changes in the City's computer environment. The updated policy should be distributed to all current employees to increase their information security awareness.		X	
• Reevaluate workloads and staffing levels in the Finance Department.			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
• Consider expanding the size and staffing levels of the internal audit department.			X

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
• Explore alternative to manually reentering information that is already maintained in electronic format.			X
• Begin the processing of assessing its records regarding the historical cost of infrastructure.			X
• Review the capitalization policy to determine the cost/benefit of recording fixed assets with low dollar values or short life spans.		X	
• A Disaster Recovery Plan needs to be developed, documented and tested.			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
• The City should exercise additional oversight of component units to ensure that their financial reports will be received in a timely manner.		X	
• The City should consider developing a formal long-term fiscal plan.			X
• The City did not file a report on compliance and internal control and the management letter by the specified date as required by state law.	X		

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, misstatements due to error or fraud 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.

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CITY OF NEW ORLEANS

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

Release Date _____

SINGLE AUDIT REPORT **FOR THE YEAR ENDED DECEMBER 31, 1998**

**Bruno
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

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

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 Expenditures of Federal Awards of the City of New Orleans, Louisiana, for the year ended December 31, 1998. The Schedule of Expenditures of Federal Awards is the responsibility of the management of the City of New Orleans. Our responsibility is to express an opinion on the Schedule of Expenditures of Federal Awards based on our audit. The accompanying Schedule of Expenditures of Federal Awards is not a part of the City of New Orleans' general purpose financial statements for the year ended December 31, 1998. 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, Audits of States, Local Governments and Non-Profit Organizations. Those standards and the provisions of OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Expenditures of Federal Awards. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the accompanying Schedule of Expenditures of Federal Awards of the City of New Orleans presents fairly in all material respects, the expenditures of federal awards of all federal programs for the year ended December 31, 1998, 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 awards programs during the year ended December 31, 1998 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 Expenditures of Federal Awards does not include any adjustments for those matters.

In accordance with Government Auditing Standards, we have also issued a report dated June 21, 1999 on our consideration of the City of New Orleans internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 21, 1999

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Agriculture</u>			
<u>Direct Awards</u>			
Plant and Animal Disease, Pest Control and Animal Care	10.025	-----	\$ <u>11,009</u>
			<u>11,009</u>
<u>Sub-total - Direct Award</u>			
Through: State of Louisiana's Department of Social Services Special Supplemental Nutrition Program for Women, Infants and Children	10.557	015572/016632	807,044
Through: Associated Catholic Charities Commodity Supplemental Food Program	10.565	Philmat 98/99	<u>175,031</u>
<u>Sub-total - Awards from a Pass-Through Entity</u>			<u>982,075</u>
<u>Total U. S. Department of Agriculture</u>			<u>\$ 993,084</u>
<u>U. S. Department of Commerce</u>			
<u>Direct Awards</u>			
Economic Development-Grants for Public Works and Infrastructure Development	11.300	-----	\$ <u>296,300</u>
<u>Total U. S. Department of Commerce</u>			<u>\$ 296,300</u>

See the notes to the Schedule of Expenditures of Federal Awards.
(Continued)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Housing and Urban Development</u>			
<u>Direct Awards</u>			
Urban Development Action Grants-			
Cumulative Program Income	14.221	-----	\$ 606,346
Community Development Block Grant-			
Special Purpose Grants	14.227	-----	1,377,961
Special Purpose Grants-			
Loyola Research & Development Center	14.227	-----	2,499,421
Emergency Shelter Grants Program	14.231	-----	621,592
Shelter Plus Care	14.238	-----	130,327
Home Investment Partnerships Program	14.239	-----	7,759,554
Housing Opportunities for Persons with AIDS	14.241	-----	1,582,359
Opportunities for Youth-Youth Build Program	14.243	-----	195,617
Community Development Block Grant-			
Section 108 Loan Guarantee (NOTE 7)	14.248	-----	<u>5,125,000</u>
<i>Sub-total - Direct Awards</i>			<u>19,898,177</u>

See the notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Housing and Urban Development, Continued</u>			
<u>CDBG-Entitlement and Small Cities Cluster</u>			
<u>Direct Awards</u>			
Community Development Block Grants	14.218	-----	\$20,793,500
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's</u>			
Department of Social Service Emergency Shelter Grant	14.231	370-700251/370- 800491	196,869
<u>Through: Housing Authority of New Orleans</u>			
Public and Indian Housing Drug Elimination Program	14.854	LA48DEP0010197	613,776
<i>Sub-total - Awards from a Pass-Through Entity</i>			
			<u>810,645</u>

**Total U. S. Department
of Housing and
Urban Development**

\$41,502,322

See the notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Interior</u>			
<u>Direct Awards</u>			
Outdoor Recreation-Acquisition, Development and Planning	15.916	-----	\$ <u>575</u>
Total U. S. Department of Interior			\$ <u><u>575</u></u>
<u>U. S. Department of Justice</u>			
<u>Direct Awards</u>			
Byrne Formula Grant Program-Cops Ahead	16.579	-----	\$ 1,792,821
Homicide Investigation Program	95DDBX0155	-----	112,782
Mapping and Information Shaping	9715CXK006	-----	19,057
Comprehensive Domestic Violence Arrest Policies	97-WE-VX-0081	-----	168,760
Executive Office of Weed and Seed Plan	16.595	-----	197,068
Domestic Violence Program	96DVWX0071	-----	96,638
Local Law Enforcement Block Grant Program	16.592	-----	<u>1,841,954</u>
Sub-total - Direct Awards			<u>4,229,080</u>

See the notes to the Schedule of Expenditures of Federal Awards.
 (CONTINUED)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Justice, Continued</u>			
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's Executive Justice Department</u>			
Juvenile Justice and Delinquency Prevention	16.540	98J9J3022/ 97J090J300	\$ 35,552
Byrne Formula Grant Program	16.579	97B9B201006/ 96M9MD20428/ 96B9B100068	<u>282,861</u>
<i>Sub-total - Awards from a Pass- Through Entity</i>			<u>318,413</u>
Total U. S. Department of Justice			\$ <u>4,547,493</u>

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

(CONTINUED)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Labor</u>			
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's Department of Labor</u>			
Employment and Training Assistance-			
Dislocated Workers	17.246	A-6702/5846/6198	\$ 2,101,926
Welfare to Work to State and Localities	17.253	Y6438-8-00-81-50	197,469
Job Training Partnership Act	17.250	A-6198/6702/5846	<u>5,587,989</u>
Total U. S. Department of Labor			<u>\$ 7,887,384</u>

See the notes to the Schedule of Expenditures of Federal Awards.
(CONTINUED)

CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DÉCEMBER 31, 1998

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Transportation</u>			
<u>Direct Awards</u>			
Airport Improvement Program-	20.106	-----	\$ 6,439,641
New Orleans Aviation Board			
 <u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's</u>			
<u>Department of Transportation</u>	20.600	M-8537/STPG-5001/ M-8562/M-8537	<u>3,567,195</u>
State and Community Highway Safety			
Total U. S. Department of Transportation			\$10,006,836
 <u>Environmental Protection Agency</u>			
<u>Direct Awards</u>			
New Orleans Brownfields Project - Superfund State Site -			
Specific Cooperative Agreements	66.802	-----	\$ <u>14,799</u>
Total Environmental Protection Agency			\$ <u>14,799</u>

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

(CONTINUED)

CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>Federal Emergency Management Agency</u>			
<u>Direct Awards</u>			
State Disaster Preparedness Grants	83.505	-----	\$ <u>198,873</u>
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's</u>			
<u>Emergency Management</u>			
Mitigation Assistance	83.535	071-55000	2,228,676
Emergency Management-State and Local Assistance	83.534	071-91045	<u>832,017</u>
Sub-Total-Awards from a Pass Through Entity			<u>3,060,693</u>
Total Federal Emergency Management Agency			<u>\$ 3,259,566</u>

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Health and Human Services</u>			
<u>Direct Awards</u>			
Grants for Residential Treatment Programs for			
Pregnant and Post-Partum Women-Infinity Program	93.101	-----	\$ 967,148
Health Center Grants for Homeless Population	93.151	-----	1,123,989
Community Prevention Coalitions (Partnership)			
Demonstration Grant	93.194	-----	149,485
Centers for Disease Control and Prevention-			
Investigations and Assistance	93.283	-----	113,568
Family Violence Prevention and Services	93.671	-----	8,349
Healthy Start Initiative-Great Expectations Program	93.926	-----	<u>3,760,615</u>
			<u>6,123,154</u>

Sub-total - Direct Awards

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

(CONTINUED)

CITY OF NEW ORLEANS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 1998

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Health and Human Services, Continued</u>			
<u>HIV Emergency Relief Cluster</u>			
<u>Direct Awards</u>			
HIV Emergency Relief Project Grant-Ryan White Program	93.914	-----	\$ 3,704,728
HIV Emergency Relief Formula Grant- Ryan White Program	93.915	-----	<u>588,996</u>
<i>Sub-total - HIV Emergency Relief Cluster</i>			<u>4,293,724</u>

See the notes to the Schedule of Expenditures of Federal Awards.
 (CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
U. S. Department of Health and Human Services, Continued			
<i>Awards from a Pass-Through Entity</i>			
Through: State of Louisiana's Departments of Health and Hospitals and Social Services			
Acquired Immune Deficiency Syndrome Activity	93.118	97-HLTH-009	\$ 573
Childhood Immunization Grants	93.268	016557/97-HLTH-011A	204,093
Empowerment Zones Program	93.585	37001492/ CFMS 504032	404,257
EPSDT Medical	N.A.	1410012/1902471	1,084,864
Preventive Health and Health Services Block Grant	93.991	CFMS523619	156,461
Homeless Dental	N.A.	1880043	24,611
LAPS	N.A.	15835/13139	<u>32,867</u>
<i>Sub-total - Awards from a Pass- Through Entity</i>			<u>1,907,726</u>

N.A.=Not Available.

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

(CONTINUED)

**CITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
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U. S. Department of Health and Human Services, Continued

Awards from a Pass-Through Entity

Through: State of Louisiana's Departments of
Health and Hospitals and Social Services

HIV Emergency Relief Cluster

HIV Emergency Relief Formula Grants-Ryan White

93.915

BRX070018-97-0

\$ 123,314

*Sub-total - Awards from a Pass-
Through Entity -
HIV Emergency Relief Cluster*

123,314

Total U. S. Department
of Health and
Human Services

\$ 12,334,350

**Total Expenditures of Federal Awards-
City of New Orleans**

\$ 80,842,709

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

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 1 - BACKGROUND:

The City of New Orleans, Louisiana, (the City) was incorporated in 1805. 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 EXPENDITURES OF FEDERAL AWARDS:

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

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

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 3 - BASIS OF ACCOUNTING/PRESENTATION:

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

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The preparation of the Schedule of Expenditures of Federal Awards 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 those 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 as reported in the current and prior Single Audit reports pertinent to such actions excluding audit findings that were no longer valid based upon the provisions of OMB Circular A-133 Section 315(b)(4).

<u>Program Year</u>	<u>Amount</u>
<u>City of New Orleans</u>	
December 31, 1996 through	
December 31, 1997	\$ 6,638,660
December 31, 1998	<u>5,008,779</u>
Total	<u>\$11,647,439</u>

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 4 - QUESTIONED COSTS, CONTINUED:

<u>Sub-Recipients</u> December 31, 1994 through December 31, 1996	<u>\$1,672,444</u>
Total	<u>\$1,672,444</u>

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 Expenditures of Federal Awards.

