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**CITY OF NEW ORLEANS**  
**LOUISIANA**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended December 31, 2002**

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

Release Date 9/17/03

*Prepared by:*  
*Department of Finance*  
*Reginald Zeno*  
*Director*

# CITY OF NEW ORLEANS, LOUISIANA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED DECEMBER 31, 2002

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**INTRODUCTORY  
SECTION**

DEPARTMENT OF FINANCE  
CITY OF NEW ORLEANS

C. RAY NAGIN  
MAYOR

REGINALD ZENO  
DIRECTOR

June 28, 2002

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of New Orleans for the year ended December 31, 2002.

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

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures rests with the City. The City has implemented Government Accounting Standards Board's ("GASB") Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments*. By fiscal year 2002, all City government agencies are mandated to change their financial reporting and to provide information on the status of public infrastructure. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

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

Our Comprehensive Annual Financial Report is divided into three sections:

- The Introductory Section includes a list of principal officials, the City's organizational chart, and information about the organizational structure of the City, its accounting and budgetary systems, and fund structure.
- The Financial Section includes the General Purpose Financial Statements. The financial statements are preceded by a management discussion and analysis which provides an overview of the City's financial activities in 2002. Schedules provide certain other information and details of data summarized in the financial statements. The statements and schedules included in this section pertain to those operations which, when taken together, make up the reporting entity of the City.



- The Statistical Section includes tables containing historical financial data, debt statistics, and selected financial and demographic information of the City that are of interest to potential investors in our bonds and other readers, including ten-year revenue and expenditure information.

#### THE REPORTING ENTITY AND ITS SERVICES

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

The City has a Mayor-Council form of government. The Mayor is elected for a four-year term and is limited to two consecutive terms. The Mayor appoints the Chief Administrative Officer, who is his principal assistant and budget officer for the City. The City has executive departments and numerous affiliated boards and commissions, and provides a full range of services including police and fire protection, sanitation services, the construction and maintenance of streets, infrastructure, and recreational activities and cultural events.

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

The financial statements of the reporting entity include those of the City (the primary government) and its component units in conformity with GASB Statement No. 34. Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**Component Units** - In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units. Each blended and discretely presented component unit has a December 31 year end. Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

**Blended Component Units** - For financial reporting purposes, the Board of Liquidation, City Debt is included (blended) in the operations and activities of the City because it handles all matters relating to the bonded debt of the City. Complete financial statements for this blended component unit may be obtained at the entity's administrative offices.

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

- Audubon Commission
- Canal Street Development Corporation
- Downtown Development District
- French Market Corporation
- Municipal Yacht Harbor Management Corporation
- New Orleans Building Corporation
- Louis Armstrong New Orleans International Airport
- New Orleans Tourism Marketing Corporation
- Orleans Parish Communication District
- Upper Pontalba Building Restoration Corporation
- Sewerage and Water Board of New Orleans

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

#### YEAR IN REVIEW

Although the Nagin Administration entered office in May 2002 with significant budget challenges, by December the budget was balanced without new taxes. In addition, savings helped fund a raise for City Hall workers and for police officers. The police raises have helped in efforts to retain officers and attract new recruits.

Professional basketball returned to New Orleans after a 23-year hiatus. The National Basketball Association's New Orleans Hornets settled into their new home at the New Orleans Arena. The Hornets played to a sellout crowd of 17,668 during the inaugural home opener on October 30. The attendance averaged between 14,000 and 15,000 throughout the year.

Six Flags took control of the Jazzland Theme Park in New Orleans East. The leading amusement park company pumped more than \$20 million into improving the park before opening day. The investment has paid off with Six Flags exceeding its attendance projections.

The City of New Orleans signed a new agreement with the Essence Music Festival, keeping the festival which draws more than 200,000 people a year to the City and has an estimated economic impact of \$100 million. The five-year agreement has incentives based on performance measures, and it serves as a model for attracting new events to New Orleans. In addition, Jazz Fest added an extra day to its line-up and the City started a free festival between Jazz Festival weekends that highlights local acts. These two new developments created additional reasons for Jazz Fest visitors to extend their musical journeys to New Orleans.

The year 2002 marked a year of recovery for the Louis Armstrong New Orleans International Airport. With the September 11, 2001 attacks still fresh on the minds of air travelers, security and safety were the airport's top concern. New Orleans was the first city to host a post 9/11 Super Bowl. Armstrong International was in the spotlight as more than 25,000 people departed the day after the game. Frontier Airlines joined the team of air carriers that serve our community and American Airlines started new service to New York's LaGuardia Airport. The federalization of the passenger security screening checkpoints was completed prior to the federally mandated deadline. Armstrong International worked vigorously to reinforce floors, relocate airlines and reconfigure operations to accommodate the \$1 million initiative for screening all checked baggage.

Through it all, Armstrong International served more than 9.2 million passengers in 2002, a 3% decrease from 2001. The 3% decrease in traffic was less than the national average, revealing New Orleans continued tourism drawing power.

The Louisiana Legislature passed a new tax incentive last year that has revived the local film and video industry. New Orleans is in a good position to take advantage of this film renaissance because the City's varied architecture and vistas provide great backdrops for films, music videos and commercials. Major motion pictures such as "Runaway Jury", "Unchain My Heart" and "Mr. 3000" have filmed in New Orleans, and many other films are in the pipeline or scouting locations in the Crescent City. Meanwhile, a local company called Louisiana Institute of Film Technology (LIFT) signed an agreement with one of the country's largest production companies. This agreement will generate \$100 million worth of production work over the next five years.

The film industry helps generate business for a number of seemingly unrelated businesses. An online directory of the Office of Economic Development's website links film crews with hair stylists, carpenters, electricians, artists, publicists and others who can help make their shoot a success.

#### ECONOMIC OUTLOOK

The historic culture of New Orleans attracts visitors from every part of the globe. Successful crime prevention initiatives and proactive economic development programs have helped to make the City the world's number one destination for culture, music, and food.

New Orleans is world-renowned as a leader in hosting large-scale events. The city's Mardi Gras celebration, which generates over a \$1 billion economic impact, the Jazz & Heritage Festival, Bayou Classic, and summer Essence Festival are annual attractions drawing millions of visitors.

The film and music industries of New Orleans generate a combined economic impact of \$2 billion annually, and show that the City's charm makes it a natural for new entertainment growth. Popular annual sporting events hosted in New Orleans include the Sugar Bowl and the Bayou Classic.

## MAJOR INITIATIVES

The Nagin administration has developed a \$20 million comprehensive housing plan that targets seven neighborhoods primed for revival. The housing plan offers powerful incentives that make low and moderate income citizens, single mothers and City employees first-time homeowners. The housing program helps prevent blight by giving low income citizens up to \$40,000 to bring their homes up to code.

In the City's housing plan, additional incentives are offered in seven strategic neighborhoods, where the administration believes, it can have the greatest effect. These neighborhoods contain areas of concentrated blight, but they border on stable neighborhoods. This program represents a new opportunity to spread prosperity into areas that need investment. Mayor Nagin recently began a series of Community Action Forums in the seven strategic neighborhoods to enlist citizens and City departments in the effort to improve these neighborhoods.

If you want to stimulate the economy in New Orleans, you have to get a good picture of the needs of the New Orleans business community. That is the basis behind the Nagin Administration's new Business Service Representative team. Six Business Service Representatives make the rounds of New Orleans businesses. They meet with executives and collect valuable data used to plot economic strategy. Surveys conducted by business service representatives are processed in a computer database that gives Mayor Nagin and his economic advisors an accurate picture of the New Orleans business environment. By matching businesses with tax incentives that will help them grow, the business service representatives are helping our economy to grow.

New Orleans is taking advantage of a federal program that encourages businesses to invest in neighborhoods that have been left behind by economic prosperity. New Orleans and Jefferson Parish share one of 40 federally-designated Renewal Communities. This program allows local businesses to take advantage of lucrative tax credits when they move into an area that need jobs and hire from the neighborhood. The Office of Economic Development has been using the program to build jobs in the Orleans/Jefferson Renewal Community. During the first year of promoting the program, three businesses have moved into the Renewal Community bringing hundreds of jobs and new opportunities to the neighborhoods that need them most.

Since the birth of Jazz, New Orleans has always been fertile ground for the creation of music. Our musical talent comes naturally, but music related business opportunities need to be nurtured. Every month, the City hosts a seminar that helps musicians learn the business skills that will ensure that their artistic success is accompanied by financial success. They have learned how to book high-paying convention jobs, how to prepare their taxes, and how to buy a home on a musician's salary.

