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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

HOUSING AUTHORITY OF NEW ORLEANS

YEAR ENDED SEPTEMBER 30, 2006

Housing Authority of New Orleans

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Reznick Group

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of New Orleans

We have audited the accompanying statement of net assets of the Housing Authority of New Orleans (HANO) and its discretely presented component units as of and for the year ended September 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of HANO's management. Our responsibility is to express an opinion on these financial statements based on our audit. For the year ended September 30, 2006, we did not audit the financial statements of the following four discretely presented component units: Fischer I, LLC, Fischer III, LLC, Florida II-A, LLC, and Guste I, LLC. The financial statements for those entities reflect total assets of $53,693,282 and total revenues of $123,623. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those entities, is based solely on the reports of the other auditors.

Except as explained by the following paragraph, we conducted out audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of net assets. 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 of the statement of net assets and the reports of other auditors provide a reasonable basis for our opinion.

We were unable to obtain records regarding potential liabilities for incurred but not reported claims. In addition, we were not able to examine records related to the activities at two of HANO's public housing sites. These sites are managed by two separate Resident Management Corporations. The activities for these sites are accounted for in the primary government column of the basic financial statements. The accompanying financial statements include the following for these two sites: total assets of $9,983,221 (including cash of $2,166,087), total liabilities of $1,164,967, total net assets of $8,818,254, total revenues of $9,270,635 (including HUD operating grants of $8,643,157 which were audited), and total expenses of $5,989,486.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had there been documents analyzing the potential liabilities for incurred but not reported claims, and had we

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been able to examine records regarding the activities related to the Resident Management Corporations, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of New Orleans and its discretely presented component units as of September 30, 2006, and changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 16, 2008 on our consideration of HANO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Housing Authority of New Orleans taken as a whole. The accompanying supplemental information on pages 62 through 66, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Except as discussed in the third paragraph above, the supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary as described in the fourth paragraph above, the supplemental information on pages 62 through 66 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Reznick Group, P.C.

Charlotte, North Carolina
June 16, 2008

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2006

This section of the Housing Authority of New Orleans (HANO)'s financial report represents management's discussion and analysis of HANO's financial performance during the fiscal year ended September 30, 2006. Please read it in conjunction with HANO's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- HANO's total net assets as of September 30, 2006 were approximately $230,797,986 as compared to total net assets of approximately $142,189,148 at September 30, 2005. This represents an increase from the prior year of approximately $88,608,838 or 62%. This change resulted from lower operating expenses as a result of reduced housing assistance payments owing to the reduced availability of Section 8 housing as a result of Hurricane Katrina and the absence of casualty losses from Hurricane Katrina that had been recognized in the prior year.

- During the year, HANO's operating revenues were $64,857,634 more than the $80,751,040 expended on Housing Assistance Payments, General & Administrative, Repairs and Maintenance, Utilities, Tenant Services, Protective Services, and Depreciation Expense. In the prior year, revenues were $10,343,272 less than expenses.

- For the fiscal year ended September 30, 2006, HANO recognized low income and Section 8 operating subsidies of $28,434,898 and $67,123,458, respectively. HANO also recognized $4,406,581 in HOPE VI grant revenues, $2,702,935 in capital grant revenues, and $951,154 in dwelling rental revenues for the current fiscal year.

- HANO administers federal self-sufficiency programs that benefited 431 Section 8 Housing Choice Voucher participants. During the year ended September 30, 2006, these programs were suspended so that personnel could concentrate on meeting the critical housing needs that resulted from the effects of Hurricane Katrina. The programs resumed in fiscal 2007.

- For the fiscal year ended September 30, 2006, HANO received a regulatory waiver of its SEMAP submission. The most current submission in 2004 resulted in a score of 100 %.

- HANO received a regulatory waiver of its FASS score issued by HUD REAC for the fiscal year ended September 30, 2006. HANO received a FASS score of 13 out of 20 for its audited electronic submission to HUD REAC for the fiscal year ended September 30, 2004.

- HANO administers HOPE VI grants that are being used to revitalize distressed properties in the West Bank and Ninth Ward communities of greater New Orleans. These grants are designed to provide residents of deteriorating public housing communities with new housing, resident services, and training programs. For the year ended September 30, 2006, HANO received $4,406,581 in funding from this source to continue its redevelopment and supportive services programs. Total expenditures on HOPE VI activity for the year represent a reduction of $ 15,190,339 from the level of $ 19,596,920 that was expended in the prior year. The decreased activity was a result of the need to suspend major activities for most of the year because of the physical environment that existed in the wake of Hurricane Katrina.

- For the fiscal year ended September 30, 2006, HANO received a regulatory waiver of its MASS certification. The most current submission in 2004 resulted in a score of 26 out of 30 total points.

- During 2005, Hurricanes Katrina and Rita struck the Gulf Coast region with catastrophic results. As part of the federal government's efforts to house families impacted by the storm, HANO participated in the Katrina Disaster Housing Assistance Program (KDHAP). Under KDHAP, special vouchers were issued similar to the Housing Choice Voucher program and eligible families where provided assistance. For the fiscal year ended September 30, 2006, HANO assisted a total of 576 families under KDHAP. In December of 2005, through Congressional action, an appropriations bill was approved that provided funding for the Disaster Voucher Program (DVP). The DVP replaced the KDHAP program during fiscal 2006 and provided assistance to 2,190 families. In addition, HANO assisted 498 families through the Housing Choice Voucher Program during the year.

Crescent Affordable Housing Corporation (CAHC) was formed in December of 2003, as a component unit of HANO. CAHC is a nonprofit membership corporation established for the purpose of coordinating the development of safe, decent and affordable housing for the low and moderate income citizens of New Orleans.

Lune d'Or Enterprises, LLC (Lune d'Or) was formed in March of 2004, as a component unit of HANO. Lune d'Or currently serves as the managing member of four Louisiana limited liability companies. CAHC and HANO serve as co-developers with respect to the affordable housing projects being constructed by the four LLC's.

Fischer I, LLC (Fischer I) was formed in March of 2004. Fischer I is a Louisiana limited liability company that currently has 20 affordable housing units under construction.

Fischer III, LLC (Fischer III) had completed construction of 85 % of a 103 unit construction plan. As of September 30, 2006, 20 units were leased.

Guste I, LLC had completed 50% of an 82 unit construction plan. No units were leased as of September 30, 2006.

Florida II-A, LLC. Management decided to cancel the development plans for this entity when uncertainty about the viability of the project arose in the wake of Hurricane Katrina. The applicable tax credits were returned to LHFA and the related IDB bonds were redeemed.

OVERVIEW OF FINANCIAL STATEMENTS

The annual report consists of three parts - *management's discussion and analysis (this section), the basic financial statements, and required supplementary* information. The basic financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets - reports HANO's assets and liabilities at the end of the operating year and provides information about the nature and amounts of investment of resources and obligations to creditors.

- Statement of Revenue, Expenses, and Change in Net Assets - reports the results of activity over the course of the current year. It details the costs associated with operating HANO and how those costs were funded. It also provides an explanation of the change in net assets from the previous operating period to the current operating period.

- Statement of Cash Flows - reports HANO's cash flows in and out from operating, investing, noncapital financing, and capital related financing and investing activities. It details the sources of HANO's cash, what it was used for, and the change in cash over the course of the operating year.

- The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

- The statements are followed by *required supplementary information* that presents HANO's electronic data submitted to HUD's Real Estate Assessment Center.

Our analysis of HANO as a whole begins on this page. The most important question asked about HANO's finances is, *"Is HANO, as a whole, better or worse off as a result of the year's activities?"*

The attached analysis of entity wide net assets, revenue, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned or incurred regardless of when cash is received or paid.

Our analysis also presents HANO's net assets and changes in them. You can think of HANO's net assets as the difference between what HANO owns (assets) to what HANO owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of HANO.

Net assets are categorized as one of three types.

I. **Invested in capital assets, net of related debt** - Capital assets, net of accumulated depreciation and reduced by debt attributable to the acquisition of those assets;

II. **Restricted** - net assets whose use is subject to constraints imposed by law or agreement; and

III. **Unrestricted** - net assets that are neither invested in capital assets nor restricted.

Over time, significant changes in HANO's net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Housing Authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Housing Authority's capital assets.

FINANCIAL ANALYSIS OF THE HANO AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of HANO's financial position. In the case of HANO, assets exceeded liabilities by $230,797,986 at the close of the most recent fiscal year.

As of September 30, 2006, the largest components of HANO's net assets were investments in capital assets ($104,172,632) and cash (restricted and unrestricted) ($ 99,389,013) Investments in capital assets reflect the investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. HANO uses these capital assets to provide services to its program participants. Although HANO's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

Housing Authority of New Orleans Net Assets

	2006	2005	Variance
Current Assets	$ 95,974,756	$ 45,385,020	111.5%
Restricted Assets	46,266,111	18,645,505	148.1%
Capital Assets (net)	104,172,632	103,177,828	1.0%
Other Assets	65,085,284	71,102,574	-8.5%
Total Assets	311,498,783	238,310,927	30.7%
Current Liabilities	14,153,765	26,725,530	-47.0%
Tenant Security Deposits	572,046	508,107	12.6%
Non Current Liabilities	65,974,986	68,888,142	-4.2%
Total Liabilities	80,700,797	96,121,779	-16.0%
Invested In Capital Assets (net)	61,952,632	57,562,828	7.6%
Restricted Net Assets	27,066,864	29,535,641	-8.4%
Unrestricted Net Assets	141,778,490	55,090,679	157.4%
Total Net Assets	$ 230,797,986	$ 142,189,148	62.3%

The remaining balance of *unrestricted net assets* $141,778,490 may be used to meet HANO's ongoing obligations to program participants and creditors'.

At the end of the current fiscal year, HANO is able to report positive balances in all categories of net assets resulting in a net increase of $88,608,838.

HANO's net assets increased by $88,608,838 during the current fiscal year. This increase resulted from reduced Section 8 expenditures and reimbursements of casualty losses that were incurred in the in the prior year.

HANO's current assets increased by $50,589,736. This increase resulted from the build up of cash that was not spent on programs as a result of the significantly reduced availability of rental properties for the Section 8 programs.

HANO's restricted assets increased by $27,620,606. This increase resulted from a buildup of unspent Section 8 funding.

HANO's capital assets increased by $994,804, reflecting an increase in construction in progress, offset by the current year's depreciation expense.

HANO's other assets decreased by $6,017,290. This decrease resulted mostly from a forgiveness of debt on the construction mortgage note of Florida IIA, LLC.

HANO's current liabilities decreased by $12,571,765. This decrease resulted from reductions in deferred revenues, accounts payable and accrued liabilities.

HANO's tenant security deposit balances increased by $63,939. This increase represents higher occupancy levels at September 30, 2006.

HANO's non-current liabilities decreased by $2,931,156 during the current fiscal year. This decrease resulted primarily from reduction in long term debt, largely offset by increased provisions for settlements, judgments, and contingencies.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2006

Table A-2

Housing Authority of New Orleans Changes in Net Assets

	2005	2004	Variance
Revenues:			
Operating Revenues:			
HAP Revenues	$ 58,308,616	$ 63,119,533	-7.62%
Administrative Fees	8,814,842	3,598,855	144.93%
Public Housing Operating Subsidy	28,434,898	31,962,863	-11.04%
Operating Grants	39,376,508	32,311,751	21.86%
Dwelling Rental	951,154	8,545,190	-88.87%
Other Operating	9,722,656	8,069,967	20.48%
Nonoperating Revenues:			
Capital Grants	2,702,935	17,695,262	-84.73%
Investment Income	3,665,141	768,732	376.78%
Interest on Notes Receivable	1,738,143	1,609,180	8.01%
Total Revenues	153,714,893	167,681,333	-8.33%
Expenses:			
Housing Assistance Payments	16,708,480	62,906,021	-73.44%
General and Administrative	25,949,956	26,920,844	-3.61%
Repairs and Maintenance	28,988,323	30,925,986	-6.27%
Utilities	1,933,758	10,212,437	-81.06%
Tenant Services	4,625,834	4,755,982	-2.74%
Protection Services	2,006,819	1,442,694	39.10%
Depreciation and Amortization	537,870	20,787,467	-97.41%
Nonoperating Expenses:			
Interest Expense	1,954,329	2,110,746	-7.41%
TIF Bond Paymnets	1,672,442	-	
Loss on Extinguishment of Debt	7,257,803	-	
Casualty (Gain) Loss	(25,450,211)	82,964,252	
Total Expenses	66,185,403	243,026,429	-72.77%
Increase (decrease) in net assets	87,529,490	(75,345,096)	-216.17%
Net Assets - 10/1	142,189,148	217,534,244	-34.64%
Prior Period Adjustment	1,079,348	-	
Net Assets - 9/30	$ 230,797,986	$ 142,189,148	62.32%

HANO's HAP revenues decreased by $4,810,917 reflecting the impact of the DVP and KDHAP programs, offset by reductions in the HCV program.