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 \$6,571,666 and \$1,044,323, respectively as of December 31, 1998. When required, the repayment of the ineligible/disallowed costs is funded from non-federal funds. However, the Schedule of Expenditures of Federal Awards has not been adjusted for any such repayments. See pages 66, 68 and 69 for further details.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 6 - 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, 1997, totaling \$10,182,000 which bear interest at rates ranging from zero percent-to-seven percent. These loans are receivable over a fifteen-to-thirty-year period and are recorded as deferred revenue at December 31, 1997. 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, 1998, including interest receipts of \$3,367,000 are as follows (in thousands of dollars):

<u>Year Ending</u> <u>December 31,</u>	
1999	\$ 610,000
2000	610,000
2001	610,000
2002	610,000
2003	610,000
2004 and thereafter	<u>10,285,000</u>
	<u>\$13,335,000</u>

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 7 - HUD SECTION 108 LOANS:

During both 1989 and 1993, 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 McFrugals and to the Historic Restoration, Inc., whose project includes the development of the "D. 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, 1998, the entire remaining balance of \$5,125,000 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>D. H. Holmes Project</u>	<u>Interest</u>	<u>Principal</u>
1999	\$ 328,000	\$ 195,000
2000	317,000	210,000
2001	304,000	225,000
2002	<u>289,000</u>	<u>4,495,000</u>
Total	<u>\$1,238,000</u>	<u>\$5,125,000</u>

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 8 - CONTINGENCY:

The City of New Orleans is a recipient of numerous grants and awards of Federal funds. These grants and awards are governed by various Federal 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 not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

The audit of the federal award programs of the City of New Orleans for the year ended December 31, 1998 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 grants to subrecipients that may be material to the Schedule of Expenditures of Federal Awards, but for which the ultimate resolution cannot presently be determined.

NOTE 9 - MAJOR FEDERAL AWARDS PROGRAMS:

The City of New Orleans' major federal awards programs for the year ended December 31, 1998, were determined based upon program activity. The City's major federal awards programs for the year ended December 31, 1998, were all federally assisted programs for which program activity was equal to or greater than \$2,271,531 during the year ended December 31, 1998. Additionally, two Type B high risk programs with funds less than \$2,271,531 were substituted for two Type A low risk programs.

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 10 - FEDERAL EXPENDITURES TO SUBRECIPIENTS:

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City of New Orleans provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount provided To Subrecipients</u>
Community Development		
Block Grants	14.218	\$ 5,603,421
Special Purpose Grants	14.227	3,730,230
Emergency Shelter Grant	14.231	658,256
Shelter Plus Care	14.238	130,327
Home Investment Partner- ship Program	14.239	7,313,909
Housing Opportunities for Persons with AIDS	14.241	1,578,449
Opportunities for Youth- Youth Build Program	14.243	110,971
Employment and Training Assistance	17.246	2,101,926
Job Training Partnership Act	17.250	5,537,521
Grants for Residential Treatment Programs for Pregnant and Post-Partum Women	93.101	924,554
Health Center Grants for Homeless Population	93.151	477,741
HIV Emergency Relief Formula Grant	93.914/93.915	4,087,719
Healthy Start Initiative	93.926	<u>3,754,672</u>
Total		<u>\$36,009,696</u>

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 11 - STATE GRANTS

The City of New Orleans receives non-federal funds from the State of Louisiana to perform certain public programs. Expenditures and adjustments to expenditures for the year ended December 31, 1998 are as follows

<u>State Grantor Agency/ Program Name</u>	<u>Contract Number</u>	<u>Expenditures and Adjustments</u>
<u>Louisiana Department of Health and Human Resources</u>		
Low Risk Maternity	1385476	\$ 169,170
Carver High Clinic	1415855	21,813
B.T.W. School Clinic	1416720/1946796	14,933
Mobile Dental Care	1880051	118,886
Healthy Communities	96-HLHT-139	60,800
EPSDT Dental	1880027/188019	204,961
Carver Clinic	GWC6BHC-96/97	49,023
B.T.W. Clinic	DHH14728	73,332
Crisis Trauma Center	MH98-1S-299/ MH99-15-302	145,139
Blood/Lead Surveillance	17464	1,236
<u>Louisiana Department of Culture, Recreation and Tourism</u>		
Library Vox Box	6385-1289	73,338
Harrel Stadium	OCRH261	50,000
<u>LA Department of Public Safety</u>		
Red Light Enforcement	9728	19,749
Buckle Up Louisiana	98-46-29	802

CITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 11 - STATE GRANTS, CONTINUED

<u>State Grantor Agency/ Program Name</u>	<u>Contract Number</u>	<u>Expenditures and Adjustments</u>
<u>LA Commission on Law Enforcement</u>		
DARE	E-99-9-001/002	247,682
Correctional Officer Training	P98-COR	9,400
Electronic Equipment	P98-9-007/002/001	24,658
Block Training	T97-9-001	42,000
Crime Lab Up Grade	L98-8-002	69,420
Post Training	P98-8-BAS	176,000
<u>Facility Planning and Control</u>		
A.P. Stadium	FPC50ML	60,506
Skelly Park Imp.	50-M201-94B-12	1,000
Milne Boys Gym Repair	50-M201-93B-6	17,613
Uptown Irish Channel	50-M201-93B-4	120,270
<u>Department of Natural Resources</u>		
Coastal Zone Management	2515-99-06	3,333
<u>Louisiana Department of Family Services</u>		
Hearing Office Program	355700134	199,595
<u>Louisiana Department of Transportation and Development</u>		
Earhart Corridor	742-07-26	2,684,160
Tchoupitoulas Street	742-07-62	<u>1,342,901</u>
Total State Expenditure and Adjustments		<u>\$ 6,001,720</u>

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MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

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

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

We have audited the Schedule of Expenditures of Federal Awards 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 21, 1999. The general purpose financial statements were audited by other auditors whose report has been provided to us. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. As discussed in Notes 4, 5 and 8, 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 award programs during the year ended December 31, 1998 and in previous years.

Compliance

As part of obtaining reasonable assurance about whether the City of New Orleans' schedule of expenditures of federal awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the schedule of expenditures of federal awards' amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

(CONTINUED)

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

The results of our tests of compliance disclosed instances of noncompliance that may be material to the Schedule of Expenditures of Federal Awards, but for which the ultimate resolution cannot presently be determined. Such instances of non-compliance are identified in Schedule II as audit finding 98-01. We also noted other immaterial instances of noncompliance that we have reported to management of the City of New Orleans in a separate letter dated June 21, 1999.

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 Current Status of Other Audits performed by Federal Auditors and other Independent Auditors section starting on page 66.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of New Orleans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule of Expenditures of Federal Awards and not to provide assurance on the internal control over financial reporting. 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 over financial reporting as a part of their audit of the general purpose financial statements.

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

(CONTINUED)

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

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Schedule of Expenditures of Federal Awards being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we did note other matters involving the internal control over financial reporting that we have reported to management of the City of New Orleans in a separate letter dated June 21, 1999.

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

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 21, 1999

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

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

Compliance

We have audited the compliance of the City of New Orleans with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1998. The City of New Orleans' major federal programs are identified in the summary of the independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of New Orleans' management. Our responsibility is to express an opinion on the City of New Orleans' compliance based on our audit.

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

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

(CONTINUED)

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

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

As described in Schedule III, audit findings 98-02, 98-04, 98-05, 98-09, 98-10, and 98-13 in the accompanying schedule of findings and questioned costs, the City of New Orleans did not comply with the requirements to properly monitor sub-recipients, ensure costs were properly documented and charged to the proper award year, document program income and compliance with matching requirements, and adhere to established cash management procedures, that are applicable to its Special Purpose Grants, Housing Opportunities for Persons with AIDS, Welfare to Work, HIV Emergency Relief Program, Healthy Start Initiative, Employment and Training Assistance, Job Training Partnership Act, Home Investment Partnership, and Community Development Block Grant programs. Compliance with such requirements is necessary in our opinion, for the City of New Orleans to comply with requirements applicable to those programs. In addition, the results of our audit procedures disclosed instances of non-compliance with the previously noted requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in Schedule III in the accompanying schedule of findings and questioned costs as items 98-03, 98-06, 98-07, 98-08, and 98-11.

In our opinion, except for the City of New Orleans' failures to properly monitor sub-recipients, adhere to cash management procedures, ensure costs were properly documented and charged to the proper award year, document program income and compliance with matching requirements, as described in the preceding paragraph, the City of New Orleans complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

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

(CONTINUED)

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

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 Current Status of Other Audits performed by Federal Auditors and other Independent Auditors section starting on page 66.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of New Orleans' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Schedule III in the accompanying schedule of findings and questioned costs as items 98-02 through 98-13.

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

(CONTINUED)

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions entitled **Monitoring of Sub-Recipients, Federal Cash Management, Allowable Costs, Program Income, Matching and Period of Availability** are material weaknesses. Such reportable conditions are identified as audit findings 98-02, 98-04, 98-05, 98-09, 98-10 and 98-13.

We also noted other matters that we have reported to the management of the City of New Orleans in a separate letter dated June 21, 1999.

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

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 21, 1999

SCHEDULE I

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS**

CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS
FOR THE YEAR ENDED DECEMBER 31, 1998

1. Type of report issued on the financial statements unqualified.
2. Did the audit disclose any reportable conditions in internal control yes.
3. Were any of the reportable conditions material weaknesses yes.
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization uncertainty, ultimate resolution cannot presently be determined.
5. Did the audit disclose any reportable conditions in internal control over major programs yes.
6. Were any of the reportable conditions in internal control over major programs material weaknesses yes.
7. Type of report issued on compliance for major programs qualified.
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a) yes.

9. The following is an identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Name of</u> <u>Federal Program</u>
14.218	Community Development Block Grant
14.227	Community Development Block Grant-Special Purpose Grants
14.239	Home Investment Partnerships Program
14.241	Housing Opportunities for Persons with Aids
14.248	Community Development Block Grant- Section 108 Loan Guarantees
16.579	Byrne Formula Grant Program-Cops Ahead/Universal Hiring
16.592	Local Law Enforcement Block Grant Program
17.246	Employment and Training Assistance
17.250	Job Training Partnership Act
93.914	HIV Emergency Relief Project Grant
93.915	HIV Emergency Relief Formula Grants
93.926	Healthy Start Initiative-Great Expectations Program

**CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(CONTINUED)**

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) is as follows:

<u>Program</u>	<u>Amount</u>
Type A	\$2,271,531

11. Did the auditee qualify as a low-risk auditee under OMB Circular A-133, Section 530
No.

SCHEDULE II

**FINANCIAL STATEMENT FINDINGS FOR THE
YEAR ENDED DECEMBER 31, 1998**

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

COMPLIANCE

<u>Audit Finding Reference Number</u>	<u>Questioned Costs</u>
98-01 Monitoring	<u>\$-0-</u>

Federal Program and Specific Federal Award Identification

CFDA Title and Number

- 14.218 Community Development Block Grants
- 14.241 Housing Opportunities for Persons with AIDS
- 14.239 Home Investment Partnership Program
- 14.227 Special Purpose Grants
- 17.246 Employment and Training Assistance
- 17.250 Job Training Partnership Act
- 17.253 Welfare to Work
- 93.914/
 - 93.915 HIV Emergency Relief Program
- 93.926 Healthy Start Initiative

Conditions and Recommendation

We noted during our audit that management of the City of New Orleans had continued to utilize the Monitoring and Prompt Payment System (MOPPS) that had been implemented during the previous years. An essential aspect of MOPPS is the subsequent monitoring on a timely basis of sub-recipients who have received payments based upon cost control payment requests. In past years, sub-recipient payment requests were required to have been substantiated by third party invoices, canceled checks, payroll registers and general ledgers before being approved for payment.