The City has created new opportunities for musicians to gain exposure. A \$100,000 sponsorship of the Jazz and Heritage Festival helped add an extra day to the festival lineup, expanding what has proven to be a huge tourism draw for the city. A weekly concert series called MO'Tunes has given rising stars an opportunity for more exposure. The MO'Fest Festival, a free festival which the city organized between Jazz Fest weekends, gave tourists and extra reason to extend their New Orleans musical journey. Other forthcoming initiatives will continue to grow the music industry in New Orleans

## DEPARTMENT FOCUS

### Mayor's Office of Economic Development

The Mayor's Office of Economic Development is dedicated to the creation of employment and wealth-generating opportunities for the citizens of the City of New Orleans. The various offices of the Mayor's Office of Economic Development include employees and volunteers who are firmly committed to enhancing the quality of life for citizens of this great city. To this end, the offices sponsor activities and manage programs that interface with the business and entrepreneurial interest of our city.

Divisions within the Office of Economic Development include:

#### Arts and Entertainment

The Office of Arts and Entertainment, headed by Ernest Collins, includes the office of Film and Video, Music Business Development and Tourism and Arts. These offices are charged with promoting growth in their respective industries and improving cooperative planning. Additionally, the Office of Film and Video coordinates and facilitates the permitting process for film productions on location in New Orleans.

#### Business Retention and Expansion

Business Retention and Expansion serves to assist businesses that can benefit from programs and activities involving city government. The office markets the City of New Orleans as a very favorable place to do business, and works with governmental agencies and private sector firms to put into action those programs, policies and incentives that enhance the City's attractiveness as an ideal place in which businesses can prosper and grow.

#### International Trade Development

The objective of the Office of International Trade Development (OITD) is to stimulate international trade and investment between the City of New Orleans and foreign markets. OITD coordinates with other international trade resources and the City's economic development programs to achieve its objective.

#### Small and Emerging Business Development

This office was created to enhance the opportunity for small businesses to thrive in the City of New Orleans. The staff provides resources, information and hosts seminars and educational activities designed to assist small businesses in achieving higher levels of economic prosperity in our city. This office created and monitors the City's Open Access Program.

#### Urban Development

The office of Urban Development seeks to create job opportunities and to obtain maximum long-term economic return to the City of New Orleans through utilization of the City's loan program.

## FINANCIAL CONTROLS

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

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

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

## BUDGETARY PROCEDURES

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

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

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

Encumbrances are recorded via the Bureau of Accounting through an on-line processing system before the requisitions are electronically transmitted to the Bureau of Purchasing. If sufficient funds are not available to cover a purchase, the requisition is rejected and returned to the originating department for appropriation or allotment changes, transfer of funds or cancellation. Appropriations are allowed to be amended through councilmanic

action during the year and all unencumbered appropriations lapse at year-end. The City Charter, as well as state law, does not allow deficit spending. The Department of Finance is able to control all of the above through a computerized financial management system initiated in 1997 and uses a program budget. The basic concept of program budgeting rests on the tenet that public expenditures should be justified by their impact on public goals and not measured solely by the criteria of efficiency and economy.

#### CAPITAL BUDGET

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

#### BUDGETARY AND FINANCIAL REPORTING

The fund structure by which the financial transactions of the City of New Orleans are recorded is defined in the 1954 Home Rule Charter and does not conform to the current standards of the Governmental Accounting Standard Board (GASB). For purposes of an explication, however, the accompanying combined financial statements, which are presented in the financial section of this report, have been structured to substantially conform with the GASB's promulgated standards. Primarily all general governmental functions other than debt service and capital improvements are accounted for in the general fund.

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

#### RISK MANAGEMENT

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

#### INDEPENDENT AUDIT

The City Charter requires an audit of the financial statements of all accounts of the City by an independent certified public accountant selected by the City Council. Accordingly, this year's audit was completed by Deloitte & Touche LLP with assistance from Bruno and Tervalon, CPAs, Luther Speight, CPAs, and Duplantier, Hrapmann, Hogan and Maher, LLP, among others.

## AWARD FOR FINANCIAL REPORTING

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

In 1994, 1996, 1997, 1998, 1999, 2000 and 2001, the City of New Orleans was awarded the Certificate of Achievement for Excellence in Financial Reporting.

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

## ACKNOWLEDGMENTS

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

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

Respectfully submitted,



Reginald Zeno  
Director of Finance

## CITY OF NEW ORLEANS, LOUISIANA

### Selected Officials December 31, 2002

#### The City Council

Mr. Oliver M. Thomas, Jr.	Councilmember-at-Large
Mr. Eddie L. Sapir	Councilmember-at-Large
Mr. John A. Batt, Jr.	Councilmember - District A
Ms. Renee' Gill Pratt	Councilmember - District B
Ms. Jacqueline Bechtel Clarkson	Councilmember - District C
Mr. Marlin N. Gusman	Councilmember - District D
Ms. Cynthia Willard-Lewis	Councilmember - District E

#### The Executive Staff

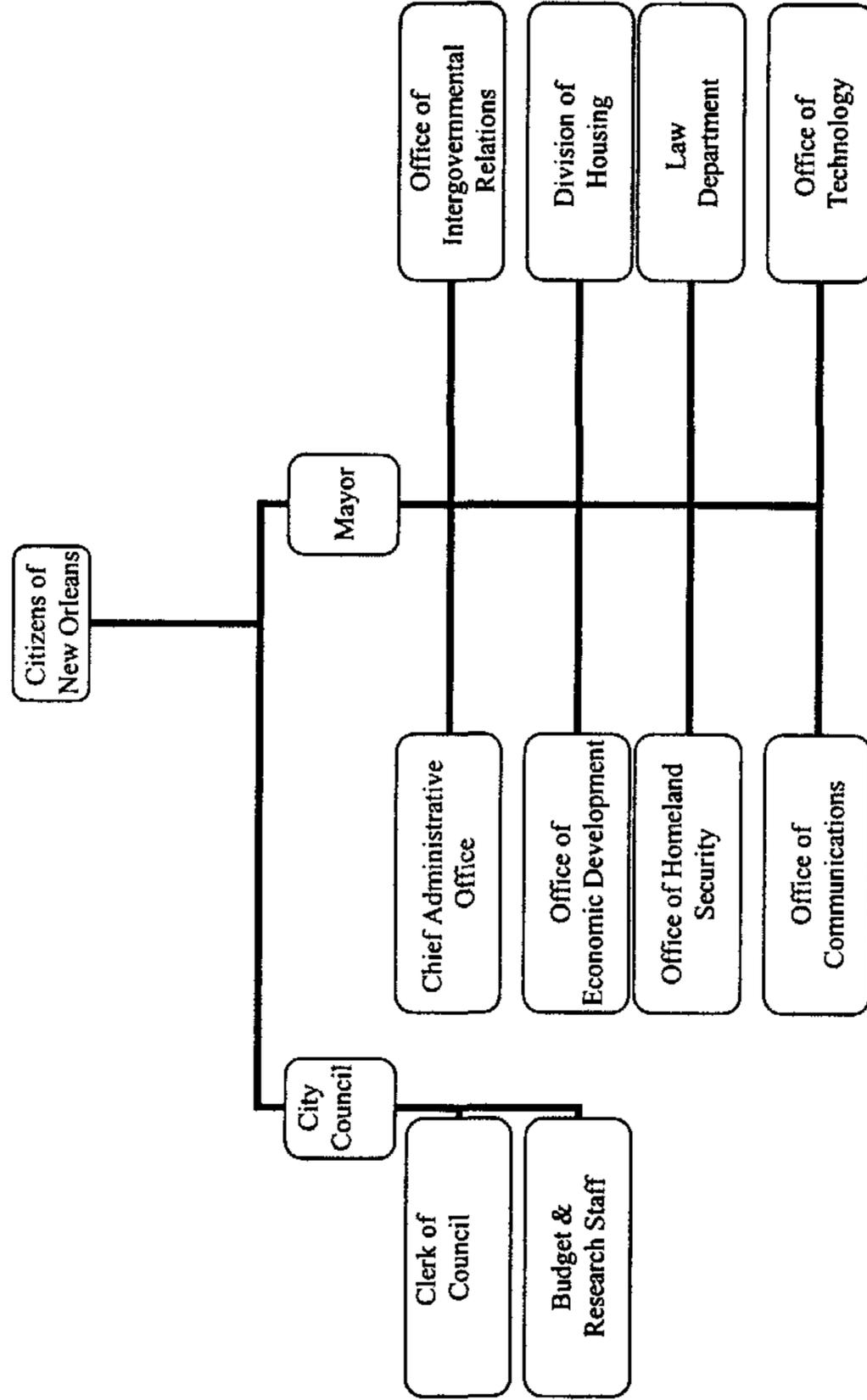
Mr. C. Ray Nagin	Mayor
Mr. Charles L. Rice, Jr.	Interim Chief Administrative Officer
Mr. Terry Ebbert	Director of Homeland Security and Public Safety
Mr. Patrick Evans	Communications Director
Mr. Garey Forster	Executive Assistant for Intergovernmental Affairs
Ms. Beth James	Director of Economic Development
Ms. Sherry Landry	Interim City Attorney
Mr. Greg Meffert	Chief Technology Officer
Ms. Alberta Pate	Housing and Neighborhood Development
Mr. Reginald Zeno	Director of Finance