HANO's Administrative fee revenues increased by $5,215,987 reflecting the impact of the new programs and changes in the determination of the fees.

HANO's Operating grant revenues increased by $3,536,792. The increase reflects the impact of a FEMA grant of $ 8,784,975, and decreases in the operations component of the capital fund grants, and decreases in operating subsidies.

HANO's other operating revenues increased by $1,652,689.

HANO's Capital grant revenues decreased by $14,992,327 as operations demands outstripped capital uses.

HANO's HAP expenses decreased by $46,197,541 owing to the significantly reduced availability of rental housing in the wake of Hurricane Katrina.

HANO's Repairs and Maintenance expenses decreased by $1,937,663. This decrease represents the increased cost of extraordinary maintenance associated with restoring units for occupancy, offset by the reduction in routine maintenance owing to low occupancy.

HANO's Utility expenses decreased by $8,278,679. The decrease resulted from the lower demand resulting from the large number of unoccupied housing units.

HANO's Protection services expenses increased by $564,125. The increase resulted from the need to provide additional security for properties that were unoccupied after Hurricane Katrina.

HANO's Casualty Loss account reflects income of $25,450,211. This sum represents insurance receipts for losses incurred in the prior year.

HANO's Investment Income increased by $2,896,409 representing earnings on unspent grant funds from the HCV program.

Capital Asset and Debt Administration

Capital assets. HANO's investment in capital assets as of September 30, 2006, amounts to $104,172,632 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The total net decrease in HANO's investment in net capital assets for the current operating year was 2%.

Major capital asset events during the current fiscal year included the following:

Housing Authority of New Orleans Capital Assets

	2006	2005
Land	$ 40,828,991	$ 40,789,921
Buildings and Improvements	13,793,205	13,843,095
Furniture and Equipment	231,386	-
Construction In Progress	49,856,920	48,544,812
Less: Accumulated Depreciation	(537,870)	-
Total	$ 104,172,632	$ 103,177,828

Additional information on HANO's capital assets can be found in note 8 of this report.

Long-term debt - At the end of the current year, HANO had total debt outstanding of $42,220,000. HANO's Capital Fund Program Revenue Bonds - Series A of 2003 are secured by pledges of Replacement Housing Factor Funds and Capital Fund Grants, and are payable in monthly installments through December 1, 2023.

Housing Authority of New Orleans Outstanding Debt

2006	2005
$42,220,000	$45,615,000

HANO's total debt decreased by $3,595,000. This decrease in outstanding debt represents scheduled debt service payments.

Additional information on HANO's long-term debt can be found in note 12 of this report.

Economic Factors

Significant economic factors affecting HANO are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development;
- local labor supply and demand, which can affect salary and wage rates;
- local inflationary, recessionary and employment trends, which can affect resident incomes and therefore tenant rental income;
- natural disasters which can have a devastating impact on the local economy;
- locality issues which result from goods and services often being required to be imported; and
- inflationary pressure on utility rates, supplies and other costs.

Requests for Information

The financial report is designed to provide a general overview of HANO's finances for all those with an interest in the Housing Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, Housing Authority of New Orleans, 4100 Touro Street, New Orleans, Louisiana, 70122.

Housing Authority of New Orleans

STATEMENT OF NET ASSETS
Enterprise Fund and Discretely Presented Component Units

September 30, 2006

ASSETS

	Primary Government	Component Units	Total Reporting Entity
Current Assets			
Cash and cash equivalents - unrestricted	$ 60,758,442	$ 8,091,462	$ 68,849,904
Investments	5,542,213	-	5,542,213
Accounts receivable - tenants, net	294,393	-	294,393
Accounts receivable - PHA projects	493,474	-	493,474
Accounts receivable - HUD	6,973,151	-	6,973,151
Accounts receivable - other	20,935,640	460,765	21,396,405
Prepaid expenses	971,486	63,806	1,035,292
Inventories	5,957	-	5,957
Total Current Assets	95,974,756	8,616,033	104,590,789
Restricted Assets			
Resident security deposits	381,266	-	381,266
Restricted cash	38,249,305	9,435,416	47,684,721
Resident loan collateral	-	199,610	199,610
Restricted bond and grant funds	7,635,540	-	7,635,540
Total Restricted Assets	46,266,111	9,635,026	55,901,137
Capital Assets			
Land	40,828,991	-	40,828,991
Buildings and improvements	13,793,205	3,620,136	17,413,341
Furniture, equipment and machinery - dwelling	181,496	66,625	248,121
Furniture, equipment and machinery - administration	49,890	-	49,890
Construction in progress	49,856,920	30,955,429	80,812,349
	104,710,502	34,642,190	139,352,692
Less: Accumulated depreciation	(537,870)	(89,192)	(627,062)
Total Capital Assets	104,172,632	34,552,998	138,725,630
Other Noncurrent Assets			
Notes receivable from component units	40,118,681	-	40,118,681
Notes receivable- other	21,237,538	-	21,237,538
Accrued interest receivable - notes receivable	983,547	-	983,547
Accrued interest receivable - from component units	2,745,518	-	2,745,518
Prepaid ground lease	-	121,299	121,299
Other assets	-	995,823	995,823
Total Other Noncurrent Assets	65,085,284	1,117,122	66,202,406
Total Assets	311,498,783	53,921,179	365,419,962

(continued)

Housing Authority of New Orleans

STATEMENT OF NET ASSETS - CONTINUED
Enterprise Fund and Discretely Presented Component Units

September 30, 2006

LIABILITIES AND NET ASSETS

	Primary Government	Component Units	Total Reporting Entity
Current Liabilities			
Accounts payable	1,403,948	1,456,768	2,860,716
Accounts payable - HUD	471,523	-	471,523
Accrued wages/taxes payable	440,916	-	440,916
Settlements, judgments and contingencies	2,248,598	-	2,248,598
Accrued expenses	1,941,634	1,537,724	3,479,358
Current portion of long-term debt - capital projects	3,300,000	-	3,300,000
Deferred revenue	3,958,006	66,268	4,024,274
Other current liabilities	233,705	-	233,705
Accrued compensated absences - current portion	155,435	-	155,435
Total Current Liabilities	14,153,765	3,060,760	17,214,525
Current Liabilities Payable from Restricted Assets			
Resident security deposits	572,046	1,900	573,946
Long-Term Liabilities			
Accrued compensated absences - net of current portion	1,104,799	-	1,104,799
Long-term debt - capital projects - net of current portion	38,920,000	-	38,920,000
Long-term debt - capital projects -payable to primary government	-	40,118,681	40,118,681
Long-term debt - capital projects	-	12,372,812	12,372,812
Settlements, judgments and contingencies	25,084,035	-	25,084,035
Other noncurrent liabilities	866,152	1,500,047	2,366,199
Total Long-Term Liabilities	65,974,986	53,991,540	119,966,526
Total Liabilities	80,700,797	57,054,200	137,754,997
Net Assets			
Invested in capital assets, net of related debt	61,952,632	(17,938,495)	44,014,137
Restricted net assets	27,066,864	-	27,066,864
Unrestricted net assets	141,778,490	14,805,474	156,583,964
Total Net Assets	$ 230,797,986	$ (3,133,021)	$ 227,664,965

See notes to financial statements

Housing Authority of New Orleans

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Enterprise Fund and Discretely Presented Component Units

Year ended September 30, 2006

	Primary Government	Component Units	Total Reporting Entity
Operating Revenue			
Dwelling rent	$ 951,154	$ 123,623	$ 1,074,777
HUD operating subsidy and grant revenue	126,149,889	-	126,149,889
Other income	18,507,631	-	18,507,631
Total Operating Revenue	145,608,674	123,623	145,732,297
Operating Expenses			
Administrative	21,503,212	174,502	21,677,714
Tenant services	4,625,834	-	4,625,834
Utilities	1,933,758	7,938	1,941,696
Maintenance and operations	10,005,768	14,633	10,020,401
Protective services	2,006,819	-	2,006,819
General	4,446,744	1,262,676	5,709,420
Housing assistance payments	16,708,480	-	16,708,480
Extraordinary maintenance	18,982,555	-	18,982,555
Depreciation	537,870	226,412	764,282
Total Operating Expense	80,751,040	1,686,161	82,437,201
Operating Income (Loss)	64,857,634	(1,562,538)	63,295,096
Nonoperating Revenues (Expenses)			
Investment income	5,403,284	251,911	5,655,195
Losses from loan guarantees	-	(132,267)	(132,267)
TIF bond payments	(1,672,442)	-	(1,672,442)
Insurance proceeds	25,450,211	-	25,450,211
Gain (loss) on extinguisment of debt	(7,257,803)	7,257,803	-
Interest expense	(1,954,329)	-	(1,954,329)
Total Nonoperating Revenues (Expenses)	19,968,921	7,377,447	27,346,368
Income Before Capital Grants	84,826,555	5,814,909	90,641,464
Capital Grants			
HUD capital grants	321,059	-	321,059
State and city grants	2,381,876	-	2,381,876
Total Capital Grants	2,702,935	-	2,702,935
Change in Net Assets	87,529,490	5,814,909	93,344,399
Net Assets - Beginning	142,189,148	(8,947,930)	133,241,218
Prior period adjustment	1,079,348	-	1,079,348
Net Assets - Beginning, as restated	143,268,496	(8,947,930)	134,320,566
Net Assets - Ending	$ 230,797,986	$ (3,133,021)	$ 227,664,965

See notes to financial statements

Housing Authority of New Orleans

STATEMENT OF CASH FLOWS
Enterprise Fund

Year ended September 30, 2006

	Primary Government
Cash flows from operating activities	
Dwelling rent receipts	$ 720,700
Operating subsidy and grant receipts	119,856,379
Other income receipts	6,846,507
Total receipts	127,423,586
Payments to vendors	(73,863,552)
Payments to employees	(969,417)
Housing assistance payments	(16,708,480)
Total disbursements	(91,541,449)
Net cash provided by operating activities	35,882,137
Cash flows from investing activities	
Investment income	1,992,699
Decrease in notes receivable	497,630
Decrease in investments	3,908,193
Advances to affiliated entities	(37,000)
Net cash provided by investing activities	6,361,522
Cash flows from capital and related financing activities	
Capital grants receipts - HUD	443,871
Capital asset purchases	(2,186,101)
Insurance proceeds	25,450,211
Capital grants - state and city	3,395,298
Long-term borrowing	(3,395,000)
Interest paid on long-term debt	(1,954,329)
Net cash provided by capital and related financing activities	21,753,950
NET INCREASE IN CASH	63,997,609
Cash and cash equivalents, beginning	35,391,219
Cash and cash equivalents, ending	$ 99,388,828
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents- unrestricted	$ 60,758,442
Restricted cash	38,249,305
Resident security deposits	381,266
	$ 99,389,013

(continued)

Housing Authority of New Orleans

STATEMENT OF CASH FLOWS - CONTINUED
Enterprise Fund

Year ended September 30, 2006

	Primary Government
Reconciliation of net income to net cash used by operating activities	
Operating income	$ 64,857,634
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	537,870
Changes in asset and liability accounts	
(Increase) decrease in assets	
Accounts receivable - tenants	(294,393)
Accounts receivable - HUD	(6,293,510)
Accounts receivable - other	(11,101,474)
Prepaid expense	(317,109)
Inventories	(5,957)
Increase (decrease) in liabilities	
Accounts payable	(1,274,902)
Accrued wages/taxes payable	(605,417)
Settlements, judgments and contingencies	(287,502)
Homebuyers reversers	(17,299)
Other current liabilities	(436,500)
Deferred revenue	(8,579,243)
Tenant security deposits payable	63,939
Accrued compensated absences	(364,000)
Total adjustments	(28,975,497)
Net cash provided by operating activities	$ 35,882,137

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Housing Authority of New Orleans (HANO) is a public body corporate and politic established on September 29, 1936, pursuant to the laws of the State of Louisiana, to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other Federal Agencies. The primary purpose of HANO is to provide safe, decent, sanitary, and affordable housing to low-income, elderly, and disabled families in New Orleans, Louisiana.

Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, HANO is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

HANO is a related organization of the City of New Orleans since Commissioners are appointed by the Mayor of the City of New Orleans. The City of New Orleans is not financially accountable for HANO as it cannot impose its will on HANO and there is no potential for HANO to provide financial benefit to, or impose financial burdens on, the City of New Orleans. Accordingly, HANO is not a component unit of the financial reporting entity of the City of New Orleans. HANO has been determined to be a "Troubled Agency" by HUD, and HUD has appointed a Receiver to act as the Executive Director and has replaced HANO's Board of Commissioners with its own appointed Board.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Codification of Governmental Accounting and Financial Reporting Standards and GASB Statement No. 14 (amended) and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These criteria include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Reporting Entity

As part of a major redevelopment plan, HANO formed a non-profit corporation and five separate limited liability corporations during the fiscal year of 2004.

Crescent Affordable Housing Corporation (CAHC) was formed in December 2003 as a non-profit membership corporation, in which HANO serves as the sole member, for the purpose of coordinating the development of safe, decent and affordable housing to low and moderate income citizens of New Orleans. CAHC has applied for tax exempt status under Section 501(c)(3) of the Internal Revenue Code (the Code) as a supporting organization under Section 509(a)(3) or the Code, the sole purpose of which is to carry out the affordable housing mission of HANO.

Lune d'Or Enterprises, LLC (Lune d'Or), a Louisiana limited liability company, whose sole member is CAHC was formed in March 2004. Lune d'Or currently serves as the managing member of four Louisiana limited liability companies, each of which will own a single affordable housing project qualified for low-income housing tax credits. The purpose of the four LLC's is to redevelop or construct mixed income housing. CAHC and HANO will serve as co-developers with respect to these affordable housing projects.

Fischer I, LLC was formed in March 2004. The Fischer I project will be financed using tax credit equity investments.

Fischer III, LLC, Florida II-A, LLC, and Guste I, LLC's were formed in December 2003. The Fischer III, Florida II-A and Guste I projects will be funded with mixed-financing which will include, but not be limited to, funds borrowed pursuant to the Trust Indenture between HANO, JP Morgan Trust Company, NA and the Industrial Development Board of the City of New Orleans, Louisiana, Inc (the Bond Issuer), from the proceeds of the Capital Fund Program Revenue Bonds, Series A of 2003 (the Bonds), tax credit equity investment funds, construction loans from a conventional lender, and Affordable Housing Program grant funds from the Federal Home Loan Bank.

During 2006, the following development projects were awarded tax credits from the Louisiana Housing Finance Agency: Fischer IV-3 LLC, CJ Peete I LLC, Tchoupitoulas LLC, Mazant Royal LLC, Imperial I LLC, Imperial II LLC, General Ogden LLC, and Guste IIB LLC. The carryover for each of the projects was successfully achieved. It was the intention of the housing authority to self develop all of these sites as none of them flooded during Hurricane Katrina. In 2007, it was decided that the cost of these projects at the time were not financially feasible to HANO due to the high cost of property insurance and construction. It has been decided that only Fischer IV-3 and CJ Peete I would go forward with development since they are part of existing phases.

CAHC and Lune d'Or are component units of HANO and are reported as blended component units. Fischer I, Fischer III, Florida II-A and Guste I are reported as discreetly presented component units of HANO.

HANO has an additional subsidiary/affiliate organization, the HANO Resident Loan Corporation, Inc. Based upon the application of the criteria mentioned above, HANO Resident Loan Corporation, Inc. is a discreetly presented component unit of HANO.

Programs Administered by HANO

The main programs of HANO are as follows:

- Low-Rent Public Housing under Annual Contributions Contract FW-1190 and related programs for development, modernization, community development, and resident assistance.

- Housing Choice Voucher Program (formerly Section 8 Rental Assistance Program):

Rental Vouchers	FW-2217
Moderate Rehabilitation/Single Room Occupancy	FW-2147
New Construction	FW-2201

- Locally Owned Homeownership Program

- Resident-Managed Low-Rent Public Housing

Basis of Presentations and Accounting

In accordance with both Louisiana State Reporting Law (LAS-R.S.24:514) and uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing accounting and financial reporting standards.

Based upon compelling reasons offered by HUD, HANO reports under the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources as a measurement focus. In this fund, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Pursuant to the election option made available by GASB Statement No. 20, Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Proprietary Fund Accounting, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are applied in the preparation of the financial statements.

The enterprise method is used to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income necessary for management accountability is appropriate. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through funding from HUD and charges to residents for rent and other fees.

All of HANO's programs are accounted for as one business-type activity reported in a single enterprise fund.

<u>Budgets</u>

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

<u>Operating Revenue and Expenses</u>

Operating revenues and expenses consist of revenues earned and expenses incurred as a result of the principal operations of HANO. Operating revenues consist of tenant rents and fees and HUD operating grants. Non-operating revenues consist of investment income and other non-operating revenues. Non-operating expenses consist of interest expense.

<u>Cash Equivalents</u>

Cash and cash equivalents include amounts in demand deposits, interest-bearing demand deposits, and time deposits and other investments with original maturities of 90 days or less.

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

Investments

Investments are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by the U.S. Department of Housing and Urban Development. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by HANO's agent in HANO's name. It is HANO's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Louisiana.

Inventories

Inventories are valued at cost using the First-In, First-Out (FIFO) method. If inventory falls below cost due to damage, deterioration, or obsolescence, HANO establishes an allowance for obsolete inventory. HANO uses the consumption method for expense recognition and relies upon its periodic (annual) inventory for financial reporting purposes.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

Restricted Assets

Certain assets may be classified as restricted assets on the statement of net assets because their use is restricted for modernization programs, security deposits held in trust, family self-sufficiency program escrows, and homebuyers' reserves, among others.

Use of Estimates

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

Fair Value of Financial Instruments

The carrying amount of HANO's financial instruments at September 30, 2006 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.

Capital Assets

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Land values were derived from development closeout documentation. Donated capital assets are recorded at their fair value at the time they are received. All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

Pursuant to the enterprise GAAP method, the cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method. Depreciation commences on modernization and development additions in the year following completion, or in the fifth year if the program is 90% complete. The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	27½ years
Building modernization	10 years
Vehicles	5 years
Equipment	5 years

Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of $5,000 are capitalized. When land, buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Impairment of Long-Lived Assets

In accordance with GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the Authority has at September 30, 2006, recognized in the accompanying financial statements the impact of demolition activities and impairment related to the hurricane. Under the provisions of the statement, prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written-off. In the year ended September 30, 2005, impairment was recorded on the majority of the Authority's capital assets.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as annual/ vacation and sick leave. A liability for compensated absences for annual/vacation leave that is attributable to services already rendered and that is not contingent on a specific event, outside the control of HANO and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of HANO and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Litigation Losses

HANO recognizes estimated losses related to litigation in the period in which the event giving rise to the loss occurs, the loss is probable, and the loss can be reasonably estimated.

Annual Contribution Contracts

Annual Contribution Contracts provide that HUD shall have the authority to audit and examine the records of public housing authorities. Accordingly, final determination of HANO's financing and contribution status for the Annual Contribution Contracts is determined by HUD based upon financial reports submitted by HANO.

Risk Management

HANO is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. HANO carries commercial insurance for risks of loss regarding workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years, with the exception of automobile liability insurance claims, which exceed coverage by $1,600,000. Additionally, there has been no significant reduction in insurance coverage from the prior year. For other risks regarding property and general liability, HANO is self-insured (see notes 9 and 10).

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. It is HANO's policy to maintain collateralization in accordance with HUD requirements. All balances are collateralized at 102% in accordance with requirements of collateralization agreement.

Investments

Investments consist of certificates of deposits and government securities. It is the policy of the Authority that investments be secured by collateral valued at market or par, whichever is lower, less the amount of FDIC insurance.

Risks

Interest rate risk - The Authority's policy does not address interest rate risk.

Credit rate risk - The Authority's investments consist of certificates of deposits, which do not have credit ratings, and government securities; however, the Authority's policy does not address credit rate risk.

Custodial credit risk - This is the risk that in the event of a bank failure, the Authority's deposits and investments may not be returned to it. As of September 30, 2006, $102,371,364 of the Authority's deposits and investments were exposed to this risk because the amounts were in excess of FDIC insurance limits and the accounts were collateralized with securities held by the pledging financial institutions in the Authority's name. The following schedule summarizes the custodial credit risk:

	Balance Reported on the Authrity's Financial Statements	Balance Deposited with the Financial Institution	FDIC Insurance	Unisured Amount (Fully Collateralized)
Bank deposits	$ 99,389,013	$ 88,121,169	$ 600,000	$ 87,521,169
Funds held by trustees - government securities	7,635,540	7,635,540	-	7,635,540
Certificates of Deposits	5,542,213	5,542,213	-	5,542,213
Total	$112,566,766	$101,298,922	$ 600,000	$100,698,922

Cash and cash equivalents are reported on the statement of net assets as follows:

Cash and cash equivalents - unrestricted	$ 60,758,442
Cash and cash equivalents - restricted	38,249,305
Cash and cash equivalents - security deposit	381,266
Total cash and cash equivalents	$ 99,389,013

Investments are reported on the statement of net assets as follows:

Investments - unrestricted	$ 5,542,213
Restricted bond and grant funds	7,635,540
	$ 13,177,753

NOTE 3 - RESTRICTED CASH

Restricted cash as of September 30, 2006 consisted of the following:

Orleans Parish School Board Escrow	$ 65,886
Family self-sufficiency	369,254
Cash for modernization	319,964
FEMA proceeds	5,952,150
Insurance escrow	31,112,389
Homeownership	16,167
Redevelopment cash	413,495
	$ 38,249,305

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2006 consisted of the following:

Accounts receivable - tenants, net	$ 611,102
Allowance for doubtful accounts	(316,709)
Net tenant receivables	294,393
HUD (see NOTE 5 for detail)	6,973,151
Accounts receivable- Limited Partnership- development cost	18,239,531
Advances to development projects	493,474
Other	2,696,109
	$ 28,696,658

NOTE 5 - DUE FROM/TO U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Amounts due from HUD as of September 30, 2006 were as follows:

2002 ROSS	$ 72,682
1994 HOPE VI - Desire	426,323
1996 HOPE VI - St. Thomas	87,657
2002 HOPE VI - Fischer	85,666
2002 HOPE VI - Guste	228,206
2002 HOPE VI - Florida	2,398
2002 HOPE VI - B.W. Cooper	58,355
2005 HOPE VI	101,935
2003 CFP	1,400,285
2004 CFP	2,816,409
2005 Disaster Grant	1,693,235
	$ 6,973,151

Amounts due to HUD as of September 30, 2006 were as follows:

New Construction	$ 415,185
Mod/ Rehab	56,338
	$ 471,523

NOTE 6 - PREPAID EXPENSES

Prepaid expenses as of September 30, 2006 consisted of prepaid insurance of $971,486.