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

COMPLIANCE, CONTINUED

Audit Finding Reference Number

98-01 Monitoring, Continued

Conditions and Recommendations, Continued

As described in Audit Finding Number 98-02, we noted that certain sub-recipients were not monitored on a timely basis, while others were not monitored at all. Additionally, as described in Audit Finding Number 98-03 fifteen (15) sub-recipient's cost control statements were not monitored, but the City of New Orleans had disbursed grant funds to such sub-recipients. 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 system for monitoring compliance with established procedures exist with regard to sub-recipient payments.

SCHEDULE III

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-02 Monitoring

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218 Community Development Block Grants
14.239 Home Investment Partnership Program
14.227 Special Purpose Grants
14.241 Housing Opportunities for Persons with AIDS (HOPWA)
17.246 Employment and Training Assistance
17.250 Job Training Partnership Act
17.253 Welfare to Work
93.926 Healthy Start Initiative - Great Expectations Program
93.914/
93.915 HIV Emergency Relief Program (Ryan White)

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Labor
U. S. Department of Health and Human Services
U. S. Department of Housing and Urban Development

Pass-Through Entity

17.246/17.250/17.253 State of Louisiana

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-02 Monitoring, Continued

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section M stipulates that a pass-through entity is responsible for monitoring the sub-recipient's activities to provide reasonable assurance that the sub-recipient administers federal awards in compliance with federal requirements.

Conditions and Perspectives

We noted during our audit that management of the City of New Orleans performed fiscal and programmatic monitoring of sub-recipients as follows:

<u>Major Program</u>	<u>Total Disbursements to Sub-recipients</u>	<u>Number of Sub-recipients</u>	<u>Sub-recipient Fiscal Monitoring</u>		<u>Sub-recipient Programmatic Monitoring</u>	
			<u>Number Monitored</u>	<u>Amount Monitored</u>	<u>Number Monitored</u>	<u>Amount Monitored</u>
CDBG	\$ 5,603,421	88	14	\$ 625,379	61	\$ 3,459,810
HOPWA	1,578,449	15	2	456,277	15	1,578,449
JTPA	7,639,447	1	-0-	-0-	-0-	-0-
Great Expectations	3,754,672	1	-0-	-0-	-0-	-0-
Special Purpose	3,730,230	5	-0-	-0-	-0-	-0-
Ryan White	<u>4,087,719</u>	<u>25</u>	<u>17</u>	<u>3,590,676</u>	<u>8</u>	<u>2,320,635</u>
	<u>\$26,393,938</u>	<u>135</u>	<u>33</u>	<u>\$ 4,672,332</u>	<u>84</u>	<u>\$ 7,358,894</u>

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-02 Monitoring, Continued

Condition and Perspective, Continued

For the Home Investment Partnership Program (HOME), fiscal monitoring was limited to a review of sub-recipient invoices and contractors payment requests. Also, during 1998 the management of the Home Program started performing programmatic monitoring. See the current status of another Independent Certified Public Accountants Performance audit of the monitoring function of the Home Program per page 76.

Questioned Costs

For purposes of these conditions, we are presently unable to assess whether the failure of the City of New Orleans to monitor the noted sub-recipients will result in any questioned costs.

Effect

The City of New Orleans has awarded millions of grant fund dollars to sub-recipients administered by the noted grants.

Without consistent monitoring efforts and documentation thereof there is no:

- Assurance that all sub-recipients are monitored on a regular basis;
- Determination of sub-recipients' 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 sub-recipients, these sub recipients may have requested reimbursement for costs which may be unallowable, unsupported, and/or ineligible.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-02 Monitoring, Continued

Effect, Continued

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

Recommendation

We recommend that immediate steps be taken to revise the current policies and procedures with regard to the payment to and monitoring of sub-recipients. Such revisions should include the requirement for all sub-recipients to submit cost control statements with appropriate supporting documentation such as vendor invoices, canceled checks, payroll journals and general ledgers. The establishment of a document review and record retention system would also be required for the noted revision.

The present monitoring methodology should be revised for both fiscal and programmatic monitoring. The utilization of analytical techniques and risk-based and sampling criteria, would allow the City of New Orleans to perform more fiscal and programmatic monitoring of sub-recipients' financial and programmatic activities.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-03 Audits of Sub-recipient Activities

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218 Community Development Block Grant

14.239 Home Investment Partnership Program

93.914/

93.915 HIV Emergency Relief Project Grant-Ryan White

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Housing and Urban Development

U. S. Department of Health and Human Services

Pass-Through Entity

HIV Emergency Relief Formula Grant-State of Louisiana

Criteria

OMB Circular A-133 Compliance Supplement Part 3 Section stipulates that a Pass-Through Entity is responsible for ensuring required audits are performed and that appropriate corrective action is performed on audit findings.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-03 Audits of Sub-recipient Activities, Continued

Conditions and Perspectives

We noted during our audit that management of the City of New Orleans failed to ensure required audits were performed for the following grant programs that were required to be submitted during the year ended December 31, 1998:

<u>Grant Program</u>	<u>Number of Sub-Recipients</u>
U. S. Housing and Urban Development	2
Ryan White	3

Additionally, we noted that certain sub-recipient audit reports that were received contained audit findings which included findings with questioned costs totaling \$303,291. However, management decisions as prescribed by OMB Circular A-133 were not issued within six months of receipt of the audit reports. See audit finding 98-08 for further discussion of this condition.

Cause

The management of the City of New Orleans has not adhered to established procedures with regard to ensuring audits are performed on appropriate sub-recipients.

Questioned Costs

For purposes of these conditions, we are presently unable to assess whether the failure of the City of New Orleans to ensure audits are performed on sub-recipients will result in any questioned costs.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-03 Audits of Sub-recipient Activities, Continued

Effect

The City of New Orleans has not determined whether certain sub-recipients have administered their grants in accordance with the terms and conditions of the sub-recipient agreements or whether reimbursements to sub-recipients were for eligible costs.

Recommendation

We recommend that management of the City of New Orleans ensure that independent audits are performed, audit reports are reviewed, desk reviews of independent audit reports are performed to determine compliance with OMB Circular A-133 and corrective action is taken for instances of noncompliance within six months after receipt of audit reports. Additionally, the City should ensure that sub-recipients 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-
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-04 Allowable Costs

\$1,842,801

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218 Community Development Block Grants
14.241 Housing Opportunities for Persons with AIDS
14.227 Special Purpose Grant
93.926 Healthy Start Initiative
93.914/
93.915 HIV Emergency Relief Program

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Housing and Urban Development
U. S. Department of Health and Human Services

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section B stipulates that direct costs must conform with the criteria contained in OMB Circular No. 87 including being supported by appropriate documentation, such as vendor invoices, canceled checks, payroll journals, and general ledgers.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-04 Allowable Costs, Continued

Conditions and Perspectives

We noted during our audit that management of the City of New Orleans had disbursed grant funds to certain sub-recipients that were selected for testing based upon a cost control statement detailing the pertinent general ledger accounts and related amounts. This practice is presently utilized by the City of New Orleans as a means of making prompt payments to sub-recipients and require that such sub-recipients be timely monitored to ensure that the grant funds disbursed were properly supported with appropriate documentation.

However, of the sub-contractors selected for testing, fifteen (15) sub-recipients submitted cost control statements but were not fiscally monitored by June 30, 1999.

Cause

The City of New Orleans has not adhered to established policies and procedures with regard to the timely monitoring of sub-recipients who submit cost control statements.

Questioned Costs

For purposes of this finding, we have questioned the costs disbursed to the fifteen (15) sub-recipients as follows:

<u>CFDA Number</u>	<u>Program</u>	<u>Amount</u>
14.218	Community Development Block Grant	\$ 296,169
14.241	HOPWA	55,101
14.227	Special Purpose Grant	81,181
93.926	Healthy Start Initiative	1,253,724
93.914/93.915	HIV Emergency Relief Program	<u>156,626</u>
	Total	<u>\$ 1,842,801</u>

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-04 Allowable Costs, Continued

Effect

Non-compliance with the City of New Orleans established policies and procedures and with applicable federal rules and regulations.

Recommendation

We recommend that immediate steps be taken to ensure that the noted sub-recipients are monitored and that appropriate supporting documentation be obtained to verify the sub-recipient grant costs.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-05 Program Income

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218 Community Development Block Grant
14.239 Home Investment Partnership Program
14.227 Special Purpose Grants
14.241 Housing Opportunities for Persons with AIDS
17.246 Employment and Training Assistance
17.250 Job Training Partnership Act
93.926 Healthy Start Initiative-Great Expectations
93.914/
93.915 HIV Emergency Relief Program

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Housing and Urban Development
U. S. Department of Labor
U. S. Department of Health and Human Services

Pass-Through Entity

State of Louisiana

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-05 Program Income, Continued

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section J stipulates that program income generated from the use of grant funds must be accurately accounted for and either deducted from outlays, added to the project budget, or used to meet matching requirements.

Conditions and Perspectives

We noted during our audit that the City of New Orleans had not established a system to accumulate and account for program income data of sub-recipients and to ensure program income is utilized in compliance with all applicable federal rules and regulations.

Cause

The City of New Orleans has not established policies and procedures to accumulate, account for and monitor program income of sub-recipients.

Questioned Costs

We have been unable to determine the financial impact of the non-reporting of program income. Therefore, for purposes of this condition, we have not questioned any costs.

Effect

The City of New Orleans has not complied with applicable federal rules and regulations.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-05 Program Income, Continued

Recommendation

We recommend that management of the City of New Orleans take immediate steps to develop policies and procedures to accumulate, account for, monitor and ensure that program income is utilized in compliance with all applicable federal rules and regulations.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-06 Davis-Bacon Act

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218 Community Development Block Grant
14.239 Home Investment Partnership Program
14.227 Special Purpose Grants

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Housing and Urban Development

Pass-Through Entity

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section D stipulates that a non-federal entity must ensure that contractors and sub-contractors are paid prevailing wage rates for projects covered by the Davis-Bacon Act.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-06 Davis-Bacon Act, Continued

Conditions and Perspectives

We noted during our audit that management of the City of New Orleans failed to adhere to established procedures for monitoring the payment of prevailing wages to workers by contractors or sub-contractors for the noted grants.

Cause

The management of the City of New Orleans failed to adhere to established procedures.

Questioned Costs

For purposes of the noted condition, we have not questioned any costs.