#### The Department Heads

Ms. Collette Creppell	Director, City Planning
Mr. J. Michael Doyle	Director, Civil Service
Dr. Kevin Stephens	Director, Health
Mr. Ron Ruiz	Director, Property Management
Mr. John Shires	Director, Public Works
Mr. Donald Royal	Director, Recreation
Ms. Ann MacDonald	Director, Parkway and Parks
Mr. Mike Centineo	Director, Safety and Permits
Ms. Lynn Wiltz	Director, Sanitation
Ms. Marcia St. Martin	Interim Director, Sewerage and Water Board
Mr. Charles Parent	Superintendent, Fire
Mr. Eddie P. Compass	Superintendent, Police

# The City of New Orleans

## Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of New Orleans,  
Louisiana

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2001

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



*William Patrick Bate*

President

*Jeffrey R. Emer*

Executive Director

**FINANCIAL SECTION**

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701 Poydras Street  
New Orleans, Louisiana 70139-3700

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www.deloitte.com

**Deloitte  
& Touche**

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the aggregated discretely presented component units, each major fund and the aggregate remaining fund information of the City of New Orleans, Louisiana ("the City") as of December 31, 2002 and for the year then ended, which collectively comprise the City's financial statements, listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development District, the New Orleans Tourism Marketing Corporation, the Sewerage and Water Board of New Orleans, the French Market Corporation, the Upper Pontalba Building Restoration Corporation and the Canal Street Development Corporation, which represent 31 percent and 37 percent, respectively, of the assets and total revenues of the discretely presented component units; the Fire Fighters' Old System, the Fire Fighters' New System, the Police Old System and the Employees' Retirement System, which represent 100 percent of the Pension Trust Funds; and the financial statements of the Board of Liquidation, City Debt, which represent 48 percent of the liabilities of the governmental activities. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Downtown Development District, the New Orleans Tourism Marketing Corporation, the Sewerage and Water Board of New Orleans, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, the Canal Street Development Corporation, the Fire Fighters' Old System, the Fire Fighters' New System, the Police Old System, the Employees' Retirement System and the Board of Liquidation, City Debt, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregated remaining fund information of the City as of December 31, 2002, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Deloitte  
Touche  
Tohmatsu**

As described in Note 1 to the financial statements, in fiscal year 2002, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis (on pages 3 to 10) and the budgetary comparison information (on pages 67 to 68) are not required parts of the basic financial statements but are supplementary information required by GASB. We have applied certain limited procedures, which 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 express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statement. The introductory section, combining and individual nonmajor fund financial statements and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This additional information is the responsibility of the management of the City. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2003 on our consideration of the City's internal control over financial reporting and its compliance with certain provisions of laws and regulations. That report is an integral part of an audit and should be read in conjunction with this report in considering the results of our audit.

*Deloitte & Touche LLP*

New Orleans, Louisiana  
June 27, 2003

# CITY OF NEW ORLEANS, LOUISIANA

## MANAGEMENT DISCUSSION AND ANALYSIS For the fiscal year ended December 31, 2002

### Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the City of New Orleans, Louisiana's (the City), financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2002. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, the City's financial statements and the notes to the financial statements.

The City has implemented Governmental Accounting Standards Board's (GASB) Statement No.34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, for the comprehensive annual financial report for this fiscal year with significant changes in content and structure; therefore, prior years' financial statements have not been restated and presentation of comparative data in the MD&A will be deferred until the comprehensive annual financial report for the year ending December 31, 2003.

### Financial Highlights

- The Government-wide Statement of Activities reported an excess of expenses and other financing sources over revenues of \$10.2 million largely due to the impact of recording depreciation expense.
- The General Fund, reported revenues in excess of expenditures and other financing sources (uses) of \$2 million for a total ending General Fund, fund balance at December 31, 2002 of \$23.9 million. Total Governmental Funds reported an increase of \$13.8 million.
- The undesignated portion of the General Fund fund balance increased from \$2.7 million at December 31, 2001 to \$9.6 million at December 31, 2002.
- The City's total net assets, excluding component units, on the government-wide basis totaled \$348.8 million at December 31, 2002; total assets exceeded \$1.6 billion.
- Total cash and investments of Governmental funds, excluding component units, amounted to \$227.2 million at December 31, 2002, an increase of \$8.6 million over the beginning of the year total.

### Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. . The statement of activities presents information showing how the City's net assets changed during the year ended December 31, 2002. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. earned but unused leave for vacations).

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

***Fund Financial Statements.*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains thirty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its five major funds, the general fund, the HUD grant fund, the UDAG fund, the debt service fund and the capital fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Information concerning the City's progress in funding its obligation to provide pension benefits to its employees is included in the notes to the financial statements.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted.

**Combining and Individual Fund Statements and Schedules.** Combining schedules provide detail in connection with non-major governmental funds. Individual fund statements provide greater detail, presented on the basis of budgetary accounting (encumbrances included with expenditures), for the General Fund, non-major special revenue funds, and debt service fund. Capital Asset schedules present information concerning the categories of assets, function and service provided, and source of funding.

#### **Government-wide Financial Analysis**

*As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$348.8 million at December 31, 2002.*

The City's Statement of Net Assets reflects its "Investment in Capital Assets", land, buildings, and equipment, less any related debt used to acquire those assets that is still outstanding; in the amount of \$766.4 million at December 31, 2002. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Debt service funds have accumulated \$32.9 million at December 31, 2002 to provide for the servicing of annual interest and principal payments on bonds.

See Notes 5 and 6 to the financial statements for a description of capital asset and long-term debt activity during 2002.

#### **Financial Analysis of the Governmental Funds**

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

As of December 31, 2002, the City's governmental funds reported combined ending fund balances of \$236.2 million, an increase of \$13.8 million in comparison with the prior year. Approximately 25.2 % of this total amount (\$59.6 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$ 42.5 million), to pay debt service (\$ 32.9 million) or fund additional capital projects or fund additional capital projects.

The general fund is the chief operating fund of the City. At December 31, 2002, unreserved fund balance of the general fund was \$ 13.5 million, while total fund balance reached \$ 23.9 million. \$3.9 million of the unreserved fund balance was internally designated for subsequent year expenditures.

The fund balance of the City's general fund increased by \$ 2 million during the fiscal year ended December 31, 2002. Key factors in this growth are as follows:

Revenues and other financing sources for the general fund in 2002 totaled approximately \$419,095,000. These revenues represent a \$9.4 million increase compared to 2001, since revenues for 2001 totaled \$409,721,000. Factors contributing to major changes in revenues from the prior year include the following:

Taxes increased \$3.9 million in 2002 over 2001. This increase was due to impact of having a Super Bowl and the return of professional basketball to the City.

License and permit fees decreased \$5.9 million in 2002 in comparison to 2001. This decrease was due to a reduction in the receipt of franchise fee collections.

Charges for services increased by \$7.2 million due to the collection of delinquent prior year violations.

Interest income decreased in 2002 by \$4.6 million due to declining interest rates and a reduction of available idle cash.

Total expenditures for 2002 were \$415.2 million, an increase of only \$1.5 million compared to 2001. The new administration initiated several steps to reduce expenditures, to avoid a deficit, and to increase the undesignated fund balance.

The accompanying table shows the amount (in thousands) of general fund revenues by source for 2002 and 2001.

Revenues and Other Financing Sources	2002 Actual	% of Total	(Decrease) Over 2001	2001 Actual	% of Total
Taxes	\$ 243,673	58.14 %	\$ 3,934	\$ 239,739	58.51 %
License & permits	56,616	13.51 %	(5,924)	62,540	15.26 %
Intergovernmental	12,498	2.98 %	107	12,391	3.02 %
Charges for services	52,204	12.46 %	7,221	44,983	10.98 %
Fines and Forfeits	13,940	3.33 %	573	13,367	3.26 %
Interest income	5,506	1.31 %	(4,608)	10,114	2.47 %
Contributions, gifts, and donations	210	0.05 %	(1,099)	1,309	0.32 %
Miscellaneous	16,752	4.00 %	4,775	11,977	2.92 %
Other financing source	17,696	4.22 %	4,395	13,301	3.25 %
	<u>\$ 419,095</u>	<u>100.00 %</u>	<u>\$ 9,374</u>	<u>\$ 409,721</u>	<u>100.00 %</u>

#### SPECIAL REVENUE FUNDS

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

## DEBT SERVICE FUNDS

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Total fund balance for the Debt Service Fund was \$32,878,000 at December 31, 2002.

## CAPITAL PROJECT FUNDS

The Capital Projects Fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities other than those accounted for in the Component Units. Expenditures for capital improvement projects in 2002 totaled \$44,841,000 an increase of \$1,665,000 compared to the 2001 total. Fund balances available for capital projects totaled \$122,160,000 at December 31, 2002.