NOTE 7 - NOTES RECEIVABLE

Abundance Square Associates

HANO has a note receivable with Abundance Square Associates, Limited Partnership in the maximum original amount of $2,577,025. The note was issued to partially finance the construction of public housing, which will be owned and operated by the borrower. Prior to Construction Completion, each advance on the note bore interest at the long-term federal rate applicable on the date of each advance. After Construction Completion, the rate of interest payable on the outstanding principal shall be a blended rate, on a weighted basis, of the average interest rates applicable to each advance. Construction Completion occurred in June 2003 and the blended rate is 4.78%. All principal and accrued interest is due at December 31, 2043. The balance outstanding at September 30, 2006 was $2,160,508, plus accrued interest receivable of $288,871.

Treasure Village Associates

HANO has a note receivable with Treasure Village Associates, Limited Partnership in the maximum original amount of $1,100,000. The note was issued to partially finance the construction of public housing, which will be owned and operated by the borrower. Prior to Construction Completion, each advance on the note bore interest at the long-term federal rate applicable on the date of each advance. After Construction Completion, the rate of interest payable on the outstanding principal shall be a blended rate, on a weighted basis, of the average interest rates applicable to each advance. Construction Completion occurred in March 2004 and the blended rate is 5.09%. All principal and accrued interest is due at December 31, 2053. The balance outstanding at September 30, 2006 was $1,100,000, plus accrued interest receivable of $155,297.

St. Thomas HOPE VI

HANO has a note receivable with LGD Rental I, LLC in the original amount of $13,360,800. The note was issued to partially finance the rehabilitation and revitalization of HOPE VI apartment complexes. The note accrues interest at 1% per annum. Principal and accrued interest are payable from cash flow, as defined. All principal and accrued interest is due at October 1, 2043. The balance outstanding at September 30, 2006 was $13,360,800 plus accrued interest of $400,824.

HANO has a note receivable with LGD Rental I, LLC in the original amount of $10,519,620. The note was issued to partially finance the rehabilitation and revitalization of HOPE VI apartment complexes. The note accrues interest at 1% per annum. Principal and interest are payable from cash flow, as defined. All principal and accrued interest is due at October 1, 2043. The balance outstanding at September 30, 2006 was $4,616,230 plus accrued interest of $138,555.

Guste I, LLC

HANO has a construction mortgage note receivable with Guste I, LLC in the original amount of $10,634,312. The note accrues interest at 3% per annum. Principal and accrued interest is due at February 1, 2007. The balance outstanding at September 30, 2006 was $10,634,315 plus accrued interest of $631,250

HANO has a program income loan construction mortgage note receivable with Guste I, LLC in the original amount of $248,999. The note accrues interest at 3% per annum. Principal and accrued interest is due at January 31, 2060. The balance outstanding at September 30, 2006 was $248,999 plus accrued interest of $2,491.

Florida IIA, LLC

HANO has a construction mortgage note receivable with Florida IIA, LLC in the original amount of $20,876,450. The note accrues interest at 3% per annum. Principal and accrued interest is due at February 1, 2007. The balance outstanding at September 30, 2006 was $21,063,795 plus accrued interest of $1,233,715. In November 2006, the bonds were redeemed and the unpaid balance of the note, with the accrued interest, was forgiven. As a result of the bond redemption and subsequent forgiveness of debt, a gain of $7,257,803 was recognized on the statement of operations of Florida IIA, LLC, and a loss in the same amount has been recognized on HANO's statement of revenue, expenses, and changes in net assets herein. After recognizing the loss, the balance of the note receivable included in HANO's statement of net assets at September 30, 2006 is $13,805,992.

HANO has a program income loan construction mortgage note receivable with Florida IIA, LLC in the original amount of $692,085. The note accrues interest at .05% per annum. Principal and accrued interest is due at January 31, 2060. The balance outstanding at September 30, 2006 was $692,085 plus accrued interest of $1,640.

Fischer I, LLC

HANO has a program income loan construction mortgage note receivable with Fischer I, LLC in the original amount of $196,300. The note accrues interest at .05% per annum. Principal and accrued interest is due at January 31, 2060. The balance outstanding at September 30, 2006 was $196,300 plus accrued interest of $1,719.

Florida III, LLC

HANO has a construction mortgage note receivable with Florida III, LLC in the original amount of $14,710,628. The note accrues interest at 3% per annum. Principal and accrued interest is due at February 1, 2007. The balance outstanding at September 30, 2006 was $15,054,942 plus accrued interest of $867,403.

HANO has a program income loan construction mortgage note receivable with Florida III, LLC in the original amount of $344,314. The note accrues interest at .05% per annum. Principal and accrued interest is due at January 31, 2060. The balance outstanding at September 30, 2006 was $344,314 plus accrued interest of $3,014.

	Non-Current	
	Notes Receivable	Accrued Interest
Abundance Square	$ 2,160,508	$ 288,871
Treasure Village	1,100,000	155,297
LGD	13,360,800	400,824
LGD	4,616,230	138,555
Guste	10,883,311	633,741
Florida IIA	13,805,992	1,235,355
Fischer III	15,054,942	870,417
Fischer I	374,436	6,005
	$ 61,356,219	$ 3,729,065

NOTE 8 - LAND, BUILDINGS, AND EQUIPMENT

	Balance October 1, 2005	Additions	Transfers and Deletions	Balance September 30, 2006
Land	$ 40,789,921	$ 39,070	$ -	$ 40,828,991
Buildings	13,843,095	-	(49,890)	13,793,205
Equipment - dwelling	-	181,496	-	181,496
Equipment - administration	-	-	49,890	49,890
Construction in progress	48,544,812	1,312,108	-	49,856,920
	103,177,828	1,532,674	-	104,710,502
Accumulated depreciation	-	(537,870)	-	(537,870)
Total	$103,177,828	$ 994,804	$ -	$104,172,632

NOTE 9 - ACCRUED CONTINGENT LIABILITIES AND SETTLEMENTS

	Current	Long-term	Total
Judgments and settled claims	$ 1,927,075	$ 5,781,224	$ 7,708,299
Interest payable on judgments and claims	321,523	964,569	1,286,092
Pending claims	-	18,338,242	18,338,242
	$ 2,248,598	$ 25,084,035	$ 27,332,633

Reconciliation of Accrued Contingent Liabilities and Settlements to the FDS:

	Line 324	Line 353	Total
Judgments and settled claims	$ 1,927,075	$ 5,781,224	$ 7,708,299
Interest payable on judgments and claims	321,523	964,569	1,286,092
Pending claims	-	18,338,242	18,338,242
	2,248,598	25,084,035	27,332,633
Other noncurrent liabilities:			
Homebuyers' reserve liability	-	853,211	853,211
Other	-	12,941	12,941
	-	866,152	866,152
	$ 2,248,598	$ 25,950,187	$ 28,198,785

NOTE 10 - RISK MANAGEMENT

As stated in Note 1, HANO is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets for which HANO is self-insured for general liability, workers' compensation claims, fire and extended coverages.

Due to funding shortfalls, HANO has been unable to fund its self insurance fund in accordance with state law requirements. Additionally, paragraph 22 of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issue,* states in part; *A liability for unpaid claims costs, including estimates of costs related to* *incurred but not reported (INBR) claims should be accrued when insured events occur.* Due to budgetary shortfalls, HANO has not had an analysis performed to identify IBNR nor has HANO established a liability for these potential claims. With the events of Hurricane Katrina, HANO anticipates realization of significant losses associated with shortfalls in coverage as well as unfunded reserves. These amounts are expected to be recognized and recorded for the fiscal year ended September 30, 2007.

HANO is a defendant in various lawsuits in which a probable loss to HANO has been estimated. This estimate has been recorded in the financial statements as shown in Note 9, above.

HANO is also a defendant in various lawsuits related to accidents and injuries on HANO properties, for which no probability of outcome has been determined. In addition, HANO is a defendant in a class action lawsuit regarding alleged lead-based paint poisoning. No estimate of probable loss has been made in this regard.

NOTE 11 - COMPENSATED ABSENCES PAYABLE

HANO has established a policy (in accordance with State Civil Service regulations) to pay each employee their accrued annual leave upon termination up to a maximum of 300 hours. The cost of current leave privileges, computed in accordance with GASB codification Section C60, is recognized as a current year expense in the period in which it is earned, in accordance with generally accepted accounting principles.

At September 30, 2006, total leave to be paid upon termination is $1,260,234. Of this amount, $155,435 is deemed to be a current liability.

NOTE 12 - LONG-TERM DEBT

Pursuant to a Trust Indenture between HANO, the Industrial Development Board of the City of New Orleans, Louisiana, Inc. and J.P. Morgan Trust Company, NA dated December 1, 2003, bonds in the amount of $49,250,000 titled "Capital Fund Program Revenue Bonds Series A of 2003" have been issued. The proceeds of the bonds were used to finance loans to fund a portion of the construction and development costs of three affiliated entities: Guste I, LLC, Florida II-A, LLC and Fischer III, LLC. The managing member of each of these affiliates is Lune d'or Enterprises, LLC, whose sole member is Crescent Affordable Housing Corporation. As discussed in Note 1, HANO is the sole member of Crescent Affordable Housing Corporation.

The bonds bear interest at a rate of 4.45% and require interest payable each June 1st and December 1st. Principal payments of varying amounts are due annually beginning December 1, 2004, with a final maturity date of December 1, 2023.

HANO, with the approval of HUD, has pledged a portion of its Replacement Housing Factor funds (a component of its annual Capital Fund grants from HUD) as security for payment of principal and interest on the bonds.

Aggregate annual debt service requirements for the bonds are as follows:

Year ending September 30,	Principal	Interest	Total
2007	$ 3,300,000	$ 1,805,365	$ 5,105,365
2008	3,450,000	1,655,178	5,105,178
2009	3,635,000	1,497,536	5,132,536
2010	2,625,000	1,358,251	3,983,251
2011	1,550,000	1,265,358	2,815,358
2012-2016	8,835,000	5,205,721	14,040,721
2017-2021	10,990,000	3,008,645	13,998,645
2022-2024	7,835,000	532,999	8,367,999
	$ 42,220,000	$ 16,329,053	$ 58,549,053

NOTE 13 - TIF BOND PAYMENTS

As part of HANO's revitalization plans, the City of New Orleans agreed to issue Tax Increment Financing (TIF) Bonds to be used by HANO to support these endeavors. HANO has no responsibility to repay the TIF Bonds, except to the extent that reserve funds were established from the City's grant to HANO to make payments in the event that the pledged sales tax revenues were insufficient to make the required TIF Bond payments. The TIF Bonds are to be repaid from sales tax proceeds generated from a new retail store constructed in one of the neighborhoods HANO is working to revitalize. As a result of Hurricane Katrina and the resultant flooding, the store was unable to operate for several months, and consequently did not generate any sales taxes to be used to make principal and interest payments on the TIF Bonds. Consequently, $1,672,442 of reserve funds that had been established in case there was a shortfall in sales tax revenues from this project were used to make payments of principal and interest on the TIF Bonds during the year ended September 30, 2006. This expenditure is reported in the financial statements as a non-operating expense.

NOTE 14 - DEFINED CONTRIBUTION PENSION PLAN

HANO provides pension benefits for all its full-time employees through a defined contribution plan entitled "Housing Authority of New Orleans Pension Plan". The plan is administered by the Pension Plan Committee and was revised in November 2004. The Pension Plan Committee consists of employees of HANO. As a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings. The Board of Commissioners for HANO is authorized to establish and amend plan benefits. Employees are eligible to participate after one hour of service.

HANO contributes 5% of the employee's base salary each month, while the employee contributes a mandatory ½ of 1% of their gross wages. HANO's contributions for each employee, and interest allocated to the employee's account, are fully vested after 3 years of service. Interest forfeited, either as a result of death or employees who leave employment prior to being vested, is apportioned among all participants in the plan year in which the forfeiture occurs.

HANO's total payroll in fiscal year 2006 was $11,185,179. The contributions of HANO and employees were calculated using $10,821,971. HANO and the employees made contributions amounting to $513,026 and $27,027, respectively.