Effect

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

Recommendation

We recommend that management of the City of New Orleans adhere to established procedures with regard to monitoring contractors and/or sub-contractors for compliance with the Davis-Bacon Act.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-07 Eligibility

\$12,594

Federal Program and Specific Federal Award Identification

CFDA Title and Number

16.579 Byrne Formula Grant Program-COPS Ahead/Universal Hiring

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Justice

Pass-Through Entity

Not applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 3 Section E stipulates that a non-federal entity must establish procedures to ensure that required eligibility determinations were made and that individual program participants or groups of participants were determined to be eligible.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-07 Eligibility, Continued

Conditions and Perspectives

We noted during our audit that five (5) police officers out of thirty (30) police officers tested were not police officers level 1. However, the grant agreement specified that Level 1 police officers hired after October 1, 1996 salary costs were eligible for grant expenditures.

Cause

The management of the Police Department has not fully completed the development of a reporting system to separately identify and allocate eligible officers' salary costs.

Questioned Costs

For purposes of this condition, we have questioned the salary costs of the ineligible police officers' salary costs charged to the grant which totaled \$12,594.

Effect

Non-compliance with federal guidelines on establishing a system to ensure eligible costs are charged to the grant.

Recommendation

We recommend that management of the Police Department take immediate steps to complete the development of the reporting system.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-08 Management Decisions

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218 Community Development Block Grant
14.239 Home Improvement Partnerships Program
14.241 Housing Opportunities for Persons with AIDS
17.246 Employment and Training Assistance
17.250 Job Training Partnership Act
93.926 Healthy Start Initiative-Great Expectations
93.914/
93.915 HIV Emergency Relief Program

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Housing and Urban Development
U. S. Department of Labor
U. S. Department of Health and Human Services

Pass-Through Entity

State of Louisiana

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-08 Management Decisions, Continued

Criteria

OMB Circular A-133, Subpart D, Section 400(d)(5) stipulates that a pass-through entity shall issue a management decision on audit findings within six months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action. Section 405(a) stipulates what information should be contained in the management decision.

Conditions and Perspectives

We noted during our audit that management of the City of New Orleans had not issued management decisions as prescribed by OMB Circular A-133 on sub-recipient audit reports that contained audit findings within six months after receipt of the audit reports.

Cause

The Management of the City of New Orleans has not established policies and procedures to ensure management decisions are issued on sub-recipient audit findings, and also has not assigned a responsible individual to perform this function.

Questioned Costs

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

Effect

The City of New Orleans has not complied with Sub-part D, Section 400(d)(5) of OMB Circular A-133.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-08 Management Decisions, Continued

Recommendation

We recommend that management of the City of New Orleans take immediate steps to correct the noted deficiency.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-09 Matching

\$652,436

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.239 Home Investment Partnerships Program (HOME)

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Housing and Urban Development

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3 Section 6 stipulates that a non-federal entity must provide matching or cost sharing of a specified amount or percentage as provided in the contract or grant agreement with the federal government.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-09 Matching, Continued

Conditions and Perspectives

- We noted during our audit that the City of New Orleans must provide eligible matching contributions of 12.5% of its actual Home Expenditures. The grantor agency has allowed the City of New Orleans to provide the match in the form of certain non-federal expenditures (i.e. forgiven taxes, appraisal value of donated land or real property, infrastructure, site preparation, non-federal cash, etc.) incurred or provided by the sub-recipient. However, Management of the City of New Orleans failed to document the match of Home funds for the year ended December 31, 1998.

Cause

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

Questioned Costs

For purposes of this finding, we have questioned the amount of matching funds which were not documented. This amount totals \$652,436 which is 12.5% of the Home funds drawn down in the amount of \$5,219,487.

Effect

Non-compliance with federal requirements on providing a 12.5% match of Home fund expenditures.

Recommendation

We recommend that Management of the City of New Orleans take immediate steps to document the match of Home grant expenditures.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

<u>Audit Finding Reference Number</u>	<u>Questioned Costs</u>
98-10 Federal Cash Management	<u>\$2,012,254</u>

Federal Program and Specific Federal Award Identification

CFDA Title and Number

93.926 Healthy Start Initiative-Great Expectations Program

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Health and Human Services

Pass-Through Entity

Not Applicable.

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section M stipulates that a pass-through entity must establish procedures to ensure that cash draw downs by sub-recipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-10 Federal Cash Management, Continued

Conditions and Perspectives

We noted during our audit that the cost control statements submitted by the sub-recipient contained actual and projected expenditures for the reporting period ending December 31, 1998. As such, the sub-recipient received cash advances for operations. Also, the Monitoring Unit did not monitor the sub-recipient and as such was unable to determine the actual costs incurred by the sub-recipient through December 31, 1998.

Cause

The management of the City of New Orleans did not adhere to established procedures for reimbursing grant funds to sub-recipients.

Questioned Costs

For purposes of this condition, we have questioned the entire amount of funds advanced to the sub-recipient, since a determination of actual costs incurred by the sub-recipient has not been rendered. However, since we questioned \$1,742,418 of the funds advanced to the sub-recipient in finding numbers 98-04 and 98-13, we have only questioned the balance of funds disbursed, which totaled \$2,012,254.

Effect

The City of New Orleans has provided to a sub-recipient grant funds in excess of the sub-recipient's immediate needs.

Recommendation

We recommend that management of the City of New Orleans adhere to established procedures for disbursing funds to sub-recipients.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

<u>Audit Finding Reference Number</u>	<u>Questioned Costs</u>
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98-11 Equipment and Real Property Management	\$-0-
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Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218	Community Development Block Grant
93.101	Grants for Residential Treatment
93.914/	
93.915	HIV Emergency Relief Grant
93.926	Healthy Start Initiative

Federal Award Year

December 31, 1998

Federal Agencies

Pass-Through Entity

Not applicable

Criteria

OMB Circular A-133 Common Rule and OMB Compliance Supplement Part III, Section F stipulates that a physical inventory of equipment must be conducted at least once every two years and that certain equipment records must be maintained.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-11 Equipment and Real Property Management, Continued

Conditions and Perspectives

For the third consecutive year, we noted that a physical inventory of equipment was not taken. Additionally, we noted that equipment items had not been properly tagged and recorded on the equipment/moveable property records during the year ended December 31, 1998.

Cause

The City of New Orleans has still not developed procedures to ensure that a physical inventory was taken at least once every two years. Also, the City of New Orleans has been unable to tag equipment on a timely basis.

Questioned Costs

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

Effect

Non-compliance with federal regulations which stipulate that certain procedures must be established and adhered to with respect to equipment and real property.

Recommendation

We recommend that management of the City of New Orleans take immediate steps to correct the noted deficiencies.

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

INTERNAL CONTROL OVER COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-12 Internal Control-Risk Assessment

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.227 Special Purpose Grants
14.239 Home Investment Partnerships Program
14.241 Housing Opportunities for Persons with AIDS
14.248 Community Development Block Grant-Section 108 Loan Guarantec
14.218 Community Development Block Grant
16.579 Byrne Formula Grant Program-COPS Ahead
16.592 Local Law Enforcement Block Grant
17.246 Employment and Training Assistance
17.253 Welfare to Work
17.250 Job Training Partnership Act
93.926 Healthy Start Initiative-Great Expectations
93.914/
93.915 HIV Emergency Relief Program

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Housing and Urban Development
U. S. Department of Health and Human Services
U. S. Department of Labor
U. S. Department of Justice

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

INTERNAL CONTROL OVER COMPLIANCE

Audit Finding Reference Number

98-12 Internal Control-Risk Assessment, Continued

Pass-Through Entity

State of Louisiana

Criteria

The A-102 Common Rule requires that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Conditions and Perspectives

We noted during our audit that the City of New Orleans could strengthen its present internal control system by applying risk assessment to the fourteen types of compliance requirements specified by the OMB Circular A-133 Compliance Supplement. Risk assessment is the non-federal agency's identification and analysis of relevant risks to achievement of its objectives forming a basis for determining how the risks should be managed.

Cause

The management of the City of New Orleans has not considered utilizing or implementing risk assessment in the overall internal control system.

Questioned Costs

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

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

INTERNAL CONTROL OVER COMPLIANCE

Audit Finding Reference Number

98-12 Internal Control-Risk Assessment, Continued

Effect

Non-compliance with federal regulations requiring that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements.

Recommendation

We recommend that management of the City of New Orleans take the necessary steps to implement risk assessment criteria for the fourteen types of compliance.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

Questioned Costs

98-13 Period of Availability

\$488,694

Federal Program and Specific Federal Award Identification

CFDA Title and Number

93.926 Healthy Start Initiative - Great Expectations

Federal Award Year

December 31, 1998

Federal Agencies

U. S. Department of Health and Human Services

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3 Section II stipulates that when a funding period is specified, a non-federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the federal awarding agency.

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

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

98-13 Period of Availability, Continued

Conditions and Perspectives

We noted during our audit that expenditures totaling \$488,694 pertaining to the 1997-1998 grant year were erroneously charged to the 1996-1997 grant period. Such expenditures were charged beyond the period of availability.

Cause

The management of the City of New Orleans did not adhere to established procedures and properly monitor the charging of grant expenditures to the appropriate grant period.

Questioned Costs

For purposes of this finding, we have questioned the amount of grant expenditures which totaled \$488,694, that were charged against the previous grant award.

Effect

Non-compliance with federal regulations that require non-federal agencies to monitor the period of availability of grant funds to ensure grant funds are charged to the proper period.

Recommendation

We recommend that management of the City of New Orleans adhere to established procedures with regard to ensuring grant expenditures are charged to the proper period. Additionally, we recommend that federal financial reports be adjusted to record the grant disbursements in the proper period.

**CURRENT STATUS OF OTHER AUDITS
PERFORMED BY FEDERAL AUDITORS**

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY FEDERAL AUDITORS**

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, 1994

PURPOSE OR AUDIT 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 965, as amended, (iv) Office of Management and Budget Circular A-102, (v) EDA Title IX 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 \$333,333 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 \$1,044,323; 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 \$333,333 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 8, 1996, 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 13, 1992 THROUGH APRIL 30, 1994

BACKGROUND

In May of 1994, 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. 95-FW-255-1007 dated March 24, 1995, 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 misuses of Federal funds, regulatory violations, inefficiencies, and numerous 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 \$280,151 while an additional \$6,322,800 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 \$1,070,590. During previous years, and during the 1998 year, the City of New Orleans paid HUD \$1,250,000 and \$1,070,590, 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, 1990

BACKGROUND

On May 5, 1994 and on March 28, 1997, judgements totaling \$4,535,000 and \$894,615, 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 \$3,110,310 with regard to these judgements and is annually liquidating the remaining balance with video poker revenues.

**CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS**

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS**

ORGANIZATION - NEW ORLEANS AFFORDABLE HOME OWNERSHIP, INC.
(Formerly Urban Homeowner's Corporation of
New Orleans)

AUDIT PERIOD - AUGUST 29, 1989 (Inception) through December 31,
1994

OTHER INDEPENDENT AUDITOR - JUSTIN SCANLON, CPA

FINDINGS AND QUESTIONED COSTS

The New Orleans Affordable Home ownership, 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, 1989 through December 31, 1994 contained several compliance findings with related questioned costs totaling \$1,290,328. However, the cognizant agency has not rendered a final determination in this matter.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - NEW ORLEANS AFFORDABLE HOME OWNERSHIP, INC.
(Formerly Urban Homeowners Corporation of New Orleans)

AUDIT PERIOD - JANUARY 1, 1995 THROUGH DECEMBER 31, 1995

OTHER INDEPENDENT AUDITOR - PAILET, MEUMER & LEBLANC, L.L.P.