## COMPONENT UNITS

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

The Sewerage and Water Board reported 2002 operating revenues of \$148,143,000 and net income of \$11,006,000. Operating expenses decreased 3% to \$137,137,000 in 2002 from \$141,016,000 in 2001. In addition, capital contributions of \$35.8 million were received in an increase in net assets of \$46.8 million in 2002.

New Orleans International Airport is the air carrier airport serving the New Orleans metropolitan area - the largest metropolitan area in the state of Louisiana. The Federal Aviation Administration (FAA) classifies New Orleans as a medium air traffic hub. The airport primarily serves passengers whose travel originates or terminates in New Orleans. The airport is located on approximately 1,500 acres of land in Jefferson and St. Charles parishes and the city of Kenner, Louisiana. The terminal building complex consists of about 760,000 square feet and accommodates a total of 44 aircraft parking positions.

The airport's 2002 operating revenue amounted to \$65,264, which permitted the airport to meet its current operating expenses and pay current debt service and reserve requirements as they became due.

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

The Commission receives its financing from a dedicated special ad valorem tax, which is pledged as security for \$3,160,000 in bonds issued in 1979 and 1986; admission fees to the zoo; concession rentals and fees; donations; and other miscellaneous sources. In 1986 the voters approved a special ad valorem tax pledged as security for \$25,000,000 in bonds issued in April 1988 to construct the Riverfront Aquarium. All operations of the Audubon Commission are administered by the Audubon Institute, a private development associated with the Commission. The Commission received total revenues of \$40 million during 2002.

## FIDUCIARY OPERATIONS

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

## DEBT ADMINISTRATION

The ratio of general bonded debt to assessed value of taxable property and the amount of general bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors.

Outstanding general obligation bonds at December 31, 2002 totaled \$473,385,829 all of which are considered to be net, direct-tax supported debt. There are no special assessment bonds outstanding. Tables eight through 12 in the statistical section of this report present more detailed information about the debt position of the city.

The Louisiana Legislature, in Act 1 of 1994, increased the City's general obligation bond debt limit to an amount equal to the greater of (i) \$500,000,000 or (ii) 35% of total assessed valuation of the City. Under Act No. 1 of the City's debt limit, based on the most recent assessed valuations, is \$2,251,699,000 as of December 31, 2002.

As of the end of 1999, the City's general obligation bonds were rated "Aaa" from Moody's Investor Service and "AAA" from Standard and Poor's Corporation (MBIA Insured).

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The historic culture of New Orleans attracts visitors from every part of the globe. Successful crime prevention initiatives and proactive economic development programs have helped to make the City the world's number one destination for culture, music, and food.

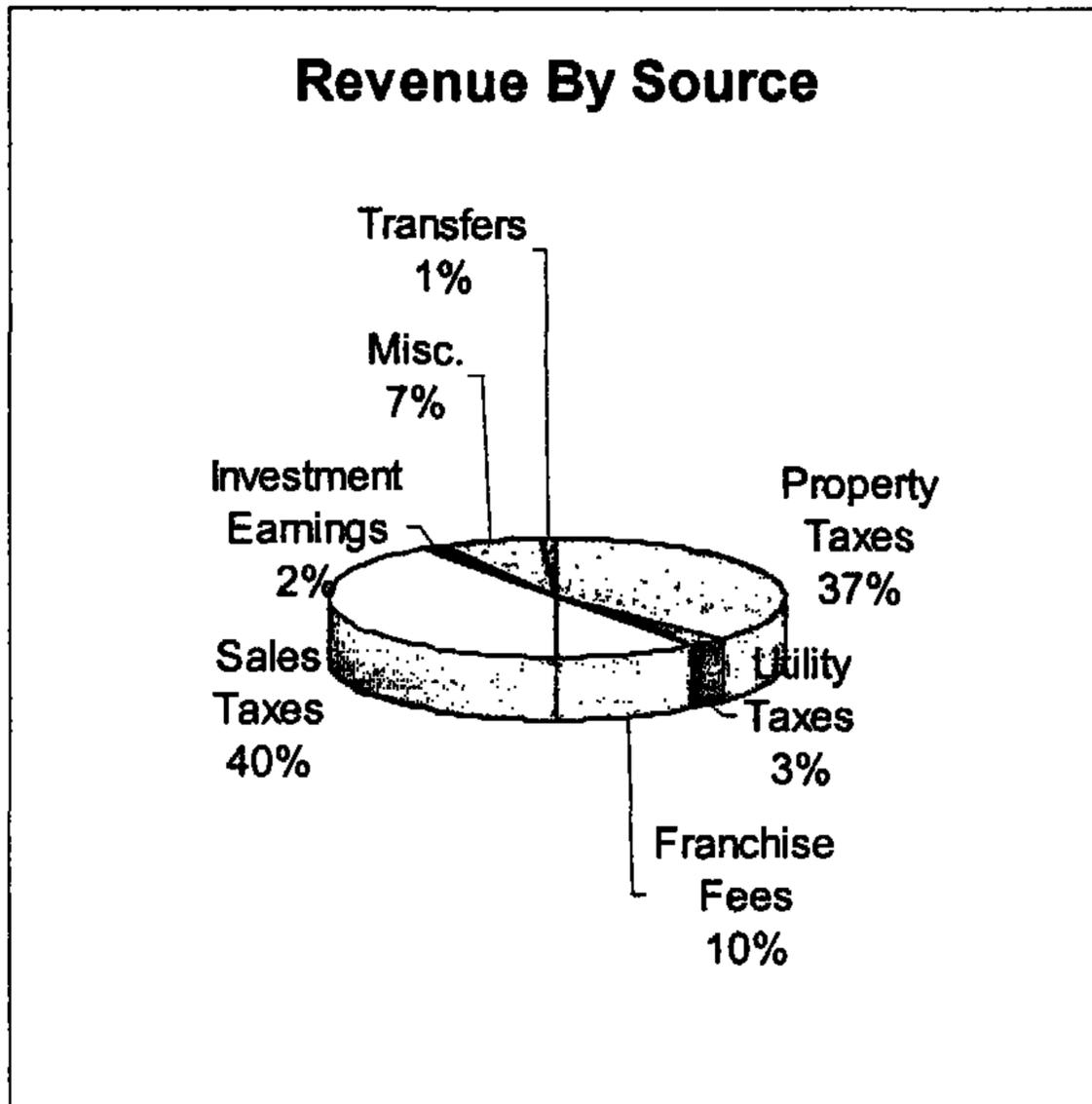
New Orleans is world-renowned as a leader in hosting large-scale events. The city's Mardi Gras celebration, which generates over a \$1 billion economic impact, the Jazz & Heritage Festival, Bayou Classic, and summer Essence Festival are annual attractions drawing millions of visitors.

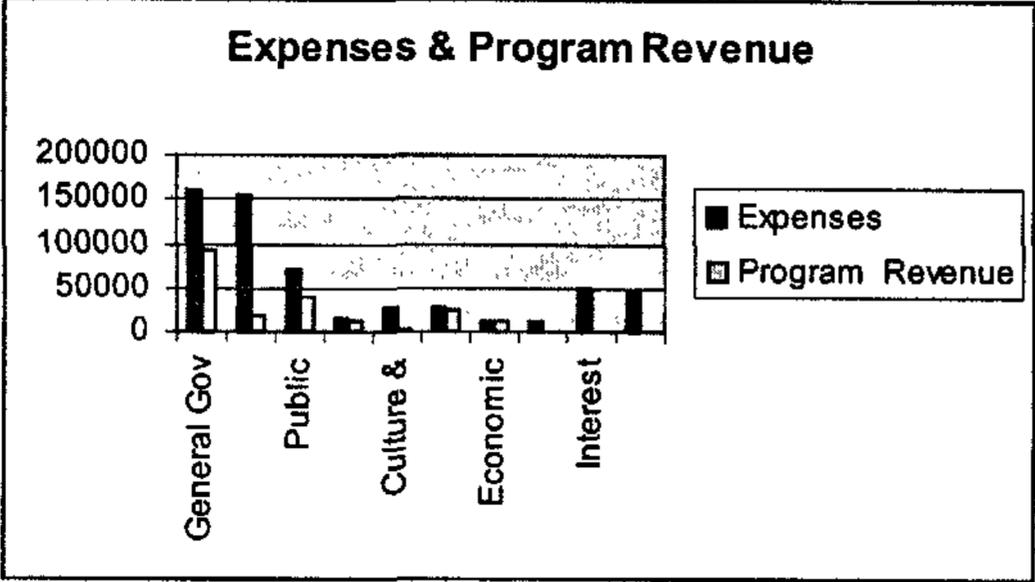
The film and music industries of New Orleans generate a combined economic impact of \$2 billion annually, and show that the city's charm makes it a natural for new entertainment growth. Popular annual sporting events hosted in New Orleans include the Sugar Bowl and the Bayou Classic.