NOTE 15 - ECONOMIC DEPENDENCY

HANO received approximately 88% of its revenues from the federal government (82% from HUD) in the fiscal year. If the amount of revenues received from HUD falls below critical levels, HANO's operating results could be adversely affected.

NOTE 16 - CONTINGENCIES

HANO is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to HANO in the current and prior years. There were no such examinations for the year ended September 30, 2006.

NOTE 17 - ANNUAL CONTRIBUTIONS CONTRACT FW-1190

Annual Contributions Contract FW-1190

Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy approved in the operating budget. Operating subsidy contributions for the year ended

September 30, 2006, were $19,791,741 for HANO managed Low-Rent Public Housing Program and $8,643,157 for the Resident Managed Low-Rent Public Housing Program.

Annual Contributions Contracts

Housing Choice Voucher Program Annual Contributions Contracts provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense.

HUD contributions for the year ended September 30, 2006, were as follows:

FW-2217 Rental Vouchers	$ 54,277,555

NOTE 18 - COMMITMENTS

HANO is engaged in a modernization and development program and has entered into construction-type contracts with approximately $24,955,910 remaining until completion.

NOTE 19 - RESTRICTED NET ASSETS

Restricted net assets at September 30, 2006 consisted of the following:

Unspent proceeds from City of New Orleans Tax Increment Financing Bonds	$ 3,418,448
Unspent grant from the City of New Orleans plus accrued interest in excess of deferred revenue	259,086
Notes receivable plus accrued interest	23,389,330
	$ 27,066,864

NOTE 20 - PRIOR PERIOD ADJUSTMENT

The accompanying financial statements include a prior period adjustment to correct errors in the September 30, 2005 financial statements. The following is a recap of the components of the prior period adjustments.

To correct liabilities related to Home Ownership reserves	$ (128,184)
Unrecorded state grant revenue	1,013,422
Collected accounts receivable which had previously been written off	194,110
	$ 1,079,348

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

To the Board of Directors
The Housing Authority of New Orleans

We have audited the basic financial statements of the Housing Authority of New Orleans (HANO) as of and for the year ended September 30, 2006, and have issued our report thereon dated June 16, 2008 which report was qualified for the potential liabilities for incurred but not reported claims, and our inability to examine records related to the activities at two of HANO's public housing sites, as described in the third paragraph therein. Our report was modified to include a reference to other auditors. Except as discussed in the first sentence to this paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. As described in our report on HANO's financial statements, other auditors audited the financial statements of the following discretely presented component units: Fischer I, LLC, Fischer III, LLC, Florida II-A, LLC and Guste I, LLC. The financial statements of the aforementioned discretely presented component units were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered HANO's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 operation of the internal control over financial reporting that, in our judgment, could adversely affect the Housing Authority of New Orleans' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-1, 2006-2, 2006-4 and 2006-10.

A material weakness is a reportable 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

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misstatements caused by error or fraud in amounts that would be material in relation to the 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 material weaknesses. However, of the reportable conditions described above we considered items 2006-2, 2006-4, and 2006-10 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of New Orleans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of those procedures and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings and Questioned Costs as items 2006-3 and 2006-5.

This report is intended solely for the information and use of the Board of Commissioners, 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.

Reznick Group, P.C.

Charlotte, North Carolina
June 16, 2008

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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 Board of Directors
The Housing Authority of New Orleans

Compliance

We have audited the compliance of the Housing Authority 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 September 30, 2006. The Housing Authority of New Orleans' major federal programs are identified in the summary of 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 Housing Authority of New Orleans' management. Our responsibility is to express an opinion on Housing Authority of New Orleans' compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority 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 Housing Authority of New Orleans' compliance with those requirements.

As described in items 2006-6 to 2006-10 in the accompanying Schedule of Findings and Questioned Costs, the Housing Authority of New Orleans did not comply with requirements regarding major federal programs as follows:

Major Federal Program	Compliance Requirement
Low-Rent Public Housing	Reporting
	Eligibility
	Equipment and Rental Property Management
	Cash Management
Housing Choice Voucher Program -	Eligibility

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Vouchers	Reporting
HOPE VI - Urban Revitalization Program	Reporting
Capital Fund	Reporting
Disaster Voucher Program	Eligibility Reporting
FEMA Reimbursements	Reporting

Compliance with such requirements is necessary, in our opinion, for the Housing Authority of New Orleans to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Housing Authority 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 September 30, 2006.

Internal Control Over Compliance

The management of the Housing Authority 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 Housing Authority 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 Housing Authority of New Orleans's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-9 and 2006-10.

A material weakness is a reportable 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 the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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

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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, of the reportable conditions described above, we consider items 2006-9 and 2006-10 to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, 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.

Reznick Group, P.C.

Charlotte, North Carolina
June 16, 2008

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2006

Summary of Auditors' Results

1. The auditors' report expresses a qualified opinion on the basic financial statements of the Housing Authority of New Orleans.

2. Reportable conditions and material weaknesses were identified during the audit of the basic financial statements.

3. Instances of noncompliance material to the basic financial statements of the Housing Authority of New Orleans was disclosed during the audit.

4. Reportable conditions and material weaknesses were identified during the audit of the major federal award programs.

5. The auditors' report on compliance for the major federal award programs for the Housing Authority of New Orleans expresses a qualified opinion.

6. Audit findings relative to the major federal award programs for the Housing Authority of New Orleans are reported in this schedule.

7. The programs tested as major programs include:
   - CFDA #14.850 Low-Rent Public Housing
   - CFDA #14.866 HOPE VI - Urban Revitalization Program
   - CFDA #14.872 Capital Fund Program
   - CFDA #14.871 HCVP - Voucher
   - CFDA #14.DVP Disaster Voucher Program
   - CFDA #97.036 FEMA - reimbursements

8. The threshold for distinguishing Type A and B programs was $3,000,000.

9. The Housing Authority of New Orleans did not qualify as a low-risk auditee.

Findings - Financial Statements Audit

2006 - 1 Cash Disbursement Procedures
Type of finding: Internal control - reportable condition

Condition: Signed checks are in the custody of the individual that prepares manual checks. They should be handled by someone independent of all payable, disbursing, cash receiving and general ledger functions. This matter relates to finding 2005-1, 2004-1, and 2003-1, which remain unresolved as of year-end.

Cause: The Authority's current policies allow for the same person preparing manual checks to check signed checks.

Criteria: In order to have safeguards over cash and prevent potential misuse of federal funds there should be a segregation of duties that keeps the person preparing manual checks and the person who keeps the signed checks separate.

Auditors' Recommendation: We recommend that after checks are signed, they be given to an individual to mail that is independent of all payable, disbursing, cash receiving and general ledger functions.

Management's Response:

Management has instituted a system in which all signed checks are handled by an individual independent of accounting functions. And, in the event that any checks are on hand at close of business, those checks are secured by an individual independent of payable, disbursing, cash receiving, and general ledger functions.

2006 - 2 Processing of Vendor Invoices
Type of finding: Internal control - reportable condition - material weakness

Condition: Many of the disbursements selected for testing were lacking proper approval on the check request and/or invoice. Performance of invoice verification procedures such as comparing the invoice to the purchase order and receiving reports, recomputing extensions and footings, and verifying discount and freight terms are not indicated on the face of the invoice. This matter relates to finding 2005-2, 2004-2, and 2003-3, which remain unresolved as of year-end.

Cause: The Authority does not have documented policies and procedures in place to dictate appropriate steps for the accounts payable clerks.

Criteria: In order to have safeguards over cash and prevent potential misuse of federal funds there should be a written policy regarding the proper procedures for cash disbursements.

Auditors' Recommendation: We recommend that performance of invoice verification procedures and management approvals for payment be documented on the face of the invoice. Invoices could be stamped with places to document the performance of these procedures with the initials of the person performing the procedures and the date the procedures were performed.

Management's Response:

Management will require personnel involved in the processing of invoices to initial the invoices to evidence that each invoice verification procedure is performed.

2006 - 3 Audit Engagement Completion
Type of finding: Compliance

Condition: Required annual audited financial statement filings with HUD's REAC and with the Louisiana Legislative Auditor were not made by the required filing deadlines. The deadline for the final REAC filing is nine months after the close of the fiscal year-end (June 30, 2007), and the deadline for filing with the Louisiana Legislative Auditor is six months after the close of the fiscal year-end (March 31, 2007).

Cause: Due to the loss of records caused by Hurricane Katrina and changes in accounting personnel, HANO's staff and external contractor had many obstacles to overcome in getting the records compiled so that an audit could be performed.

Criteria: The Authority is required by REAC and the Louisiana Legislative Auditor to file by required deadlines.

Auditors' Recommendation: We recommend that HANO take steps to insure that its records are in a condition which allows an audit to be completed by the filing deadlines.

Management's Response:

Management agrees with the recommendation. The circumstances cited as causes, above, significantly impacted the 2006 audit and will impact the timing of the 2007 audit, albeit to a lesser extent, since the Katrina factor will not apply. The challenge is to deliver on deadlines established by the Louisiana Legislative Auditor with significantly reduced headcount.

2006-4 Unsecured check stock
Type of finding: Internal control - reportable condition - material weakness

Condition: The room where HANO keeps its blank check stock was left unlocked and unattended. Auditor also noted that the key to this room was lost during a significant amount of the time during the five weeks that we were on site. This matter relates to finding 2005-4, which remains unresolved as of year-end.

Cause: The Authority does not enforce polices stating that check stock should be secured.

Criteria: The Authority is required to safeguard assets against potential theft.

Auditor's Recommendation: The check stock should be placed in a lockable cabinet or whenever the room is unattended the door should be locked.

Management's Response:

Management has instituted the following procedures to provide adequate control over the blank check stock:

1. The room is now locked whenever checks are not being processed.

2. Two individuals who are independent of the check processing function keep the keys to this room and unlock the room when requested.

2006-5 Underfunded self insurance fund
Type of finding: Compliance

Condition: HANO has been unable to fund its self insurance fund in accordance with state law requirements. This matter relates to finding 2005-5, which remains unresolved as of year-end.

Cause: The Authority experienced funding shortfalls during the fiscal year and expects to realize significant losses associated with the shortfalls in coverage and unfunded reserves as a result of Hurricane Katrina. The Authority has not had an analysis performed to identify incurred but not reported claims, nor has the Authority established a liability for these potential claims.

Criteria: The Authority is required to fund self insurance in accordance with state law requirements, which state that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims should be accrued when insured events occur.

Auditor's Recommendation: The Authority should fund the self insurance to at least the minimum required by the state annually and should calculate and record related liability.

Management's Response:

HANO faces a number of challenges as it rebuilds from the damage created by Hurricanes Katrina and Rita. HANO does consider its lack of reserves a serious matter and is working diligently to find solutions. We have begun to assess our risk management polices and procedures and are currently working on procuring the services of a risk management company to support our efforts. HANO plans on working closely with the selected risk management company to develop and identify various products that can meet the insurance needs of the Agency at a manageable cost. We also plan on using this company to provide us with a risk analysis that will help us determine adequate reserve levels. HANO is committed to funding these reserves provided that adequate resources are available. Until the risk management company is procured and the analysis is completed, HANO can not determine when this process will be completed. HANO's CFO and In House Attorney will be working together to address Risk Management issues and identify resources that can be used to fund the reserve once calculated.

Findings and Questioned Costs - Major Federal Awards Programs Audit
CFDA # 14.871 Housing Choice Voucher Program - Vouchers
CFDA # 14.DVP Disaster Voucher Program

2006-6 Voucher Client Files
Type of Finding: - Compliance- Eligibility

Condition: Of the 40 voucher client files tested, the following deficiencies were noted:

- 16 of the files were missing inspections
- 3 of the files were missing the HUD form 50058, Family Reports
- 4 of the files had no information pertaining to the audited period

Cause: HANO has not adequately monitored its housing choice voucher program to ensure that income certifications and inspections were performed timely and that all forms and required documentation are properly obtained and retained in files.