FINDINGS AND QUESTIONED COSTS

The New Orleans Affordable Home ownership 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, 1995 contained several compliance findings with related questioned costs totaling \$152,368. The cognizant agency has not rendered a final determination with regard to this matter.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - NEW ORLEANS AFFORDABLE HOME OWNERSHIP, INC.

AUDIT PERIOD - JANUARY 1, 1996 THROUGH DECEMBER 31, 1996

OTHER INDEPENDENT AUDITOR - JUSTIN SCANLAN, CPA

FINDINGS AND QUESTIONED COSTS

The New Orleans Affordable Home ownership is a sub-recipient of Community Development Block Grant (CFDA 14.218) funds from the City of New Orleans. An audit performed for the year ended December 31, 1996 contained several compliance findings with related questioned costs totaling \$45,438. The Cognizant Agency has not rendered a final determination with regard to these findings.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - THIRD SHILOH HOUSING, INC.

AUDIT PERIOD - JANUARY 1, 1996 TO DECEMBER 31, 1996

OTHER INDEPENDENT AUDITOR - LUTHER SPEIGHT & CO.

FINDINGS AND QUESTIONED COSTS

Third Shiloh Housing, Inc. Is a sub-recipient of Community Development Block Grant (CFDA 14.218) funds from the City of New Orleans. An audit performed for the year ended December 31, 1996 contained several compliance findings with related questioned costs totaling \$160,111. The Cognizant Agency has not rendered a final determination with regard to these findings.

**CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - MULTI-SERVICE CENTER FOR THE HOMELESS

AUDIT PERIOD - YEARS ENDED DECEMBER 31, 1995 AND 1994

OTHER INDEPENDENT AUDITOR -
LUTHER C. SPEIGHT & COMPANY - REPORT DATED
SEPTEMBER 16, 1996

FINDINGS AND QUESTIONED COSTS

The Multi-Service Center for the Homeless is a sub-recipient of funding from the City Council grants and the City of New Orleans Emergency Shelter Grants (HUD) 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
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)**

ORGANIZATION - MULTI-SERVICE CENTER FOR THE HOMELESS

AUDIT PERIOD - YEARS ENDED DECEMBER 31, 1996

OTHER INDEPENDENT AUDITOR - BRUNO & TERVALON, CPAS

FINDINGS AND QUESTIONED COSTS

The Multi-Service Center for the Homeless is a sub-recipient of Emergency Shelter Grants (CFDA 14.231) from the City of New Orleans. An audit performed for the year ended December 31, 1996 contained several compliance findings with related questioned costs totaling \$24,199. The Cognizant Agency has not rendered a final determination with regard to these findings.

CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)

HOME INVESTMENT PARTNERSHIP PROGRAM

During 1998, another independent certified public accountant conducted a performance audit of the monitoring function of the Home Investment Partnership Program. The specific performance audit objectives performed was to assess the adequacy of the following:

- Staff education and training in performance monitoring;
- Funding and staffing for the unit;
- Compensation and working conditions to attract and retain qualified staff;
- Supervision and resolving monitoring findings; and
- Monitoring actually performed by staff on selected sub-recipients.

The results of the independent certified public accountant performance audit with regard to supervision, resolving findings and monitoring actually performed was as follows:

Supervision

Individuals responsible for supervising monitors were knowledgeable about Federal sub-recipient monitoring requirements;

Formal management tools were used to track the scheduled progress committed by the agencies;

No formal documentation was maintained by management to determine if all agencies with activity were being monitored at least quarterly in 1997;

No formal reporting system was set up for the framework of procedures implemented for monitoring programs in 1998. While there is a framework, the lines of supervision should be formalized and incorporated into the written document;

Documentation of program monitoring of some agencies' activities in 1998 was maintained;

CITY OF NEW ORLEANS
CURRENT STATUS OF OTHER AUDITS
PERFORMED BY OTHER INDEPENDENT AUDITORS
(CONTINUED)

HOME INVESTMENT PARTNERSHIP PROGRAM, CONTINUED

Supervision, Continued

However, there was no evidence that the reports were reviewed or approved management.

Monitoring

There was no evidence that formalized program monitoring was performed in 1997. Individuals outside of the Intake, Construction and Affordable Housing Bureaus did not perform reviews for compliance with applicable federal and contract regulations; and fiscal monitoring was limited to a review of payments by the Construction Bureau personnel. Also, there was no documentation that the matching fund requirements had been monitored and documented.

Resolving Findings

The independent Certified Public Accountant was unable to assess the adequacy of the resolution of findings, since there was no evidence that such procedures were performed on selected sub-recipients. It was recommended that uniform written procedures as to resolving findings should be established, incorporated into the monitoring process and documented and placed in the sub-recipient's file after receiving management approval indicating that the matter was resolved appropriately.

**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.

CITY OF NEW ORLEANS

Councilmember Oliver Thomas	--	City Council Audit Committee
Councilmember Suzanne Terrell	--	City Council Audit Committee
Councilmember Ellen Hazeur-Distance	--	City Council Audit Committee
Councilmember James Singleton	--	City Council Audit Committee
Ms. Marina Kahn	--	Director of Finance
Mrs. Etta Morris	--	Deputy Director of Finance
Mr. Wayne M. DeLarge	--	Comptroller
Mr. Glennis Scott	--	Assistant to the Mayor
Ms. Ellen Lee	--	Director of Neighborhood Development
Ms. Thelma French	--	Assistant to the Mayor
Mr. John Roussel	--	Deputy Director- Neighborhood Development
Ms. Shelia Webb	--	Deputy Director of Health
Ms. Mary Pettingill	--	Assistant to the Mayor for Fiscal Affairs

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA	--	Managing Partner
Mr. Edward Phillips	--	Senior Manager

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 21, 1999

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

**CITY OF NEW ORLEANS
CORRECTIVE ACTION PLAN - AUDIT FINDINGS
DECEMBER 31, 1998**

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>1. 98-01 and 98-02 Monitoring of Subrecipients</p> <p>The Independent Auditors noted that management of the City of New Orleans failed to perform fiscal or programmatic subrecipient monitoring for certain subrecipients.</p>	<p>The City of New Orleans has engaged the services of outside auditors to assist in the monitoring of subrecipients.</p>	<p>October, 1999</p>	<p>Marina Kahn, Director of Finance</p>	<p>No</p>
<p>2. 98-03 Audits of subrecipient activities</p> <p>The Independent Auditors noted that the City of New Orleans failed to ensure required audits were performed for the following agencies and program:</p> <p>U.S. Department of Housing and Urban Development</p> <p>Ryan White</p>	<p>The Grant Administrators of the U.S. Department of Housing and Urban Development and Ryan White Programs has contacted the subrecipients and independent auditors and are awaiting the issuance of the open audit reports.</p>	<p>November, 1999</p>	<p>Thelma French, Executive Asst. to the Mayor</p>	<p>No</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>3. 98-04 Allowable Costs</p> <p>The Independent Auditors noted that management of the city of New Orleans had disbursed grant funds to certain subrecipients that were selected for testing based upon a cost control statement detailing the pertinent general ledger accounts and related amounts. This practice is presently utilized by the city of New Orleans as a means of making prompt payments to subrecipients and require that such subrecipients be timely monitored to ensure that the grant funds disbursed were properly supported with appropriate documentation.</p>	<p>The City of New Orleans has engaged the services of outside auditors to assist in reviewing subrecipients fiscal reports.</p>	<p>November, 1999</p>	<p>Marina Kahn, Director of Finance</p>	<p>No</p>
<p>4. 98-05 Program Income</p> <p>The Independent Auditors noted that the city of New Orleans had not established a system to accumulate and account for program income data of subrecipients and to ensure program income is utilized in compliance with all applicable federal rules and regulations.</p>	<p>The management of the City of New Orleans has developed procedures to accumulate and account for program income. The system to accumulate the program information is nearly completed.</p>	<p>September, 1999</p>	<p>Glenis Scott, Assistant to the Mayor</p>	<p>No</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>5. 98-06 Davis Bacon Act</p> <p>The Independent Auditor noted that management of the city of New Orleans failed to adhere to established procedures for monitoring the payment of prevailing wages to workers by contractors or subcontractors for the noted grants.</p>	<p>The City of New Orleans will designate an employee to ensure compliance with the Davis Bacon Act.</p>	<p>December, 1999</p>	<p>Marlin Gusman, CAO</p>	<p>No</p>
<p>6. 98-07 Eligibility</p> <p>The Independent Auditors noted that five (5) police officers out of thirty (30) police officers tested were not police officers level 1. However, the grant agreement specified that Level 1 police officers hired after October 1, 1996 salary costs were eligible for grant expenditures.</p>	<p>The management of the City of New Orleans will reassign eligible employees to the grant.</p>	<p>July, 1999</p>	<p>Courtney Bagneris, Chief Financial Officer, NOPD</p>	<p>No</p>
<p>7. 98-08 Management Decisions</p> <p>The Independent Auditors noted that management of the City of New Orleans had not issued management decisions as prescribed by OMD Circular A-133 on subrecipient audit reports that contained audit findings within six months after receipt of the audit reports.</p>	<p>The City of New Orleans will establish procedure to ensure management decisions are issued on Audit Findings when required.</p>	<p>July, 1999</p>	<p>Thelma French, Executive Assistant to the Mayor</p>	<p>No</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>8. 98-09 Matching</p> <p>The Independent Auditors noted that the city of New Orleans must provide eligible matching contributions of 12.5% of its actual Home Expenditures. The grantor agency has allowed the city of New Orleans to provide the match in the form of certain non-federal expenditures (i.e. forgiven taxes, appraisal value of donated land or real property, infrastructure, site preparation, non-federal cash, etc.) incurred or provided by the subrecipient. However, management of the city of New Orleans failed to document the match of Home funds for the year ended December 31, 1998.</p>	<p>The management of the City of New Orleans will properly document the home match for the year ended December 31, 1998. Also, procedures will be adhered to ensure that the match documentation is currently maintained.</p>	<p>September, 1999</p>	<p>Glenis Scott, Assistant to the Mayor</p>	<p>No</p>
<p>9. 98-10 Federal Cash Management</p> <p>The Independent Auditors noted that the cost control statements submitted by the subrecipient contained actual and projected expenditures for the reporting period ending December 31, 1998. As such, the subrecipient received cash advances for operations. Also, the Monitoring Unit did not monitor the subrecipient and as such was unable to determine the actual costs incurred by the subrecipient through December 31, 1998.</p>	<p>The Monitoring Unite has been assigned the responsibility to determine actual costs incurred by the subrecipient and whether any excess cash and interest earnings existed. Also, the subrecipient has engaged an independent auditor to perform an audit. The audit report will also be utilized to determine if any cash management problems exists.</p>	<p>December, 1998</p>	<p>Marina Kahn, Director of Finance</p>	<p>No</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>10. 98-11 Equipment and Real Property</p> <p>The Independent Auditors noted that a physical inventory of equipment was not taken at least once every two years. Additionally, the Independent Auditors noted that equipment items that were selected for testing had not been properly tagged and recorded on the equipment/moveable property records.</p>	<p>The City of New Orleans implemented a fixed asset module in the Financial Management System. Physical inventory of all departmental equipment and property have been completed and data is being loaded in the data base. This project is 95% complete.</p>	<p>October, 1999</p>	<p>Marina Kahn, Director of Finance</p>	<p>No</p>
<p>11. 98-12 Risk Assessment</p> <p>The Independent Auditors noted that the city of New Orleans could strengthen its present internal control system by applying risk assessment to the fourteen types of compliance requirements specified by the OMB Circular A-133 Compliance Supplement.</p>	<p>The City of New Orleans will continue to strengthen its internal control system to comply with the requirements specified by OMB Circular A-133.</p>	<p>September, 1999</p>	<p>Marina Kahn, Director of Finance</p>	<p>No</p>
<p>12. 98-13 Period of Availability</p> <p>The Independent Auditors noted that expenditures totaling \$488,694 pertaining to the 1997-1998 grant year were erroneously charged to the 1996-1997 grant period. Such expenditures were charged beyond the period of availability.</p>	<p>The City of New Orleans does not concur with the finding. All expenditures for each grant period are posted to actual grant funding periods and are reflected as such on the schedule of drawdowns.</p>	<p>Completed.</p>	<p>Shelia Webb, Director of Health</p>	<p>No</p>

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MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

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 expenditures of federal awards of the City of New Orleans for the year ended December 31, 1998 and have issued our report thereon dated June 21, 1999. In planning and performing our audit of the schedule of expenditures of federal awards, we considered the City of New Orleans' internal control over financial reporting and compliance.