All of these factors were considered in preparing the City's budget for the 2003 fiscal year.

## Requests for Information

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





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CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT A-1

STATEMENT OF NET ASSETS  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 36,886	\$ 33,426
Investments	190,363	29,322
Receivables (net of allowance for uncollectibles):		
Taxes	14,663	4,402
Accounts	19,012	25,580
Assessments	16,720	-
Interest	5,140	299
Other	25,947	2,048
Due from other governments	36,798	2,785
Due from component units	1,324	38
Other assets	271	34,514
Restricted assets	-	352,216
Capital assets (nondepreciable):		
Land	74,733	101,888
Construction in progress	218,496	309,649
Depreciable capital assets:		
Equipment and vehicles	14,457	299,106
Buildings, improvements	146,686	1,201,149
Other	14,427	-
Infrastructure	2,011,477	533,271
Accumulated depreciation	<u>(1,199,929)</u>	<u>(806,804)</u>
Total assets	<u>1,627,471</u>	<u>2,122,889</u>
<b>LIABILITIES</b>		
Accounts payable	61,354	24,290
Retainages payable	1,854	923
Accrued expenses	391	47,347
Accrued interest payable	6,730	-
Due to other governments	2,132	3,443
Due to component units	-	38
Deferred revenues	26,087	802
Payables from restricted asset	-	37,611
NONCURRENT LIABILITIES:		
Due within one year	59,343	21,995
Due in more than one year	<u>1,120,773</u>	<u>495,844</u>
Total liabilities	<u>1,278,664</u>	<u>517,839</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	766,387	1,252,682
Restricted	35,294	168,884
Unrestricted (deficit)	<u>(452,874)</u>	<u>69,030</u>
Total net assets	<u>\$ 348,807</u>	<u>\$ 1,490,596</u>

See notes to financial statements.

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT A-2

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2002

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary Government						
Governmental activities:						
General government	\$ 177,764	\$ 68,670	\$ 24,661	\$ 454	\$ (83,979)	
Public safety	156,116	12,821	4,368	-	(138,927)	
Public works	92,183	21,983	676	16,618	(52,906)	
Health and human services	16,928	4,771	6,830	-	(5,327)	
Culture and recreation	26,704	825	1,286	323	(24,270)	
Urban development and housing	27,728	29	25,779	-	(1,920)	
Economic development	12,721	-	11,977	-	(744)	
Repairs and maintenance	11,145	-	-	-	(11,145)	
Interest and fiscal charges	50,065	-	-	-	(50,065)	
Total primary government	\$ 571,354	\$ 109,099	\$ 75,577	\$ 17,395	\$ (369,283)	
Component units:						
Governmental funds	\$ 16,900	\$ 446	\$ -	\$ -	\$ (16,454)	
Proprietary funds	254,262	211,168	-	44,459	1,365	
	\$ 271,162	\$ 211,614	\$ -	\$ 44,459	\$ (15,089)	
General revenues:						
Taxes:						
Property taxes					136,304	52,927
Sales taxes					145,262	-
Utility taxes					9,239	-
Franchise fees					35,109	-
Parking					2,576	-
Beverage taxes					806	-
Grants					2,641	-
Insurance proceeds					1,460	-
Unrestricted investment earnings					7,977	(11,513)
Miscellaneous					17,679	34,294
Total general revenues, special items, and transfers					359,053	75,708
Change in net assets					(10,230)	60,619
Net assets - beginning					359,037	1,429,977
Net assets - ending					\$ 348,807	\$ 1,490,596

See notes to financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT A-3**

**GOVERNMENTAL FUNDS - BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2002**

<b>ASSETS</b>	<b>General</b>	<b>HUD Grant Fund</b>	<b>Fed UDAG</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 25,213	\$ 76	\$ 1,232	\$ 172	\$ 2,194	\$ 8,003	\$ 36,890
Investments	2,852	491	2,068	33,097	112,410	39,444	190,362
Receivables:							
Interest	63	-	-	-	-	-	63
Sales taxes	14,663	-	-	-	-	-	14,663
Property taxes	19,012	-	-	-	-	-	19,012
Accounts	6,015	-	-	-	8,278	1,357	15,650
Grantee loans	-	5,000	20,941	-	-	-	25,941
Franchise taxes	5,077	-	-	-	-	-	5,077
Due from other funds	17,566	11	-	-	132	1,654	19,363
Due from other governments	2,637	7,400	8,841	-	7,431	5,006	31,315
Due from component unit	1,048	-	-	-	15	-	1,063
Advances from other funds	353	-	-	-	-	-	353
Other assets	-	-	-	-	-	12	12
<b>Total assets</b>	<b>94,499</b>	<b>12,978</b>	<b>33,082</b>	<b>33,269</b>	<b>130,460</b>	<b>55,476</b>	<b>359,764</b>
<b>LIABILITIES</b>							
Accounts payable	48,177	3,088	16	-	3,529	5,943	60,753
Retainage payable	-	-	-	-	1,854	-	1,854
Other payables	596	-	-	391	-	-	987
Due to other funds	2,488	3,655	8	-	1,295	5,108	12,554
Due to other governments	327	-	-	-	1,218	183	1,728
Due to component units	-	-	-	-	404	-	404
Advances to other funds	-	-	-	-	-	353	353
Deferred revenues	18,969	5,000	20,941	-	-	-	44,910
<b>Total liabilities</b>	<b>70,557</b>	<b>11,743</b>	<b>20,965</b>	<b>391</b>	<b>8,300</b>	<b>11,587</b>	<b>123,543</b>
<b>FUND BALANCES</b>							
Fund balances:							
Reserved	10,463	-	-	32,878	31,138	887	75,366
Unreserved:							
Designated for subsequent year	3,905	1,235	12,117	-	79,650	4,402	101,309
Undesignated, reported in							
General Fund	9,574	-	-	-	-	-	9,574
Special Revenue	-	-	-	-	-	38,600	38,600
Capital Projects Fund	-	-	-	-	11,372	-	11,372
<b>Total fund balances</b>	<b>23,942</b>	<b>1,235</b>	<b>12,117</b>	<b>32,878</b>	<b>122,160</b>	<b>43,889</b>	<b>236,221</b>
<b>Total liabilities and fund balances</b>	<b>94,499</b>	<b>12,978</b>	<b>33,082</b>	<b>33,269</b>	<b>130,460</b>	<b>55,476</b>	<b>359,764</b>

See notes to financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT A-4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2002**

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<b>Total fund balances - governmental funds</b>	<b>\$ 236,221</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,280,347
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds	18,823
Bond issue costs and premiums are expensed in the fund level financials but capitalized and amortized over the life of the bonds in the government-wide statements	262
Bond interest is not payable within 60 days and is therefore not accrued at the fund level	(6,730)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities consist of:	
Bonds payable	(832,708)
Certificates of indebtedness	(106,255)
Annual and sick leave	(50,484)
Claims payable	(143,541)
Net pension obligation	(7,289)
Other long-term liabilities	<u>(39,839)</u>
<b>Total net assets - governmental activities</b>	<b><u>\$ 348,807</u></b>

See notes to financial statements.

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT A-5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2002