Criteria: HANO is required by HUD to provide sufficient documentation that individuals receiving benefits under the Housing Choice Voucher program and the Disaster Voucher Program are eligible under the program rules. HANO is also required to perform annual inspection of units rented under the Housing Choice Voucher program and the Disaster Voucher Program to ensure that they provide decent, safe and sanitary housing for program participants.

Auditor's Recommendation: We recommend that HANO establish procedures to ensure that documents are retained and that inspections are performed.

Management's Response:

Management agrees and has begun to implement the recommendation.

Total questioned costs for CFDA #14.871 Housing Choice Voucher Program - Vouchers	$ 0
Total questioned costs for CFDA #14.DVP Disaster Voucher Program	$ 0

CFDA # 14.850 Low-Rent Public Housing - Operating Subsidy

2006-7 Tenant Lease File Errors
Type of Finding: - Compliance - Eligibility

Condition: Of the 36 lease files tested, the following deficiencies were noted:

- 17 did not contain a HUD form 50058, Family Reports for the period under audit
- 26 of the files were missing move-in/move out inspections
- 28 were missing criminal background checks
- 1 was missing a copy of a tenant's social security card
- 1 file contained no verification of the tenant's income during the period under audit
- 1 was lacking a HANO signature on the income verification forms

Cause: HANO has not adequately monitored its public housing program to ensure that income certification, inspections and other required documents are prepared timely and properly obtained and retained in files.

Criteria: HANO is required by HUD to provide sufficient documentation that individuals receiving housing under the Low-Rent Public Housing program are eligible to participate in the program.

Auditor's Recommendation: We recommend that HANO establish procedures to ensure that all eligibility determinations are performed and documents are retained.

Management's Response:

Management agrees and has begun to implement the recommendation.

2006-8 Accounting for the Activities of the Resident Management Corporations
Type of Finding: - Compliance - Cash Management

Condition: The Authority has two developments under Resident Management Corporation (RMC) agreements that are also under separate Operating Fund Formulas. HANO provides contract administration and oversight to the RMCs as owner of the properties. In doing so, the Authority provides monthly subsidy allocations to the Guste and Cooper RMCs. To record these advances in the appropriate sub-ledger for the respective RMC, the Authority debits an account titled Undistributed Expenses. When the RMC provides an accounting of its expenditures, the undistributed account is supposed to be cleared out and the appropriate accounts (generally expense accounts) are debited. In the current year this account was not cleared out and expenses were not recorded appropriately. This accounting entails an annual reconciliation between each RMC's trail balance and the records of the Authority. Supporting documentation and required annual audits are not provided in a timely manner in accordance with the terms of the contracts with the RMCs. This matter relates to finding 2005-7.

Cause: HANO does not provide oversight to the RMC's.

Criteria: HANO should have procedures to ensure that the funds spent by the RMCs are sufficiently monitored so that HUD funds are being spent and accounted for in accordance with HUD regulations.

Auditor's Recommendation: We recommend that the Authority enforce the terms of the contracts with the RMCs, which will result in a complete accounting for and monitoring of each RMCs activities.

Management's Response:

Management is committed to ensuring that the responsibilities of the parties are executed in accordance with the contracts. To this end, management will reconcile the accounts on a quarterly basis.

2006 - 9 Inventory of Fixed Assets
Type of finding: - Internal control - reportable condition - material weakness
- Compliance - Equipment and Real Property Management

Condition: HANO was unable to produce a listing of all current equipment, furniture, land and buildings as of September 30, 2006. Several schedules were provided with account totals which have been carried forward from earlier years. HANO failed to perform a physical inventory of its fixed assets at least once every two year as required by HUD regulations. This matter relates to findings 2005-8, 2004-6, and 2003-9, which remain unresolved as of year end.

Cause: HANO does not have procedures in place to perform a fixed asset inventory or provide a detail listing of total fixed assets.

Criteria: Regulations require that HANO perform an inventory of fixed assets at least every two years.

Auditors' Recommendation: A physical inventory of HANO's fixed assets should be taken, and that inventory should be reconciled to the accounting records.

Management's Response:

Management concurs with this finding. HANO intends to engage the services of an outside vendor to conduct the physical inventory.

Total questioned costs for CFDA #14.850 Low-Rent Public Housing - Operating Subsidy	$0

All Major Programs

CFDA # 14.850	Low-Rent Public Housing - Operating Subsidy
CFDA # 14.866	HOPE VI - Urban Revitalization Program
CFDA # 14.872	Capital Fund Program
CFDA # 14.871	Housing Choice Voucher Program - Vouchers
CFDA # 14.DVP	Disaster Voucher Program
CFDA # 97.036	FEMA Reimbursements

2006 - 10 Controls over Financial Reporting

Type of finding: - Internal control - reportable condition - material weakness
- Compliance - Reporting
(Also, Financial Statement Audit Finding - Internal Control - reportable condition - material weakness)

Condition: During the course of the audit, the auditor noted several instances of poor controls over financial reporting. Among the items noted:

- there were numerous journal entries that were posted that should not have been recorded and were erroneous, auditor noted there was no approval of these
- there were entries that the were not booked in 2006 that should have been
- the general ledger was not properly closed out for the year ended 2006
- HANO could not provide a detailed listing of accounts payable
- bank reconciliations contained reconciling items that needed to be recorded but were not

- bank reconciliations were not timely prepared and were not reviewed by an appropriate member of management
- the activity related to component unit accounts receivable was more often than not recorded incorrectly on HANO's books
- there was a general disorganization of documents and there were several invoices that HANO was not able to locate

Cause: The primary contributors to the errors are:

- During part of the year, HANO was operating under emergency conditions in temporary facilities in Houston, Texas, and the primary focus was in providing immediate assistance to those displaced by Hurricane Katrina.
- After HANO's operations were moved back to its offices in New Orleans, HANO's accounting staff struggled to continue with day-to-day operations, restore accounting records from before the hurricane, and update its accounting records for activity that transpired during the months since the hurricane.
- During the fiscal year ended September 30, 2006, there was a complete turn-over of personnel responsible for the accounting and finance activities of HANO as a third party contractor was engaged to take over these functions and assist in HANO's plans for moving forward. None of these individuals was present when much of the 2006 activity occurred, and had no first-hand knowledge of many of the transactions under audit.
- The work of individuals responsible for performing the accounting and financial recordkeeping is not being monitored or reviewed to the extent necessary to prevent or detect the errors in the accounting records.

Criteria: To be properly managed, accurate and timely accounting records are required to be maintained. Additionally, each major federal awards program requires that internal controls be established to ensure compliance with the program requirements, one of which is that accurate financial and other reports can be prepared.

Auditor's recommendation: Procedures should be established to:

- Review and approve journal entries prior to their posting to the accounting records.
- Ensure that all appropriate adjustments are posted prior to closing the books for the year, and to ensure that no additional adjustments are posted without proper approval.
- Begin a process of validating all balance sheet account balances, including, but not limited to, accounts payable, tenant security deposits, homeownership liabilities, accrued expenses, prepaid assets, tenant receivables, etc.

- Prepare bank reconciliations in the following month, and document a supervisor's review of the reconciliations and post all required adjustments.
- Periodically (monthly or quarterly), reconcile the activity related to component units to the accounting records of the component units.

Management's Response:

Management agrees with this recommendation and has since developed procedures exist for executing all the functions noted above. However, as far as the period under review is concerned, the level of execution was subject to a variety of circumstances:

1. *Destruction / misplacement of records by Hurricane Karina.*
2. *Inadequate systems for the recovery of documentation that was affected by Katrina*
3. *A 40% staff reduction since Hurricane reduction.*

Management expects that the implementation of the procedures that now exist will eliminate these deficiencies.

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended September 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section I - Internal Control and Compliance Material to the Financial Statements				
1	2005	CASH DISBURSEMENT PROCEDURES Signed checks are in the custody of the individual that prepares manual checks.	NO	Management agrees with the recommendation and will take the necessary steps to reassign the responsibility for custody of signed manual checks to personnel independent of the payable, disbursing, cash receiving and general ledger functions.
2	2005	PROCESSING OF VENDOR INVOICES Many disbursements tested lacked documentation of approval and verification/recalculations.	NO	The procedures for processing will be reviewed and revised as necessary to ensure that recommendations are implemented.
3	2005	AUDIT ENGAGEMENT COMPLETION Required annual audited financial statement filings with HUD's REAC and with the Louisiana Legislative Auditor were not made by the required deadlines.	NO	Management is acutely aware of the requirement for timely filings with REAC and with the Louisiana Legislative Auditor. Management trusts that these authorities will consider the difficulty associated with completing the fiscal 2005 requirements when evaluating our ability to meet the requirements for fiscal 2006. Management plans to meet these requirements for fiscal 2007.
4	2005	UNSECURED CHECK STOCK The room where the blank check stock is kept is left unlocked and unattended.	NO	Management agrees with the recommendation and will implement them by locking the room and restricting access to only staff who are directly involved in check processing.

(continued)

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

Year ended September 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section I - Internal Control and Compliance Material to the Financial Statements - Continued				
5	2005	UNDERFUNDED SELF INSURANCE FUND The self insurance fund has not been finded in accordance with state requirements. In additions, there has been no analysis done to identify incurred by not reported claims, and no liability has been established for the potential claims.	NO	Management considers its lack of reserves a serious matter and is working diligently to find solutions. They have begun to assess risk management policies and are procuring a risk management company to support those efforts.
1	2004	CASH DISBURSEMENTS PROCEDURES Signed checks are in the custody of the individual that prepares manual checks.	No	This finding continues as Finding 2005-1. See comment for Finding 2005-1 for status.
2	2004	PROCESSING OF VENDOR INVOICES Many disbursements tested lacked documentation of approval and verification/recalculations.	NO	This finding continues as Finding 2005-2. See comment for Finding 2005-2 for status.
3	2004	AUDIT ENGAGEMENT COMPLETION Required annual audited financial statement filings with HUD's REAC and with the Louisiana Legislative Auditor were not made by the required deadlines.	NO	This finding continues as Finding 2005-3. See comment for Finding 2005-3 for status.
4	2004	ACCOUNTING RECORDS AND INTERNAL ACCOUNTING CONTROLS The condition of HANO's accounting records did not allow HANO to produce a trial balance or file an unaudited Financial Data Schedule submission that did not require numerous and material adjustments to report the correct information.	NO	The destruction of records caused by Hurricane Katrina added to the challenge of addressing this finding on a timely basis. However, HANO's consultants have reorganized functions and introduced procedures into the Finance Department that should address this condition for the year ended September 2007.

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

Year ended September 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section I - Internal Control and Compliance Material to the Financial Statements - Continued				
1	2003	CASH DISBURSEMENTS PROCEDURES Signed checks are in the custody of the individual that prepares manual checks.	NO	This finding continues as Finding 2004-1 and 2005-1. See comment for Finding 2005-1 for status.
3	2003	PROCESSING OF VENDOR INVOICES Many disbursements tested lacked documentation of approval and verification/recalculations.	NO	This finding continues as Finding 2004-2 and 2005-2. See comment for Finding 2005-2 for status.
2	2002	CASH DISBURSEMENTS PROCEDURES Signed checks are in the custody of the individual that prepares manual checks.	NO	This finding continues as Finding 2003-1, 2004-1, and 2005-1. See comment for Finding 2005-1 for status.
4	2002	PROCESSING OF VENDOR INVOICES Many disbursements tested lacked documentation of approval and verification/recalculations.	NO	This finding continues as Finding 2003-3, 2004-2, and 2005-2. See comment for Finding 2005-2 for status.
Section II - Internal Control and Compliance Material to Federal Awards				
6	2005	VOUCHER CLIENT FILES AND PUBLIC HOUSING LEASES Voucher client files and public housing leases were unable to be provided because they were destroyed by flooding after Hurricane Katrina.	NO	Management is developing a comprehensive plan to protect against disastrous losses and to facilitate recovery where necessary.
7	2005	ACCOUNTING FOR THE ACTIVITIES OF THE RESIDENT MANAGEMENT CORPORATIONS HANO does not provide oversight to the Resident Management Corporations.	NO	Management is committed to ensuring that the responsibilities of the parties are executed in accordance with the contracts and will reconcile the cash accounts on a quarterly basis.