During our audit, we became aware of certain matters that are opportunities for strengthening internal control 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 21, 1999 on the schedule of expenditures of federal awards 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 federal awarding agencies and pass-through entities, such as the State of Louisiana and the Legislative Auditor's Office.

CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
DECEMBER 31, 1998

ALL MAJOR FEDERAL PROGRAMS

1. Suspension and Debarment

We noted during our audit that management of the City of New Orleans had not established policies and procedures to require contractors receiving individual awards for \$100,000 or more and all sub-recipients certify that the organization and its principles are not suspended or debarred.

We recommend that the City of New Orleans take immediate steps to obtain such certifications as required by the Suspension and Debarment Common Rule.

2. OMB Circular A-133 Compliance Supplement

We noted during our audit that certain departmental and program managers were not provided a copy of OMB Circular A-133 Compliance Supplement (the Supplement).

We recommend that management of the City of New Orleans ensure that the revised Supplement, which was issued in June, 1999 be provided to appropriate management. Also, we recommend that the related departmental and program managers be required to attend the various seminars available through either the federal government or the American Institute of Certified Public Accountants with such seminar material also being provided to appropriate departmental personnel.

3. Financial Reports

The City of New Orleans has two (2) internally generated financial reports (A-400 and A659B) that are utilized by us to select major programs and sub-recipients for testing. The reports reflect expenditures on a functional basis (i.e. salaries, professional services, etc.) and also list check payments to sub-recipients.

We noted during our audit that certain agencies/departments could also utilize these reports to effectively monitor departmental expenditures and payments to sub-recipients.

We recommend that appropriate management be provided such reports on a monthly basis.

**CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
DECEMBER 31, 1998
CONTINUED**

ALL MAJOR FEDERAL PROGRAMS, CONTINUED

4. Encumbrances

We noted during our audit that amounts recorded as encumbrances in the City of New Orleans' financial records had not been adjusted for the past two (2) years.

We recommend that immediate steps be taken to reconcile encumbrances.

COMMUNITY DEVELOPMENT BLOCK GRANT

5. Programmatic Deficiencies

We noted the following during our audit:

- For seventeen (17) of the seventeen (17) sub-recipients selected for testing, we noted that the sub-recipient contract did not include a notification of the CFDA number and federal awarding agency as required by OMB Circular A-133; and
- The 1998 sub-recipient registry list was not updated on a timely basis for new organizations and for changes in continuing sub-recipient addresses, telephone numbers, fax numbers, etc.

We recommend that immediate steps be taken to correct the noted deficiencies.

6. Cash Disbursement Test

We noted during our audit that for one (1) disbursement totaling \$5,690 out of forty (40) items selected for testing, the City of New Orleans was unable to locate the related voucher package.

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
DECEMBER 31, 1998
CONTINUED

RYAN WHITE

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

7. Post-Completion Physical Inspections

The Home program rules and regulations specify that the City of New Orleans must perform post-completion on-site inspections to determine compliance with property standards and verify information submitted by the owners within a prescribed time frame. We noted during our audit that post-completion physical inspections for five (5) projects were past due.

We recommend that immediate steps be taken to correct the noted deficiency.

8. Programmatic Data Base

We noted during our audit that management of the Home program did not have available a tracking system or data base that would provide essential information of certain programmatic activities such as:

- Matching of grant funds by sub-recipients;
- Program income generated by sub-recipients;
- Documenting that 221(d)(3) subsidy limits were not exceeded;
- Real Property acquisitions by sub-recipients; and
- Home-Owners or Tenants for all Home Projects.

We recommend that immediate steps be taken to correct the noted condition.

CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
DECEMBER 31, 1998
CONTINUED

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME), CONTINUED

9. Lien Agreements/Second Mortgages

We noted during our audit that management of the Home Program could not locate two (2) out of nine (9) lien/second mortgage agreements that were requested.

We recommend that management of the Home Program adhere to established record retention procedures.

10. Owner-Occupied Rehabilitation Program

We noted during our audit of the Owner-Occupied Rehabilitation Program that the City of New Orleans require program participants to certify that they did not receive prior assistance under the program and did not have conflict-of-interest conditions. However, procedures do not exist to verify these representations.

Additionally, we noted that an individual who owned a double house received assistance under the Single Family Housing Rehabilitation program.

We recommend that management of the City of New Orleans take the necessary steps to resolve these conditions.

11. First-Time Home Buyer Program

We noted during our audit that a program participant in the First Time Home Buyer Program (the Program) purchased a house with a greater capacity (bedrooms) than the household composition and that management of the program had not developed procedures to verify participants' representations that they were first time home buyers.

We recommend that management of the City of New Orleans take the necessary steps to resolve these conditions.

CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
DECEMBER 31, 1998
CONTINUED

12. Programmatic Monitoring of Departmental Federal Activities

We noted during our audit that the Police Department and the Economic Development Department are required to administer federal grant activities, such as Department of Justice Grants, the Community Development Block Grant Section 108 Loan Program and the repayment of Urban Development Action Grant loans which are utilized for programmatic activities. Although, such departments are subject to independent evaluations and/or programmatic reviews, none were performed

An essential aspect of an internal control system over compliance is to provide independent monitoring of programmatic activities to ensure compliance with established policies and federal rules and regulations.

We recommend that management of the City of New Orleans ensure independent evaluations of the noted departments federal programmatic activities are performed.

13. Health Start Initiative

We noted that the Quarterly Federal Cash Transaction reports and the Annual Financial Status Report were not submitted to the federal government when required.

We recommend that management of the City of New Orleans adhere to established procedures and submit federal reports when required.

14. Special Purpose Grant

We noted that the Annual Progress Performance Report of sub-recipients was not submitted to the federal agency as required.

We recommend that management adhere to established procedures.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT,
CONTINUED

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

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

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 21, 1999

CITY OF NEW ORLEANS
 INDEPENDENT AUDITOR'S COMMENTS TO MANAGEMENT
 DECEMBER 31, 1998

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>1. Suspension and Debarment</p> <p>The Independent Auditor noted that management of the City of New Orleans had not established policies and procedures to require contractors receiving individual awards for \$100,000 or more and all subrecipients certify that the organization and its principles are not suspended or debarred.</p>	<p>The Management of the City of New Orleans will establish policies and procedures to ensure that those organizations receiving \$100,000 or more certify that they are not suspended or debarred.</p>	<p>December, 1999</p>	<p>Thelma French</p>	<p>No</p>
<p>2. OMB Circular A-133 Compliance Statement</p> <p>The Independent Auditor noted that certain departmental and program managers were not provided a copy of OMB Circular A-133 Compliance Supplement.</p>	<p>The Management of the City of New Orleans will ensure that all departmental and program managers receive copies of the OMB Circular A-133 Compliance Supplement.</p>	<p>July, 1999</p>	<p>Thelma French</p>	<p>No</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>3. Financial Reports</p> <p>The City of New Orleans has two internally generated financial reports (A-400 and A659B) that are utilized by the independent auditors to select major programs and subrecipients for testing. The reports reflect expenditures on a functional basis (i.e. salaries, professional services, etc.) and also list check payments to sub-recipients.</p> <p>The Independent Auditor noted that certain agencies/departments could also utilize these reports to effectively monitor departmental expenditures and payments to subrecipients.</p>	<p>The City of New Orleans CAO Division of MIS already distributes system generated financial reports to all units within city government.</p>	<p>Completed</p>	<p>Earl Kilbride, MIS Director</p>	<p>No</p>
<p>4. Encumbrances</p> <p>The Independent Auditor noted that amounts recorded as encumbrances in the City of New Orleans' financial records had not been adjusted for the past two years.</p>	<p>The City of New Orleans will continue to analyze encumbrances on an annual basis.</p>	<p>September, 1999</p>	<p>Marina Kahn, Finance Director</p>	<p>No</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>5. Programmatic Deficiencies</p> <p>The Independent Auditors noted the following during their audit:</p> <ul style="list-style-type: none"> ▶ For seventeen (17) of the seventeen (17) subrecipients selected for testing, we noted that the subrecipient contact did not include a notification of the CFDA number and federal awarding agency as required by OMB Circular A-133; and ▶ The 1998 subrecipient registry list was not updated on a timely basis for new organizations and for changes in continuing subrecipient addresses, telephone numbers, fax numbers, etc. 	<p>Contracts will be reviewed to ensure such language is included.</p> <p>The City of New Orleans is presently updating the subrecipient registry.</p>	<p>September, 1999</p> <p>September, 1999</p>	<p>Glenis Scott, Assistant to the Mayor</p> <p>Glenis Scott, Assistant to the Mayor</p>	<p>No</p> <p>No</p>
<p>6. Cash Disbursement Test</p> <p>The Independent Auditor noted that for one disbursement totaling \$5,690 out of forty (40) items selected for testing, the City of New Orleans was unable to locate the related voucher package.</p>	<p>The City of New Orleans Accounting department is attempting to locate this voucher package which could be mis-filed or with other auditors.</p>	<p>July, 1999</p>	<p>Marina Kahn, Finance Director</p>	<p>No</p>

CITY OF NEW ORLEANS
 INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
 DECEMBER 31, 1998

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>7. Post Completion Physical Inspections</p> <p>The Home program rules and regulations specify that the City of New Orleans must perform on-site post-completion inspections to determine compliance with property standards and verify information submitted by the owners within a prescribed time frame. The Independent Auditors noted that physical inspections for five (5) projects were past due.</p>	<p>The management of the City of New Orleans has established procedures that will ensure the past due on-site inspections will be performed and that future inspections will be performed when required.</p>	<p>July, 1999</p>	<p>Glenis M. Scott Assistant to the Mayor</p>	<p>No</p>

CITY OF NEW ORLEANS
 INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
 DECEMBER 31, 1998