	General	HUD Grant Fund	Fed UDAG	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 243,673	\$ -	\$ -	\$ 45,173	\$ -	\$ 6,359	\$ 295,205
Licenses and permits	56,616	-	-	-	-	-	56,616
Intergovernmental	12,498	31,672	-	-	17,395	32,245	93,810
Charges for services	52,204	-	-	-	-	-	52,204
Program income	-	29	277	-	-	215	521
Fines and forfeits	13,940	-	-	-	-	4,282	18,222
Interest income	5,506	-	630	1,419	-	426	7,981
Contributions, gifts, donations	210	-	-	-	-	1,502	1,712
Miscellaneous and other	16,752	-	-	12	4,446	12,760	33,970
<b>Total revenues</b>	<b>401,399</b>	<b>31,701</b>	<b>907</b>	<b>46,604</b>	<b>21,841</b>	<b>57,789</b>	<b>560,241</b>
<b>EXPENDITURES:</b>							
General government	136,299	1,900	-	414	-	18,386	156,999
Public safety	150,055	2,418	-	-	-	2,458	154,931
Public works	64,500	439	-	-	-	70	65,009
Health and human services	12,248	203	-	-	-	6,350	18,801
Culture and recreation	23,493	962	-	-	-	1,847	26,302
Urban development and housing	262	25,779	148	-	-	1,817	28,006
Economic development and assistance	-	-	-	-	-	12,372	12,372
Capital projects	-	-	-	-	44,841	-	44,841
Debt service:							
Principal	9,720	-	-	28,795	-	-	38,515
Interest and fiscal charges	18,584	-	-	22,096	-	-	40,680
<b>Total expenditures</b>	<b>415,161</b>	<b>31,701</b>	<b>148</b>	<b>51,305</b>	<b>44,841</b>	<b>43,300</b>	<b>586,456</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(13,762)</b>	<b>-</b>	<b>759</b>	<b>(4,701)</b>	<b>(23,000)</b>	<b>14,489</b>	<b>(26,215)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	14,621	-	-	-	-	1,474	16,095
Transfer in from component unit	3,075	-	-	-	-	-	3,075
Transfers out	(2,623)	-	-	-	-	(13,472)	(16,095)
Proceeds of long-term debt	14,820	-	-	58,415	34,000	-	107,235
Payment to escrow	(14,150)	-	-	(56,130)	-	-	(70,280)
<b>Total other financing sources (uses)</b>	<b>15,743</b>	<b>-</b>	<b>-</b>	<b>2,285</b>	<b>34,000</b>	<b>(11,998)</b>	<b>40,030</b>
<b>Net change in fund balances</b>	<b>1,981</b>	<b>-</b>	<b>759</b>	<b>(2,416)</b>	<b>11,000</b>	<b>2,491</b>	<b>13,815</b>
<b>Fund balances - beginning</b>	<b>21,961</b>	<b>1,235</b>	<b>11,358</b>	<b>35,294</b>	<b>111,160</b>	<b>41,398</b>	<b>222,406</b>
<b>Fund balances - ending</b>	<b>\$ 23,942</b>	<b>\$ 1,235</b>	<b>\$ 12,117</b>	<b>\$ 32,878</b>	<b>\$ 122,160</b>	<b>\$ 43,889</b>	<b>\$ 236,221</b>

See notes to financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT A-6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2002**

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**Net change in fund balances - total governmental funds** **\$ 13,815**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital asset expenditures in the current period. (13,963)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in accrued receivables. 6,196

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (15,344)

Interest is accrued in the government wide financial statements but not at the fund level. This represents the change in the accrued liability during the period. (934)

**Change in net assets of governmental activities** **\$ (10,230)**

See notes to financial statements.

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT A-7

STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

ASSETS	Pension Trust Funds	Agency Funds
Cash	\$ 5,588	\$ 24,377
Investments	499,570	162,510
Receivables:		
Accounts	-	229
Accrued interest	3,613	-
Contribution	97,842	-
Due from other funds	647	2,649
Due from other governments	-	1,041
Property and equipment, net of accumulated depreciation	99	-
Other assets	472	-
<b>TOTAL ASSETS</b>	<b><u>\$ 607,831</u></b>	<b><u>\$ 190,806</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 272	\$ 2,451
Other payables and accruals	13,805	164,206
Due to other funds	-	9,456
Due to other governments	-	14,692
Due to component units	-	1
Total current liabilities	<u>14,077</u>	<u>190,806</u>
<b>LONG-TERM LIABILITIES:</b>		
Notes payable	<u>3</u>	<u>-</u>
Total long-term liabilities	<u>3</u>	<u>-</u>
Total liabilities	<u>14,080</u>	<u>190,806</u>
<b>NET ASSETS:</b>		
Net assets held in trust for pension benefits	<u>593,751</u>	<u>-</u>
Total net assets	<u>593,751</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 607,831</u></b>	<b><u>\$ 190,806</u></b>

See notes to financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT A-8**

**STATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
YEAR ENDED DECEMBER 31, 2002 (IN THOUSANDS)**

	<b>Pension Trust Funds</b>
<b><u>Additions</u></b>	
CONTRIBUTIONS:	
Employer	\$ 10,836
Members	5,015
Fire Insurance Rebate	<u>1,026</u>
Total contributions	<u>16,877</u>
INVESTMENT INCOME:	
Net depreciation in fair value of investments	(63,800)
Interest and dividends	20,427
Other investment income	724
Less investment expense	<u>(3,104)</u>
Net investment (expense) income	<u>(45,753)</u>
OTHER INCOME	<u>110</u>
Total (deductions) additions	<u>(28,766)</u>
<b><u>Deductions</u></b>	
Pension benefits	43,459
Refunds of member contributions	1,043
Death Benefits	72
Administrative expenses	892
DROP Withdrawal	2,316
PLOP Withdrawal	856
Transfers	<u>1,021</u>
Total deductions	<u>49,659</u>
NET (DECREASE) INCREASE	(78,425)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	<u>672,176</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	<u>\$ 593,751</u>

See notes to financial statements.

COMBINING STATEMENT OF NET ASSETS  
 COMPONENT UNITS - SUMMARY  
 YEAR ENDED DECEMBER 31, 2002

ASSETS	Governmental Funds	Proprietary Funds	Total
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 5,064	\$ 28,362	\$ 33,426
Investments	7,156	22,166	29,322
Receivables:			
Interest	57	242	299
Sales taxes	-	-	-
Property taxes	-	4,402	4,402
Franchise taxes	-	-	-
Accounts	2,814	22,766	25,580
Grantee loans	-	966	966
Other	-	1,082	1,082
Due from other governments	47	2,738	2,785
Due from component unit	-	38	38
Other assets	149	10,709	10,858
<b>Total current assets</b>	<u>15,287</u>	<u>93,471</u>	<u>108,758</u>
<b>Noncurrent Assets:</b>			
Restricted assets	-	352,216	352,216
Capital assets, net of depreciation	289	1,637,970	1,638,259
Other assets	-	23,656	23,656
<b>Total noncurrent</b>	<u>289</u>	<u>2,013,842</u>	<u>2,014,131</u>
<b>Total Assets</b>	<u>\$ 15,576</u>	<u>\$ 2,107,313</u>	<u>\$ 2,122,889</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 1,415	\$ 22,875	\$ 24,290
Retainage payable	-	923	923
Other payables	1,118	46,229	47,347
Due to other governments	2,913	530	3,443
Advances from other funds	-	-	-
Due to component unit	-	38	38
Deferred revenues	747	55	802
Payables from restricted assets	-	37,611	37,611
<b>Total Current Liabilities</b>	<u>6,193</u>	<u>108,261</u>	<u>114,454</u>
<b>Noncurrent Liabilities</b>			
Claims payable	-	11,353	11,353
Bonds payable	7,065	498,353	505,418
Capital leases payable	6	-	6
Compensated absences	16	-	16
Other	-	1,046	1,046
<b>Total Noncurrent Liabilities</b>	<u>7,087</u>	<u>510,752</u>	<u>517,839</u>
<b>Total Liabilities</b>	13,280	619,013	632,293
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	820	1,251,862	1,252,682
Restricted for:			
Debt Service	278	34,325	34,603
Capital Improvements	-	134,281	134,281
Unrestricted	1,198	67,832	69,030
<b>Total Net Assets</b>	<u>2,296</u>	<u>1,488,300</u>	<u>1,490,596</u>
<b>Total liabilities and net assets</b>	<u>\$ 15,576</u>	<u>\$ 2,107,313</u>	<u>\$ 2,122,889</u>

## CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT A-10

**COMPONENT UNITS - GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF NET ASSETS  
 DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

<b>ASSETS</b>	<b>Downtown Development District</b>	<b>New Orleans Tourism Marketing Corporation</b>	<b>New Orleans Building Corporation</b>	<b>Total</b>
<b>CURRENT ASSETS:</b>				
Cash	\$ 1,808	\$ 3,207	\$ 49	\$ 5,064
Investments, at cost or amortized cost	7,156	-	-	7,156
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	668	2,146	-	2,814
Accrued interest	57	-	-	57
Due from primary government	-	-	47	47
Due from other governments	-	-	-	-
Other assets	145	-	4	149
Total current assets	9,834	5,353	100	15,287
<b>NONCURRENT ASSETS:</b>				
Capital assets	746	68	-	814
Less accumulated depreciation	(521)	(4)	-	(525)
Total noncurrent assets	225	64	-	289
<b>TOTAL ASSETS</b>	<b>\$ 10,059</b>	<b>\$ 5,417</b>	<b>\$ 100</b>	<b>\$ 15,576</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 526	\$ 889	\$ -	\$ 1,415
Other payables and accruals	212	906	-	1,118
Due to primary government	2,913	-	-	2,913
Deferred revenues	747	-	-	747
Total current liabilities	4,398	1,795	-	6,193
<b>NONCURRENT LIABILITIES:</b>				
Bonds payable	7,065	-	-	7,065
Capital leases payable	6	-	-	6
Compensated absences	-	16	-	16
Total noncurrent liabilities	7,071	16	-	7,087
<b>TOTAL LIABILITIES</b>	<b>11,469</b>	<b>1,811</b>	<b>-</b>	<b>13,280</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	746	64	10	820
Restricted for debt service	278	-	-	278
Unrestricted	(2,434)	3,542	90	1,198
Total net assets	(1,410)	3,606	100	2,296
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>\$ 10,059</b>	<b>\$ 5,417</b>	<b>\$ 100</b>	<b>\$ 15,576</b>