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

Year ended September 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section II - Internal Control and Compliance Material to Federal Awards - Continued				
8	2005	INVENTORY OF FIXED ASSETS Fixed asset schedules were not in detail, and a physical inventory of fixed assets has not been conducted at least once every two years.	NO	Management concurs with this finding. And intends to engage the services of an outside vendor to conduct the physical inventory.
5	2004	TENANT LEASE FILE ERRORS Testing of lease files found many errors.	NO	Section 8 files and, to a lesser extent, Public Housing files were destroyed by flooding related to Hurricane Katrina. This setback the review and correction process. However, management has adopted an approach of continuing review of these files which should resolve this finding.
6	2004	INVENTORY OF FIXED ASSETS Fixed asset schedules were not in detail, and a physical inventory of fixed assets has not been conducted at least once every two years.	NO	This finding continues as Finding 2005-8. See comment for Finding 2005-8 for status.
8	2003	TENANT LEASE FILE ERRORS Testing of lease files found many errors.	NO	This finding continues as Finding 2004-5. See comment for Finding 2004-5 for status.
9	2003	INVENTORY OF FIXED ASSETS Fixed asset schedules were not in detail, and a physical inventory of fixed assets has not been conducted at least once every two year.	NO	This finding continues as Finding 2004-6 and 2005-8. See comment for Finding 2005-8 for status.

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

Year ended September 30, 2006

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section II - Internal Control and Compliance Material to Federal Awards - Continued				
8	2002	ERROR IN YEAR-END CUT-OFF PROCEDURES Numerous instances of accounts payable and revenue accrual cut-off errors were encountered while performing the audit.	YES	The auditor considers this finding closed.
9	2002	COST ALLOCATION PLAN Changes to the cost allocation plan were not implemented as of the beginning of the year as intended.	YES	The finding continues as finding 2003-7.
10	2002	TENANT LEASE FILE ERRORS Testing of lease files found many errors.	NO	This finding continues as Finding 2003-8 and 2004-5. See comment for Finding 2004-5 for status.
11	2002	INVENTORY OF FIXED ASSETS Fixed asset schedules were not in detail, and a physical inventory of fixed assets has not been conducted at least once every two year.	NO	This finding continues as Finding 2003-9, 2004-6, and 2005-8. See comment for Finding 2005-8 for status.

SUPPLEMENTAL INFORMATION

Housing Authority of New Orleans

FINANCIAL DATA SCHEDULE

September 30, 2006

Line Item #	Account Description	Low Rent Public Housing 14.850	Self-Help Homeownership Opportunity Program 14.247	FEMA 97.036	Resident Opportunity & Supportive Services 14.870	HOPE VI 14.866	Capital Fund Program 14.872	Section 8 Vouchers 14.871	Section 8 New Construction 14.182	Section 8 Moderate Rehabilitation 14.856	KDHAP	DVP 14 DVP	Business Activities	State and Local	Component Units	TOTAL
	ASSETS:															
	CURRENT ASSETS:															
	Cash:															
111	Cash - Unrestricted	$ 7,386,519	$ 2,622,858	$ -	$ -	$ -	$ -	$ 50,749,065	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,091,462	$ 68,849,904
112	Cash - Restricted - Modernization and Development	4,579	-	-	-	-	315,385	-	-	-	-	-	-	-	-	319,964
113	Cash - Other Restricted	31,178,275	-	5,952,150	-	413,495	-	385,421	-	-	-	-	-	-	9,435,416	47,364,757
114	Cash - Tenant Security Deposits	381,072	-	-	-	-	-	194	-	-	-	-	-	-	-	381,266
100	**Total Cash**	38,950,445	2,622,858	5,952,150	-	413,495	315,385	51,134,680	-	-	-	-	-	-	17,526,878	116,915,891
	Accounts and Notes Receivables:															
121	Accounts Receivable - PHA Projects	493,474	-	-	-	-	-	-	-	-	-	-	-	-	-	493,474
122	Accounts Receivable - HUD Other Projects	-	-	-	72,682	990,540	5,909,929	-	-	-	-	-	-	-	-	6,973,151
125	Accounts Receivable - Miscellaneous	18,239,531	-	2,882,678	-	-	-	-	-	37,000	-	-	1,292	-	460,765	21,621,266
126	Accounts Receivable - Tenants - Dwelling Rents	496,135	114,967	-	-	-	-	-	-	-	-	-	-	-	-	611,102
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(202,132)	(114,577)	-	-	-	-	-	-	-	-	-	-	-	-	(316,709)
126.2	Allowance for Doubtful Accounts - Other	(224,861)	-	-	-	-	-	-	-	-	-	-	-	-	-	(224,861)
129	Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	**Total Receivables, Net of Allowances for Doubtful Accounts**	18,802,147	390	2,882,678	72,682	990,540	5,909,929	-	-	37,000	-	-	1,292	-	460,765	29,157,423
	Current Investments:															
131	Investments - Unrestricted	5,542,213	-	-	-	-	-	-	-	-	-	-	-	-	-	5,542,213
132	Investments - Restricted	3,418,448	-	-	-	-	-	-	-	-	-	-	-	4,217,092	199,610	7,815,150
142	Prepaid Expenses and Other Assets	960,046	-	-	-	-	-	11,440	-	-	-	-	-	-	63,806	1,035,292
143	Inventories	5,957	-	-	-	-	-	-	-	-	-	-	-	-	-	5,957
144	Interprogram Due From	37,415,166	262,578	-	-	869,243	1,939,198	55,296,751	-	-	798,413	5,195,038	-	-	-	101,776,387
150	**TOTAL CURRENT ASSETS**	105,094,422	2,885,826	8,834,828	72,682	2,273,278	8,164,512	106,442,871	-	37,000	798,413	5,195,038	1,292	4,217,092	18,251,059	262,268,313
	NONCURRENT ASSETS:															
	Fixed Assets:															
161	Land	32,244,200	624,272	-	-	7,915,544	44,975	-	-	-	-	-	-	-	-	40,828,991
162	Buildings	13,793,205	-	-	-	-	-	-	-	-	-	-	-	-	3,620,136	17,413,341
163	Furniture, Equipment & Machinery - Dwellings	181,496	-	-	-	-	-	-	-	-	-	-	-	-	66,625	248,121
165	Leasehold Improvements	-	-	-	-	49,890	-	-	-	-	-	-	-	-	-	49,890
166	Accumulated Depreciation	(537,870)	-	-	-	-	-	-	-	-	-	-	-	-	(89,192)	(627,062)
167	Construction in Progress	-	624,577	-	-	12,545,076	26,645,275	-	-	-	-	-	-	10,041,992	30,955,429	80,812,349
160	**Total Fixed Assets, Net of Accumulated Depreciation**	45,681,031	1,248,849	-	-	20,510,510	26,690,250	-	-	-	-	-	-	10,041,992	34,552,998	138,725,630
171	Notes and Mortgages Receivable - Non-Current	14,492,010	-		-	7,316,311	584,311	-	-	-	-	-	38,963,587	-	-	61,356,219
174	Other Assets	571,544	-		-	344,142	81,012	-	-	-	-	-	2,732,367	-	1,117,122	4,846,187
180	**TOTAL NONCURRENT ASSETS**	60,744,585	1,248,849		-	28,170,963	27,355,573	-	-	-	-	-	41,695,954	10,041,992	35,670,120	204,928,036
190	**TOTAL ASSETS**	$ 165,839,007	$ 4,134,675	$ 8,834,828	$ 72,682	$ 30,444,241	$ 35,520,085	$ 106,442,871	$ -	$ 37,000	$ 798,413	$ 5,195,038	$ 41,697,246	$ 14,259,084	$ 53,921,179	$ 467,196,349

Housing Authority of New Orleans

FINANCIAL DATA SCHEDULE - CONTINUED

September 30, 2006

Line Item #	Account Description	Low Rent Public Housing 14 850	Self-Help Homeownership Opportunity Program 14 247	FEMA 97 036	Resident Opportunity & Supportive Services 14 870	HOPE VI 14 866	Capital Fund Program 14 872	Section 8 Vouchers 14 871	Section 8 New Construction 14 182	Section 8 Moderate Rehabilitation 14 856	KDHAP	DVP 14 DVP	Business Activities	State and Local	Component Units	TOTAL
	LIABILITIES AND NET ASSETS:															
	LIABILITIES:															
	CURRENT LIABILITIES:															
312	Accounts Payable <= 90 Days	$ 623,869	$ 3,093	$ -	$ -	$ 6,800	$ 116,560	$ 633,626	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,456,768	$ 2,860,716
321	Accrued Wage/Payroll Taxes Payable	258,574	5,347	-	2,692	22,072	63,507	75,360	-	-	-	-	13,364	-	-	440,916
322	Accrued Compensated Absences - Current Portion	88,426	7,349	-	921	6,680	21,718	25,771	-	-	-	-	4,570	-	-	155,415
324	Accrued Contingency Liability	2,248,598	-	-	-	-	-	-	-	-	-	-	-	-	-	2,248,598
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	56,338	415,185	-	-	-	-	-	471,523
341	Tenant Security Deposits	572,046	-	-	-	-	-	-	-	-	-	-	-	-	1,900	573,946
342	Deferred Revenues	-	-	-	-	-	-	-	-	-	-	-	-	3,958,006	66,268	4,024,274
343	Current Portion of Long-Term Debt - Capital Projects	-	-	-	-	-	-	-	-	-	-	-	3,300,000	-	-	3,300,000
345	Other Current Liabilities	188,144	1,328	-	-	490	43,743	-	-	-	-	-	-	-	-	233,705
346	Accrued Liabilities - Other	1,934,797	-	-	691	2,289	1,009	-	-	-	-	-	2,848	-	1,537,724	3,479,358
347	Interprogram Due To	33,609,077	765,141	8,834,828	61,579	1,159,054	5,883,486	51,118,513	41,082	18,142	-	-	285,485	-	-	101,776,387
310	**TOTAL CURRENT LIABILITIES**	39,523,531	782,258	8,834,828	65,883	1,197,385	6,150,023	51,853,270	97,420	433,327	-	-	3,606,267	3,958,006	3,062,660	119,564,858
	NONCURRENT LIABILITIES:															
351	Long-Term Debt, Net of Current - Capital Projects	-	-	-	-	-	-	-	-	-	-	-	38,920,000	-	52,491,493	91,411,493
354	Accrued Compensated Absences - Non Current	654,933	8,132	-	6,799	49,539	160,731	190,883	-	-	-	-	33,782	-	-	1,104,799
353	Noncurrent Liabilities - Other	25,084,035	853,211	-	-	-	12,903	38	-	-	-	-	-	-	1,500,047	27,450,234
350	**TOTAL NONCURRENT LIABILITIES**	25,738,968	861,343	-	6,799	49,539	173,634	190,921	-	-	-	-	38,953,782	-	53,991,540	119,966,526
300	**TOTAL LIABILITIES**	65,262,499	1,643,601	8,834,828	72,682	1,246,924	6,323,657	52,044,191	97,420	433,327	-	-	42,560,049	3,958,006	57,054,200	239,531,384
	NET ASSETS:															
508.1	Invested in Capital Assets, Net of Related Debt	45,681,031	1,248,849	-	-	20,510,510	26,690,250	-	-	-	-	-	(42,220,000)	10,041,992	(17,938,495)	44,014,137
511.1	Restricted Net Assets	18,482,002	-	-	-	7,660,453	665,323	-	-	-	-	-	-	259,086	-	27,066,864
512.1	Unrestricted Net Assets	36,413,475	1,242,225	-	-	1,026,354	1,840,855	54,398,680	(97,420)	(396,327)	798,413	5,195,038	41,357,197	-	14,805,474	156,583,964
513	**TOTAL NET ASSETS**	100,576,508	2,491,074	-	-	29,197,317	29,196,428	54,398,680	(97,420)	(396,327)	798,413	5,195,038	(862,803)	10,301,078	(3,133,021)	227,664,965
600	**TOTAL LIABILITIES AND NET ASSETS**	$ 165,839,007	$ 4,134,675	$ 8,834,828	$ 72,682	$ 30,444,241	$ 35,520,085	$ 106,442,871	$ -	$ 37,000	$ 798,413	$ 5,195,038	$ 41,697,246	$ 14,259,084	$ 53,921,179	$ 467,196,349