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>8. Programmatic Data Base</p> <p>The Independent Auditors noted that management of the Home program did not have available a tracking system or data base that would provide essential information of certain programmatic activities such as:</p> <ul style="list-style-type: none"> • Matching of grant funds by sub-recipients; • Program income generated by sub-recipients; • Documenting that 221(d)(3) subsidy limits were not exceeded; • Real Property acquisitions by sub-recipients; and • Home-Owners or Tenants for all Home Projects. 	<p>The management of the City of New Orleans is presently developing such a tracking system and/or data base.</p>	<p>October, 1999</p>	<p>Glenis M. Scott Assistant to the Mayor</p>	<p>No</p>

CITY OF NEW ORLEANS
 INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
 DECEMBER 31, 1998

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
9. Lien Agreements/Second Mortgages The Independent Auditors noted that management of the Home Program could not locate two (2) out of nine (9) lien/second mortgage agreements that were requested.	The management of the City of New Orleans will locate the two lien/second mortgage agreements and will adhere to established record retention procedures in the future.	September, 1999	Glenis M. Scott Assistant to the Mayor	No

CITY OF NEW ORLEANS
 INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
 DECEMBER 31, 1998

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>10. Owner/Occupied Rehabilitation Program</p> <p>The Independent Auditors noted that the City of New Orleans require program participants to certify that they did not receive prior assistance under the program and did not have conflict-of-interest conditions. However, procedures do not exist to verify these representations.</p> <p>Additionally, the Independent Auditors noted that an individual who owned a double house received assistance under the Single Family Housing Rehabilitation program.</p>	<p>The City of New Orleans will review these conditions and determine if any correction action will be required.</p>	<p>September, 1999</p>	<p>Glenis M. Scott Assistant to the Mayor</p>	<p>No</p>

CITY OF NEW ORLEANS
 INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
 DECEMBER 31, 1998

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
11. First-Time Home Buyer Program The Independent Auditors noted that a program participant in the First Time Home Buyer Program (the Program) purchased a house with a greater capacity (bedrooms) than the household composition and that management of the program had not developed procedures to verify participants' representations that they were first time home buyers.	The City of New Orleans will review these conditions and determine if any corrective action will be required.	September, 1999	Glenis M. Scott Assistant to the Mayor	No

CITY OF NEW ORLEANS
 INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
 DECEMBER 31, 1998

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>12. Programmatic Monitoring of Departmental Federal Activities</p> <p>The Independent Auditors noted that the Police Department and the Economic Development Department are required to administer federal grant activities, such as Department of Justice Grants, the Community Development Block Grant Section 108 Loan Program and the repayment of Urban Development Action Grant loans which are utilized for programmatic activities. Although, such departments are subject to independent evaluations and/or programmatic reviews, none were performed.</p>	<p>The City of New Orleans will adhere to established procedures and ensure the independent evaluations and/or programmatic reviews are performed.</p>	<p>October, 1999</p>	<p>Thelma French Assistant to the Mayor</p>	<p>No</p>

**CITY OF NEW ORLEANS
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
DECEMBER 31, 1998**

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS-THROUGH AGENCY CONTACTED
<p>13. Healthy Start Initiative</p> <p>We noted that the Quarterly Federal Cash Transaction reports and the Annual Financial Status Report were not submitted to the federal government when required.</p>	<p>The City of New Orleans will adhere to established procedures and ensure federal financial reports are submitted when required.</p>	<p>October, 1999</p>	<p>Shelia Webb Director of Health</p>	<p>No</p>
<p>14. Special Purpose Grant</p> <p>We noted that the Annual Progress Performance Report of sub-recipients was not submitted to the federal agency as required.</p>	<p>The City of New Orleans will ensure that the noted report is submitted to the federal government. Also, the City of New Orleans will adhere to established procedures and ensure that federal reports are submitted when required.</p>	<p>October, 1999</p>	<p>Glenis M. Scott Assistant to the Mayor</p>	<p>No</p>

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Monitoring of Subrecipients

Reference Number (from attached schedule of findings): 97-01

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

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

Initial Year of Finding: 1996

Page Number 33

Program Name(s) Job Training Partnership Act, Grants for Residential Treatment-Infinity Program, Healthy Start-Initiative-G.E. Program, Community Development Block Grant, Home Investment Partnership Program, Employment & Training Assistance
Federal Grantor Agency: U.S. Department of Labor, U.S. Dept. of Health & Human Svcs., U.S. Dept. of Housing & Urban Development
CFDA Number(s): 14.218, 14.239, 17.246, 17.250, 93.101, 93.926

Status of Finding (check one):

Fully Corrected _____
Partially Corrected X
Change of Corrective Action _____

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

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

The City of New Orleans has engaged the services of outside auditors to perform monitoring of those sub-recipients that have not been monitored.
Completion of all projects is scheduled for October 1999.

Preparer's Signature:

Etta Reed Morris

Phone Number:

504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Audits of Sub-recipient Activities

Reference Number (from attached schedule of findings): 97-02

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

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

Initial Year of Finding: 1996

Page Number 37

Program Name(s) HIV Emergency Relief Project Grant-Ryan White, HIV Emergency Relief Formula Grants-Ryan White, CDBG, Emergency Shelter Grant, Home Investment Partnership Program, Housing Opportunities for persons with AIDS, Grants for Residential Treatment - Infinity, Health Start Initiative - Great Expectations
Federal Grantor Agency: U.S. Dept. of Housing and Urban Dev., U.S. Dept. of Health & Human Sv
CFDA Number(s): 14.218, 14.231, 14.239, 14.241, 93.101, 93.914, 93.915, 93.926

Status of Finding (check one):

Fully Corrected _____
Partially Corrected X
Change of Corrective Action _____

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

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

The management of the City of New Orleans has established procedures to ensure sub-recipient audit reports are received.

Preparer's Signature: *Etta Reed Morris*

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Monitority of Sub-recipients

Reference Number (from attached schedule of findings): 97-03

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

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

Initial Year of Finding: 1996

Page Number 40

Grants for Residential Treatment, HIV Emergency Relief Formula, HIV Emergency Relief Program
Program Name(s): Health Start Initiative, CDBG, Home Investment Partnership Program, JTPA
Shelter Grants Housing Opportunities for Persons with AIDS, Employment & Training Assistance
Federal Grantor Agency: N/A

CFDA Number(s): 14.218, 14.239, 14.231, 14.241, 17.246 17.250, 93:101, 93.914, 93.915
93.926

Status of Finding (check one):

Fully Corrected _____
Partially Corrected X
Change of Corrective Action _____

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

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

The City of New Orleans has engaged the services of outside auditors to
perform monitoring of those sub-recipients that have not been monitored.
Completion of all project is scheduled for October 1999.

Preparer's Signature: Etta Reed Morris

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Federal Cash Management

Reference Number (from attached schedule of findings): 97-04

Amount of Questioned Costs in Finding: \$ 5,905,285

Status of Questioned Costs (check one): Resolved Unresolved:

Initial Year of Finding: 1997

Page Number 41

Program Name(s): Healthy Start Initiative-Great Expectations Program

Federal Grantor Agency: U.S. Dept. of Health and Human Services

CFDA Number(s): 93.926

Status of Finding (check one):

Fully Corrected

Not Corrected

Partially Corrected

No Further Action Needed

Change of Corrective Action

(See OMB A-133 Section 315(b)(4))

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

An audit has been completed on this project, with a final determination being made of any excess cash.

Preparer's Signature: Etta Reed Morris

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Equipment and Real Property Management

Reference Number (from attached schedule of findings): 97-05

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

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

Initial Year of Finding: 1996

Page Number 43

Program Name(s): HIV Emergency Relief Grant, Healty Start Initiative

CDBG, Grants for Residential Treatment
Federal Grantor Agency: N/A

CFDA Number(s): 14.218, 93.101, 93.914, 93.915, 93.926

Status of Finding (check one):

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

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

The City of New Orleans has nearly completed the physical inventory and the tagging of equipment.

Preparer's Signature: Etta Reed Morris

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Compliance with the Davis-Bacon Act

Reference Number (from attached schedule of findings): 97-06

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

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

Initial Year of Finding: 1997

Page Number 45

Program Name(s): State and Community Highway Safety

Federal Grantor Agency: U.S. Dept. of Transportation

CFDA Number(s): 20.600

Status of Finding (check one):

Fully Corrected _____

Partially Corrected X

Change of Corrective Action _____

Not Corrected _____

No Further Action Needed _____

(See OMB A-133 Section 315(b)(4))

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

The City of New Orleans has developed procedures to monitor Davis-Bacon.
It is anticipated that the monitoring will occur during the year ended
December 31, 1999.

Preparer's Signature:

Etta Reed Morris

Phone Number:

504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Subrecipient Contracts

Reference Number (from attached schedule of findings): 97-07

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

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

Initial Year of Finding: 1997

Page Number 47

Program Name(s): HIV Emergency Relief Formula Grant - Ryan White
HIV Emergency Relief Project Grant - Ryan White

Federal Grantor Agency: U.S. Dept. of Health and Human Services

CFDA Number(s): 93.914, 93.915

Status of Finding (check one):

Fully Corrected _____
Partially Corrected X
Change of Corrective Action _____

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

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

The City of New Orleans has developed procedures to ensure sub-recipient contracts contain appropriate language as specified by the Federal Government.

Preparer's Signature: Etta Reed Morris

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Grant Over-Award

Reference Number (from attached schedule of findings): 97-08

Amount of Questioned Costs in Finding: \$ 21,375

Status of Questioned Costs (check one): Resolved _____ Unresolved: X

Initial Year of Finding: 1997

Page Number 49

Program Name(s): HIV Emergency Relief Formula Grant - Ryan White

Federal Grantor Agency: U.S. Dept. of Health and Human Services

CFDA Number(s): 93.915

Status of Finding (check one):

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

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

The management of the City of New Orleans is presently attempting to collect the overpayments from the respective sub-recipients.

Preparer's Signature: Etta Reed Morris

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Monitoring and Prompt Payment Systems (MOPPS)

Reference Number (from attached schedule of findings): 97-09

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

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

Initial Year of Finding: 1996

Page Number 51

Program Name(s): Grants for Residential Treatment, Healthy Start Initiative, CDBG, Home Investment Partnership Progra, Employment and Training Assistance, JTPA

Federal Grantor Agency: N/A

CFDA Number(s): 14.218, 14.239, 17.246, 17.250, 93.101, 93.926

Status of Finding (check one):

Fully Corrected _____

Not Corrected _____

Partially Corrected X

No Further Action Needed _____

Change of Corrective Action _____

{See OMB A-133 Section 315(b)(4)}

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

The City of New Orleans has engaged the services of outside auditors to perform monitoring of those agencies not monitored by MOPPS. Anticipated completion October 1999.

Preparer's Signature: Gita Reed Morris

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Administration of Home Programs

Reference Number (from attached schedule of findings): 97-10

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

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

Initial Year of Finding: 1996

Page Number 52

Program Name(s): Home Investment Program

Federal Grantor Agency: N/A

CFDA Number(s): 14.239

Status of Finding (check one):

Fully Corrected X
Partially Corrected _____
Change of Corrective Action _____

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

Description of Status: (include corrective action planned and anticipated completion date, if applicable):
The management of the City of New Orleans has assumed the disbursement function for Home Grant funds.

_____ / _____

Preparer's Signature: *Etha Reed Morris*

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Federal Financial Reports

Reference Number (from attached schedule of findings): 97-Management Letter-01

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

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

Initial Year of Finding: 1997

Page Number 2

Program Name(s): Ryan White

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

CFDA Number(s): 93.914, 93.915

Status of Finding (check one):

Fully Corrected _____
Partially Corrected _____
Change of Corrective Action _____

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

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

The City of New Orleans has developed procedures to ensure Ryan White federal financial reports are submitted when required.