**COMPONENT UNITS - PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

<b>ASSETS</b>	<b>Orleans Parish Communication District</b>	<b>Audubon Commission</b>	<b>Louis Armstrong New Orleans International Airport</b>	<b>Sewerage and Water Board</b>
Current assets:				
Cash	\$ 1,583	\$ 5,776	\$ 11,642	\$ 4,388
Investments	4,560	-	16,209	-
Receivables (net of allowances for uncollectibles):				
Property taxes	-	458	-	3,944
Accounts	600	24	10,374	10,796
Accrued interest	-	-	-	242
Grants	-	-	-	966
Other	-	-	38	816
Due from other component units	-	-	-	-
Due from primary government	-	-	44	990
Inventory of supplies	-	700	167	6,570
Prepaid expenses and deposits	183	691	1,503	730
<b>Total current assets</b>	<b><u>6,926</u></b>	<b><u>7,649</u></b>	<b><u>39,977</u></b>	<b><u>29,442</u></b>
Advances to primary government	-	-	-	-
Restricted assets:				
Customer deposits	-	-	-	5,137
Construction account	-	-	-	132,983
Current debt service account	-	3,055	5,228	5,099
Future debt service account	-	-	9,341	19,424
Contingency (renewal and replacement) account	-	-	2,005	-
Operation and maintenance account	-	-	7,577	-
Capital improvements	-	1,426	34,394	96,788
Health insurance reserve	-	-	-	9,000
Other	-	-	4,953	212
<b>Total restricted assets</b>	<b><u>-</u></b>	<b><u>4,481</u></b>	<b><u>63,498</u></b>	<b><u>268,643</u></b>
Property, plant and equipment - at cost, less accumulated depreciation	968	129,376	382,985	1,097,145
Other assets	-	11,970	3,687	7,976
<b>TOTAL ASSETS</b>	<b><u>\$ 7,894</u></b>	<b><u>\$ 153,476</u></b>	<b><u>\$ 490,147</u></b>	<b><u>\$ 1,403,206</u></b>

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total
\$ 226	\$ 890	\$ 1,412	\$ 2,445	\$ 28,362
1,397	-	-	-	22,166
-	-	-	-	4,402
299	127	13	533	22,519
-	-	-	-	242
-	-	-	-	966
-	228	-	-	1,082
38	-	-	-	285
-	-	-	1,704	2,738
-	-	-	-	7,437
-	47	118	-	3,272
<u>1,960</u>	<u>1,292</u>	<u>1,543</u>	<u>4,682</u>	<u>93,471</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	5,137
-	-	-	9,545	142,528
-	61	-	-	13,443
-	175	-	-	28,940
-	-	1,963	-	3,968
-	1,912	-	-	9,489
-	1,114	-	-	133,722
-	-	-	-	9,000
774	50	-	-	5,989
<u>774</u>	<u>3,312</u>	<u>1,963</u>	<u>9,545</u>	<u>352,216</u>
<u>4,106</u>	<u>8,853</u>	<u>7,229</u>	<u>7,308</u>	<u>1,637,970</u>
<u>-</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>23,656</u>
<u>\$ 6,840</u>	<u>\$ 13,480</u>	<u>\$ 10,735</u>	<u>\$ 21,535</u>	<u>\$ 2,107,313</u>

**COMPONENT UNITS - PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

LIABILITIES AND NET ASSETS	Orleans Parish Communications District	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board
Current liabilities (payable from current assets):				
Accounts payable	\$ 123	\$ 4,894	\$ 3,074	\$ 14,486
Retainages payable	-	-	-	923
Other payables and accruals	-	5,695	2,319	37,355
Due to other component units	-	-	-	-
Due to primary government	39	-	61	26
Deferred revenues	-	-	-	-
Total current liabilities (payable from current assets)	<u>162</u>	<u>10,589</u>	<u>5,454</u>	<u>52,790</u>
Current liabilities (payable from restricted assets):				
Retainages payable	-	-	-	3,052
Capital projects payable	-	1,267	3,623	-
Accrued interest	-	152	979	1,295
Limited tax bonds	-	1,689	-	-
Bonds payable, current portion	-	-	9,400	9,370
Revenue bonds	-	916	-	-
Deposits and other	-	-	-	5,137
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>4,024</u>	<u>14,002</u>	<u>18,854</u>
Total current liabilities	<u>162</u>	<u>14,613</u>	<u>19,456</u>	<u>71,644</u>
Long-term liabilities:				
Claims payable	-	-	-	11,353
Loans payable	-	-	-	-
Limited tax bonds (net of current portion)	-	44,457	-	-
Revenue bonds (net of current portion)	-	10,318	-	252,995
Less unamortized discounts	-	(609)	-	-
Refunding bonds (net of current portion and unamortized loss on advance refunding)	-	-	174,525	-
Other	-	1,046	-	-
Total long-term liabilities	<u>-</u>	<u>55,212</u>	<u>174,525</u>	<u>264,348</u>
Total liabilities	<u>162</u>	<u>69,825</u>	<u>193,981</u>	<u>335,992</u>
Net assets:				
Invested in capital assets - net of related debt	-	74,621	199,398	967,763
Restricted for bond debt service	-	-	-	23,292
Restricted for capital improvements	-	-	58,122	76,159
Unrestricted	7,732	9,030	38,646	-
Total net assets	<u>7,732</u>	<u>83,651</u>	<u>296,166</u>	<u>1,067,214</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 7,894</b></u>	<u><b>\$ 153,476</b></u>	<u><b>\$ 490,147</b></u>	<u><b>\$ 1,403,206</b></u>

Municipal Yacht Harbor Management Corporation	French Market Corporation	Upper Pontalba Building Restoration Corporation	Canal Street Development Corporation	Total
\$ 15	\$ 236	\$ 47	\$ -	\$ 22,875
-	-	-	-	923
284	537	-	39	46,229
-	-	38	-	38
-	100	304	-	530
-	36	19	-	55
<u>299</u>	<u>909</u>	<u>408</u>	<u>39</u>	<u>70,650</u>
-	-	-	-	3,052
-	-	-	-	4,890
-	9	5	-	2,440
-	-	-	-	1,689
-	89	200	333	19,392
-	-	-	-	916
-	-	95	-	5,232
-	98	300	333	37,611
<u>299</u>	<u>1,007</u>	<u>708</u>	<u>372</u>	<u>108,261</u>
-	-	-	-	11,353
-	-	-	-	44,457
1,605	1,400	-	9,347	275,665
-	-	-	-	(609)
-	-	4,315	-	178,840
-	-	-	-	1,046
<u>1,605</u>	<u>1,400</u>	<u>4,315</u>	<u>9,347</u>	<u>510,752</u>
<u>1,904</u>	<u>2,407</u>	<u>5,023</u>	<u>9,719</u>	<u>619,013</u>
-	7,366	2,714	-	1,251,862
245	1,823	-	8,965	34,325
-	-	-	-	134,281
4,691	1,884	2,998	2,851	67,832
<u>4,936</u>	<u>11,073</u>	<u>5,712</u>	<u>11,816</u>	<u>1,488,300</u>
<u>\$6,840</u>	<u>\$13,480</u>	<u>\$10,735</u>	<u>\$21,535</u>	<u>\$2,107,313</u>

CITY OF NEW ORLEANS

EXHIBIT A-12

COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 YEAR ENDED DECEMBER 31, 2002

	Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Capital Contributions	Governmental Funds	Proprietary Funds	Total
Component Units:					
Governmental Funds	\$ 16,900	\$ -	\$ (16,454)	\$ -	\$ (16,454)
Proprietary Funds	254,262	44,459	-	1,365	1,365
Total Component Units	<u>\$271,162</u>	<u>\$44,459</u>	<u>\$(16,454)</u>	<u>\$ 1,365</u>	<u>\$(15,089)</u>
Other revenue (expense):					
Interest Revenue			\$ 163	\$ 13,281	\$ 13,444
Interest expense			-	(24,957)	(24,957)
Property taxes			4,826	48,101	52,927
Specific grants			-	4,119	4,119
Other			10,694	22,556	33,250
Transfers out to primary government			-	(3,075)	(3,075)
Total other revenues			<u>15,683</u>	<u>60,025</u>	<u>75,708</u>
Changes in net assets			(771)	61,390	60,619
Net assets-beginning			<u>3,067</u>	<u>1,426,910</u>	<u>1,429,977</u>
Net assets-ending			<u>\$ 2,296</u>	<u>\$1,488,300</u>	<u>\$1,490,596</u>