Housing Authority of New Orleans

FINANCIAL DATA SCHEDULE - CONTINUED

Year ended September 30, 2006

Account Description	Low Rent Public Housing 14 850	Self-Help Homeownership Opportunity Program 14 247	FEMA 97 036	Resident Opportunity & Supportive Services 14 870	HOPE VI 14 866	Capital Fund Program 14 872	Section 8 Vouchers 14 855	Section 8 New Construction 14 182	Section 8 Moderate Rehabilitation 14 856	KDHAP	DVP 14 DVP	Business Activities	State and Local	Component Units	TOTAL
REVENUE:															
Net Tenant Rental Revenue	$ 912,566	$ 390	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 123 623	$ 1,036 579
Tenant Revenue - Other	38,198	-	-	-	-	-	-	-	-	-	-	-	-	-	38,198
Total Tenant Revenue	950,764	390	-	-	-	-	-	-	-	-	-	-	-	123 623	1 074 777
HUD PHA Grants	28,434,898	-	-	70,267	4,406,581	26,114,685	54,277,555	-	-	993,632	11,852,271	-	-	-	126,149,889
Capital Grants	-	-	-	-	-	321,059	-	-	-	-	-	-	-	-	321 059
Other Governmental Grants	-	-	8,784 975	-	-	-	-	-	-	-	-	-	2 381,876	-	11,166 851
Investment Income - Unrestricted	1,375,099	41,656	49,854	-	-	19,776	2,016,462	-	-	-	-	-	162,294	-	3,665 141
Other Revenue	907,814	-	-	-	-	-	5 000,757	-	-	471 164	3,342,921	-	-	7,257,803	16,980 459
Investment Income - Restricted	203,284	-	-	-	118,476	29,741	-	-	-	-	-	1 386,642	-	251,911	1 990 054
TOTAL REVENUE	31 871,859	42,046	8,834,829	70,267	4,525,057	26,485,261	61,294,774	-	-	1,464 796	15 195 192	1 386,642	2 544,170	7,633 337	161,348,230
EXPENSES:															
Administrative:															
Administrative Salaries	2,423 647	110,636	-	-	538,540	903 395	1,983,620	-	-	-	-	406,049	-	55,344	6,421,231
Auditing Fees	105,958	-	-	-	-	-	-	-	-	-	-	-	-	-	105,958
Outside Management Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	20,990	20,990
Employee Benefit Contributions - Administrative	151,153	1,765	375,310	10,222	79,326	254,683	74,673	-	-	-	-	54,004	-	-	1,001,336
Other Operating - Administrative	10 742,504	19,307	466,507	-	229,914	2,190,987	336 766	-	-	8,221	29 405	6,420	-	46,032	14,076,063
	13 423,262	131,708	842,017	10,222	847,780	3,349 065	2,395,059	-	-	8 221	29,405	466,473	-	122,366	21,625,578
Tenant Services:															
Tenant Services - Salaries	114,658	-	-	44,633	65,927	567,079	57,537	-	-	-	-	-	-	-	849,834
Relocation Costs	15,063	-	-	-	32,574	1,123,374	-	-	-	-	-	-	-	-	1,171,011
Tenant Services - Other	209,170	-	240,958	-	2,001,943	-	152,918	-	-	-	-	-	-	-	2 604,989
	338 891	-	240,958	44,633	2,100,444	1,690 453	210,455	-	-	-	-	-	-	-	4 625,834
Utilities:															
Water	192,836	-	42,807	-	-	-	85	-	-	-	-	-	-	-	235,728
Electricity	1 216,886	-	213,439	-	3,095	-	-	-	-	-	-	-	-	7,938	1,441,358
Gas	246,652	-	17,958	-	-	-	-	-	-	-	-	-	-	-	264,610
	1,656,374	-	274 204	-	3,095	-	85	-	-	-	-	-	-	7,938	1,941,696
Ordinary Maintenance & Operation:															
Ordinary Maintenance and Operation - Labor	3,548,363	9,106	-	-	-	541,584	20,027	-	-	-	-	-	-	14,633	4,133,713
Ordinary Maintenance and Operation - Materials and Other	208	-	671,848	-	-	2,144	-	-	-	-	-	-	-	-	674,200
Ordinary Maintenance and Operation - Contract Costs	256,706	40,549	-	-	7,350	1,015,527	652	-	-	-	-	-	-	-	1,320,784
Employee Benefit Contributions - Ordinary Maintenance	1,061,880	-	2,829,824	-	-	-	-	-	-	-	-	-	-	-	3,891,704
	4,867,157	49,655	3,501,672	-	7,350	1,559,255	20,679	-	-	-	-	-	-	14,633	10,020,401

Housing Authority of New Orleans

FINANCIAL DATA SCHEDULE - CONTINUED

Year ended September 30, 2006

Line Item #	Account Description	Low Rent Public Housing 14 850	Self-Help Homeownership Opportunity Program 14 247	FEMA 97 036	Resident Opportunity & Supportive Services 14 870	HOPE VI 14 866	Capital Fund Program 14 872	Section 8 Vouchers 14 871	Section 8 New Construction 14 182	Section 8 Moderate Rehabilitation 14 856	KDHAP	DVP 14 DVP	Business Activities	State and Local	Component Units	TOTAL
	Protective Services:															
951	Protective Services - Labor	556,699	-	-	-	-	-	25,092	-	-	-	-	-	-	-	581,791
952	Protective Services - Other Contract Costs	505,855	-	509,599	-	-	405,166	-	-	-	-	-	-	-	-	1,420,620
953	Protective Services - Other	4,408	-	-	-	-	-	-	-	-	-	-	-	-	-	4,408
		1,066,962	-	509,599	-	-	405,166	25,092	-	-	-	-	-	-	-	2,006,819
	General Expenses:															
961	Insurance Premiums	3,794,149	-	-	-	-	-	-	-	-	-	-	-	-	19,931	3,814,080
962	Other General Expenses	2,130,292	-	177,843	-	-	556	8,000	-	-	-	-	-	-	858,515	3,175,206
964	Bad Debt - Tenant Rents	8,031	-	-	-	-	-	-	-	-	-	-	-	-	-	8,031
966	Bad Debt - Other	-	-	-	-	-	-	-	-	-	315	-	-	-	-	315
967	Interest Expense	-	-	-	-	-	-	-	-	-	-	-	1,954,329	-	568,633	2,522,962
		5,932,472	-	177,843	-	-	556	8,000	-	-	315	-	1,954,329	-	1,447,079	9,520,594
969	**TOTAL OPERATING EXPENSES**	27,285,118	181,363	5,546,293	54,855	2,958,669	7,004,495	2,659,370	-	-	8,536	29,405	2,420,802	-	1,592,016	49,740,922
970	**EXCESS OPERATING REVENUE OVER OPERATING EXPENSES**	4,586,741	(139,317)	3,288,536	15,412	1,566,388	19,480,766	58,615,404	-	-	-	-	(1,034,160)	2,544,170	6,041,321	111,607,308
	Other Expenses:															
971	Extraordinary Maintenance	181,155	-	3,288,536	-	1,696,566	13,816,298	-	-	-	-	-	-	-	-	18,982,555
972	Casualty Losses - Non-Capitalized	(25,128,511)	(321,700)	-	-	-	-	-	-	-	-	-	-	-	-	(25,450,211)
973	Housing Assistance Payments	-	-	-	-	-	-	6,069,964	-	9,920	657,847	9,970,749	-	-	-	16,708,480
974	Depreciation Expense	537,870	-	-	-	-	-	-	-	-	-	-	-	-	226,412	764,282
		(24,409,486)	(321,700)	3,288,536	-	1,696,566	13,816,298	6,069,964	-	9,920	657,847	9,970,749	-	-	226,412	11,005,106
900	**TOTAL EXPENSES**	2,875,632	(140,337)	8,834,829	54,855	4,655,235	20,820,793	8,729,334	-	9,920	666,383	10,000,154	2,420,802	-	1,818,428	60,746,028
	Other Financing Sources (Uses)															
1001	Operating Transfers In	-	-	-	-	-	-	-	-	-	-	-	5,352,329	-	-	5,352,329
1002	Operating Transfers Out	-	-	-	-	-	(5,352,329)	-	-	-	-	-	-	-	-	(5,352,329)
1008	Special Items (net gain/loss)	-	-	-	-	-	-	-	-	-	-	-	(7,257,803)	-	-	(7,257,803)
1010	**Total Other Financing Sources (Uses)**	-	-	-	-	-	(5,352,329)	-	-	-	-	-	(1,905,474)	-	-	(7,257,803)
1000	**Excess (Deficiency) of Total Revenue Over (Under) Total Expenses**	$ 28,996,227	$ 182,383	$ -	$ 15,412	$ (130,178)	$ 312,139	$ 52,565,440	$ -	$ (9,920)	$ 798,413	$ 5,195,038	$ (2,939,634)	$ 2,544,170	$ 5,814,909	$ 93,344,399
	Memo Account Information															
1103	Beginning Equity (per 05 Audit)	$ 71,580,281	$ 2,242,765	$ -	$ (15,412)	$ 29,327,495	$ 27,870,867	$ 1,833,240	$ (97,420)	$ (386,407)	$ -	$ -	$ 2,076,831	$ 7,756,908	$ (8,947,930)	$ 133,241,218
1104	Prior Period Adjs - unrecorded state grant revenue	$ -	$ -		$ -	$ -	$ 1,013,422	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,013,422
	Prior Period Adjs - collected A/R - previously written off	$ -	$ (128,184)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (128,184)
	Prior Period Adjs - liabilities related to reserves	$ -	$ 194,110	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 194,110
1112	Depreciation Add Back	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1113	Maximum Annual Contributions Commitment	$ -	$ -	$ -	$ -	$ -	$ -	$ 58,711,218	$ 1,539,825	$ 560,507	$ -	$ -	$ -	$ -	$ -	$ 60,811,550
1114	Prorata Maximum Annual Contributions Applicable to a Period of Less than Twelve Months	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,207,767	$ 2,213,820	$ 10,703,121	$ -	$ -	$ -	$ -	$ -	$ 15,124,708
1115	Contingency Reserve, ACC Program Reserve	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1116	**Total Annual Contributions Available**	$ -	$ -	$ -	$ -	$ -	$ -	$ 60,918,985	$ 3,753,645	$ 11,263,628	$ -	$ -	$ -	$ -	$ -	$ 75,936,258
1120	Unit Months Available	32,352	972	-	-	-	-	19,862	2,888	1,398	-	-	-	-	-	
1121	Number of Unit Months Leased	11,472	936	-	-	-	-	19,862	2,600	1,187	-	-	-	-	-	

	Type	Federal CFDA #	Expenditures
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Public Housing:			
Operating Subsidy	A - Major	14.850	$ 28,434,898
HOPE VI - Urban Revitalization Program	A - Major	14.866	4,406,581
ROSS Grant	B - Nonmajor	14.870	70,267
Capital Fund program	A - Major	14.872	26,435,744
Housing Choice Voucher Program:			
Voucher	A - Major	14.871	54,277,555
KDHAP	A - Major		993,632
DVP	A - Major	14.DVP	11,852,271
FEDERAL EMERGENCY MANAGEMENT AGENCY			
FEMA- reimbursements	A - Major	97.036	8,784,975
TOTAL FEDERAL FINANCIAL AWARDS			$ 135,255,923

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity for the Housing Authority of New Orleans and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.