Preparer's Signature: Stella Reed Morris

Phone Number: 504-565-600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Unused Allocation - Ryan White Program

Reference Number (from attached schedule of findings): 97-Management Letter-02

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

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

Initial Year of Finding: 1997

Page Number 2

Program Name(s): Ryan White

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

CFDA Number(s): 93.914, 93.915

Status of Finding (check one):

Fully Corrected X
Partially Corrected _____
Change of Corrective Action _____

Not Corrected _____
No Further Action Needed _____

(See OMB A-133 Section 315(b)(4))

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

The City of New Orleans has developed procedures to ensure that grant allocations are utilized to the greatest extent.

Preparer's Signature: Etta Reed Morris

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Sub-recipient Payment - Infinity Network Program

Reference Number (from attached schedule of findings): 97-Management Letter-03

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

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

Initial Year of Finding: 1997

Page Number 2

Program Name(s): Infinity Network Program

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

CFDA Number(s): 93.101

Status of Finding (check one):

Fully Corrected X

Partially Corrected _____

Change of Corrective Action _____

Not Corrected _____

No Further Action Needed _____

{See OMB A-133 Section 315(b)(4)}

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

The City of New Orleans has received the related cost reports from the sub-recipient.

Preparer's Signature:

Etta Reed Morris

Phone Number:

504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December 31, 1997

Finding Title: Payroll and Cash Disbursement Transactions

Reference Number (from attached schedule of findings): 97-Management Letter-04

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

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

Initial Year of Finding: 1997

Page Number 3

Program Name(s): Community Development Block Grant

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

CFDA Number(s): _____

Status of Finding (check one):

Fully Corrected _____
Partially Corrected X
Change of Corrective Action _____

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

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

The City of New Orleans is continuing to ensure that established procedures are being adhered to.

Preparer's Signature: Etta Reed Morris

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended December-31, 1997

Finding Title: Federal Audits Performed by Other Independent Auditors

Reference Number (from attached schedule of findings): 97-Management Letter-05

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

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

Initial Year of Finding: 1997

Page Number 3

Program Name(s): All Federal Programs

Federal Grantor Agency: All Federal Programs

CFDA Number(s): _____

Status of Finding (check one):

Fully Corrected _____
Partially Corrected _____
Change of Corrective Action _____

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

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

The City of New Orleans is continuing to establish appropriate procedures to ensure management decisions are issued on sub-recipient findings and that timely corrective action is taken on all audit findings related to sub-recipient activities.

Preparer's Signature: *Etta Reed Morris*

Phone Number: 504-565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Monitoring and Prompt Payment Systems (MOPPS)

Schedule: Schedule of Reportable Conditions

Page Number: 27

Reference Number: 96-Reportable Conditions-01

Program Name(s): All Federal Programs

CFDA Number(s): All Federal Programs of the City of New Orleans

Status of Finding: The City of New Orleans has engaged the services of outside auditors to perform monitoring of sub-recipients that have not been monitored by MOPPS. Status-partially corrected.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Monitoring of Sub-Recipients

Schedule Schedule of Reportable Conditions

Page Number 27

Reference Number 96-Reportable Conditions-02

Program Name(s): Department of Health and Human Services,
Job Training Partnership, Home Investment

CFDA Number(s): 93.000 Series, 17.250, 14.239

Status of Finding:

The City of New Orleans has engaged the services of outside auditors to perform monitoring of sub-recipients that have not been monitored by MOPPS. Status -- partially corrected.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Administration of Home Program

Schedule: Schedule of Reportable Conditions

Page Number: 28

Reference Number: 96-Reportable Condition-03

Program Name(s): Home Investment Program

CFDA Number(s): 14.239

Status of Finding:

U.S. Escrow is presently being utilized to finalize old accounts. The City of New Orleans is the present agency for the Home Program. Status - resolved.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Proper recording of all Federal Grants within
Schedule of Federal Financial Assistance

Schedule Schedule of Reportable Conditions

Page Number 28

Reference Number 96-Reportable Conditions-04

Program Name(s): HOME Investment Program

CFDA Number(s): 14.239

Status of Finding:

The City of New Orleans has corrected this condition.
Status - resolved.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Identification, Tagging, and Control of Equipment/
Moveable Property

Schedule Schedule of Reportable Conditions

Page Number 29

Reference Number 96-Reportable Conditions-05

Program Name(s): Community Development Block Grant, HIV Emergency Relief

CFDA Number(s): 93.915, 14.218

Status of Finding: The City has implemented a fixed assets management system and is currently coordinating a physical inventory of all departments and agencies to update and properly tag all equipment and moveable property. Status - unresolved.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Monitoring of Subrecipients

Schedule: Schedule of Findings and Questioned Costs

Page Number: 36

Reference Number: 96-Findings-01

Program Name(s): Department of Health and Human Services, Job Training Partnership, Home Investment, Community Development Block Grant

CFDA Number(s): 93.000 Series, 14.218, 14.239, 17.250

Status of Finding: The City of New Orleans has engaged ~~the~~ services of outside auditors to perform monitoring of sub-recipients that have not been monitored by MOPPS. Status - partially corrected.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Audits of Sub-recipient Contracts

Schedule: Schedule of Findings and Questioned Costs

Page Number: 38

Reference Number: 96-Findings-02

Program Name(s): Community Development Block Grant, HIV Emergency Relief, Healthy Start Initiative, Health Center for Homeless

CFDA Number(s): 93.151, 93.926, 93.915, 14.218

Status of Finding: A system to ensure that programs are audited and reports are reviewed and resolved has been implemented during 1998. Also procedures are currently being implemented to ensure that delinquent sub-recipient reports (from 1997 and prior) are obtained. Status - partially corrected.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Subrecipient Contracts - Department of Health and Human Services

Schedule: Schedule of Findings and Questioned Costs

Page Number: 42

Reference Number: 96-Findings-03

Program Name(s): HIV Emergency Relief, Healthy Start Initiative, Grants for Residential Treatment

CFDA Number(s): 93.101, 93.926, 93.915

Status of Finding:

The City of New Orleans corrected this finding during 1998.
Status - corrected.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Record Retention and Completeness of Sub-Recipients' Files

Schedule Schedule of Findings and Questioned Costs

Page Number 43

Reference Number 96-Findings-04

Program Name(s): Community Development Block Grant

CFDA Number(s): 14.218

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Monitoring Findings

Schedule: Schedule of Findings and Questioned Costs

Page Number: 47

Reference Number: 96-Findings-05

Program Name(s): Community Development Block Grant

CFDA Number(s): 14.218

Status of Finding: The management of the City of New Orleans has suspended subsequent disbursement activities with a sub-recipient who received \$712,000. Such suspension will be maintained pending corrective action to resolve the monitoring finding. Status - unresolved.

Preparer's Signature: *Etta Reed Morris*

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Monitoring Compliance with the Davis Bacon Act

Schedule: Schedule of Findings-General Requirements

Page Number: 51

Reference Number: 96- General Findings-01

Program Name(s): State and Community Highway Safety

CFDA Number(s): 20.600

Status of Finding: The management of the City of New Orleans is presently assigning an individual to perform the required Davis Bacon Act monitoring.
Status - unresolved.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Federal Financial Reports

Schedule: Schedule of Findings - General Requirements

Page Number: 53

Reference Number: 96-General Findings-02

Program Name(s): HIV Emergency Relief, Health Start Initiative, Health Center for Homeless, Grants for Residential Treatment, Community Development Block Grant, Job Training Partnership

CFDA Number(s): 93.915, 93.926, 93.151, 93.101, 14.218, 17.250

Status of Finding:

During 1998, the City of New Orleans had certain quarterly reports submitted late. Status - partially resolved.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Budgetary Controls

Schedule Independent Auditors' Comments to Management

Page Number 2

Reference Number 96-Management Letter-01

Program Name(s): Community Development Block Grant

CFDA Number(s): 14.218

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Financial Reporting

Schedule: Independent Auditors' Comments to Management

Page Number: 2

Reference Number: 96-Management Letter-02

Program Name(s): Exclusion of Federal Grants - Home Investment Program,
Late Schedule-All Federal Programs

CFDA Number(s): 14.239 Home Program

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Expenditures Coded to Incorrect General Ledger Account

Schedule: Independent Auditors' Comments to Management

Page Number: 3

Reference Number: 96-Management Letter-03

Program Name(s): Healthy Start Initiative - Grant Expectations

CFDA Number(s): 93.926

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Project Budgets

Schedule: Independent Auditors' Comments to Management

Page Number: 3

Reference Number: 96-Management Letter-04

Program Name(s): State and Community Highway Safety

CFDA Number(s): 20.600

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Unused Allocation

Schedule: Independent Auditors' Comments to Management

Page Number: 4

Reference Number: 96-Management Letter-05

Program Name(s): HIV Emergency Relief Project Grant, HIV Emergency Relief Program Grant

CFDA Number(s): 93.914/93.915

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Sub-Recipient Contracts

Schedule: Independent Auditors' Comments to Management

Page Number: 4

Reference Number: 96-Management Letter-06

Program Name(s): HIV Emergency Relief Formula Grant - Ryan White, HIV Emergency Relief Project Grant

CFDA Number(s): 93.914/93.915

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Fiscal and Programmatic Monitoring

Schedule: Independent Auditors' Comments to Management

Page Number: 5

Reference Number: 96-Management Letter-07

Program Name(s): Community Development Block Grant

CFDA Number(s): 14.218

Status of Finding:

The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Accounting Records

Schedule: Independent Auditors' Comments to Management

Page Number: 5

Reference Number: 96-Management Letter-08

Program Name(s): Community Development Block Grant-Cash Disb. Transactions,
All Federal Programs-Review of Financial Information

CFDA Number(s): CDBG-14.218, All Federal Programs

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Cost Control Statements and Monitoring Reports

Schedule Independent Auditors' Comments to Management

Page Number 6

Reference Number 96-Management Letter-09

Program Name(s): All Federal Programs

CFDA Number(s): All Federal Programs

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Drug-Free Workplace

Schedule: Independent Auditors' Comments to Management

Page Number: 6

Reference Number: 96-Management Letter-10

Program Name(s): Community Development Block Grants

CFDA Number(s): 14.218

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: *Etta Reed Morris*

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Documentation of Goals and Accomplishments

Schedule: Independent Auditors' Comments to Management

Page Number: 7

Reference Number: 96-Management Letter-11

Program Name(s): Community Development Block Grants

CFDA Number(s): 14.218

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: *Etta Reed Harris*

Phone Number: (504) 565-6600

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended: December 31, 1996

Finding Title: Sub-Recipient Audits

Schedule: Independent Auditors' Comments to Management

Page Number: 7

Reference Number: 96-Management Letter-12

Program Name(s): Community Development Block Grants

CFDA Number(s): 14.218

Status of Finding: The City of New Orleans believes that this audit finding is no longer valid and does not warrant further action. This belief is based upon the fact that:

- Two years have passed since the audit report in which the finding occurred was submitted;
- The federal agency is not currently following up with the City of New Orleans on the audit finding; and
- A management decision was not issued.

Preparer's Signature: Etta Reed Morris

Phone Number: (504) 565-6600