**CITY OF NEW ORLEANS**

**EXHIBIT A-13**

**COMBINING STATEMENT OF ACTIVITIES  
COMPONENT UNITS-GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2002**

	Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Capital Contributions	Downtown Development District	New Orleans			Total
					Tourism Marketing Corporation	New Orleans Building Corporation		
Component Units:								
Downtown Development District	\$ 7,338	\$ 446	\$ -	\$ (6,892)	\$ -	\$ -	\$ (6,892)	
New Orleans Tourism Marketing Corporation	9,555	-	-	-	\$ (9,555)	-	(9,555)	
New Orleans Building Corporation	7	-	-	-	-	(7)	(7)	
Total Component Units	<u>\$ 16,900</u>	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ (6,892)</u>	<u>\$ (9,555)</u>	<u>\$ (7)</u>	<u>\$ (16,454)</u>	
Other revenue (expense):								
Interest Revenue				\$ 140	\$ 23	\$ -	\$ 163	
Interest expense					-	-	-	
Property taxes				4,826	-	-	4,826	
Specific grants					-	-	-	
Other				7	10,687	-	10,694	
Total other revenues				<u>4,973</u>	<u>10,710</u>	<u>-</u>	<u>15,683</u>	
Change in net assets				(1,919)	1,155	(7)	(771)	
Net assets-beginning				509	2,451	107	3,067	
Net assets-ending				<u>\$ (1,410)</u>	<u>\$ 3,606</u>	<u>\$ 100</u>	<u>\$ 2,296</u>	



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**NOTES TO  
FINANCIAL STATEMENTS**

# CITY OF NEW ORLEANS, LOUISIANA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2002

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**Basis of Reporting** - For fiscal year 2002, the City has implemented GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Disclosures*.

GASB 34 and related interpretations create new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are combined in one column. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2001 caused by the conversion to the accrual basis of accounting as described below:

Fund balances, December 31, 2001, as previously reported	\$ 222,406
Capital asset, net of accumulated depreciation	1,294,310
Property tax receivable	12,627
Accrued interest expense	(5,796)
Long-term debt	(942,097)
Other accrued liabilities	<u>(222,413)</u>
Net assets, December 31, 2001, as restated	<u>\$ 359,037</u>

**Reporting Entity** – The City is a municipal corporation governed by an elected mayor and city council. The City reports the general, HUD Grant, Federal UDAG, Debt Service, Capital Projects, as major governmental funds. It additionally reports a column for its nonmajor governmental funds.

The City reports the following major funds and fund types whose activities are not self-evident from the title of the fund:

***HUD Grant Fund*** – This fund accounts for loans received from the Department of Housing and Urban Development under Section 108 of the Housing and Community Development Act of 1974. The City acts as the guarantor of these loans.

***Federal UDAG*** – This fund accounts for grants received from the Department of Housing and Urban Development for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City.

### ***Component Units***

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units. Each blended and discretely presented component unit has a December 31 year end. Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

***Blended Component Units*** - For financial reporting purposes, the Board of Liquidation, City Debt is included (blended) in the operations and activities of the City because it handles all matters relating to the bonded debt of the City. Complete financial statements for this blended component unit may be obtained at the entity's administrative offices.

***Discretely Presented Component Units*** - The general purpose financial statements of the City include all government activities, organizations and functions for which the City appoints a voting majority of the organization governing body, the City is financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Combining statements of discretely presented component units are presented on pages 21 through 29. Component unit activities are differentiated between those which are proprietary in nature versus those units engaged in governmental activities. The City believes that the exclusion of the financial statements of the following associated organizations would cause the City's financial statements to be misleading or incomplete:

#### **Governmental Units:**

- Downtown Development District
- New Orleans Building Corporation
- New Orleans Tourism Marketing Corporation

#### **Proprietary Units:**

- Audubon Commission
- Canal Street Development Corporation
- French Market Corporation
- Municipal Yacht Harbor Management Corporation
- Louis Armstrong New Orleans International Airport
- Orleans Parish Communication District
- Sewerage and Water Board of New Orleans
- Upper Pontalba Building Restoration Corporation

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

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

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

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

#### ***Related and Jointly Governed Organizations***

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

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

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

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

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

## ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Activity for the primary government and its component units are reported separately in the government-wide financial statements. The effect of interfund activity has been eliminated in these statements.

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

The statement of activities reports the change in the City's net assets from January 1, 2002 to December 31, 2002. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function of City government. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues in the statement of activities.

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

Information in the fund financial statements are reported on a major fund basis. The identification of major funds is determined by the City each year under the methods outlined in GASB Statement No. 34. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the aggregate and separately reported in the combining fund financial statements. The various funds are summarized by type in the fund financial statements.

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

### **Governmental Funds**

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

***General Fund*** - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

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

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

***Capital Projects Funds*** - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).

## **Fiduciary Funds**

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

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

***Basis of Accounting/Measurement Focus – Government-Wide Financial Statements (GWFS)*** – The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the City, except for the fiduciary funds. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund balance sheet level.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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

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

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

All proprietary component units and pension trust funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when incurred. Unbilled utility service receivables of the Sewerage and Water Board of New Orleans are not recorded in the general purpose financial statements as management considers the effect of not recording such unbilled receivables to be insignificant in relation to the proprietary component unit financial statements. Under the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the City has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

*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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Budgetary comparisons are presented in the individual fund financial statements at this level of detail. The Mayor's office is allowed to authorize the transfer of budgeted amounts from one budget activity to another within a principal object classification within the same department. Budgetary transfers between principal object classifications of the same department or between departments must be approved by the City Council. Throughout the year several amendments to the budget were made by the City Council. Original and final budgeted amounts are reflected in the supplementary information. There were no supplemental appropriations necessary during the current year.

- (5) The City utilizes formal budgetary integration as a management control device during the year for the general and capital projects funds. The capital budget ordinances which encompass the capital projects fund present cumulative budgets by project as opposed to annual budget amounts; thus, budget and actual comparisons are not reported in the general purpose financial statements for those funds. Formal budgetary integration is not employed for the debt service and special revenue funds because effective budgetary control is alternatively achieved through other provisions.
- (6) Unencumbered appropriations lapse at year end. Current year transactions which are directly related to a prior year's budget are not rebudgeted in the current year.

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

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

**Accounts receivable** - All trade and property tax receivables are shown net of an allowance of uncollectible amounts.

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

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

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

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

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

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

Buildings	40
Machinery and equipment	5-10
Infrastructure	25-50
Utility systems	20
Improvements other than buildings	20-30
Other	5-15

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

**Long-Term Liabilities** - Long-term liabilities are reported in the government-wide financial statements as incurred. Such liabilities are not included in the fund financial statements until amounts are payable from expendable available resources.

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

For governmental funds, annual and sick leave expenditures are recorded when paid. The unpaid liability related to governmental funds is reported in the government-wide financial statements.

**Litigation** - Governmental funds recognize claims and judgments as expenditures according to Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," and National Council on Governmental Accounting Statement No. 4, "Accounting and Financial Reporting for Claims and Judgments and Compensated Absences." Therefore, the amount of expenditures for claims and judgments recorded is the amount accrued during the year that would normally be liquidated with expendable available financial resources. Other liabilities not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide financial statements. Estimates of claims and judgment liabilities (both incurred and reported and incurred but not reported) are made through a case-by-case review of all claims and the application of historical experience to the outstanding claims.

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

## 2. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

**Deposits** - The City is authorized by state statute to open depositories in only those banks with branch offices within the City's limits.

## Primary Government

**Cash Equivalents** – Cash equivalents consist of government backed pooled funds and commercial paper. The funds are held by the fund's custodian's trust department in the fund's name.

At December 31, 2002, the carrying amount of the City's (primary government only) deposits and cash equivalents were \$111,210,000, and the bank balance was \$112,734,000. The City's bank balance is categorized below (amounts in thousands) to give an indication of the level of risk assumed by the City at year end. Category 1 includes insured or collateralized cash with securities held by the City or by its agent in the City's name. Category 2 includes collateralized cash with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

	Category			Total
	1	2	3	
Bank balance:				
Cash	\$ 54,515		\$ -	\$ 54,515
Cash equivalents	-		-	-
Certificates of deposit	-	\$ 58,219	-	58,219
	<u>\$ 54,515</u>	<u>\$ 58,219</u>	<u>\$ -</u>	<u>\$ 112,734</u>

**Investments** - Investments in certificates of deposit can be placed with Louisiana state banks or with national banks having their principal offices in the state. State statutes authorize the City to invest in U.S. bonds, treasury notes and other federally-insured investments. The City also may invest in repurchase agreements secured by U.S. Government obligations. In addition to the above securities, the pension trust funds are authorized under State statutes to invest in annuity contracts, equity securities and certain other insured investments.

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

	Category			Carrying Amount
	1	2	3	
U.S. Government securities and instrumentalities	<u>\$ 116,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,039</u>

## Trust Funds

At December 31, 2002, the carrying amount of the City's trust fund deposits and cash equivalents were \$16,334,000 and the bank balance was \$64,529,000. Cash and investments held in trust funds are classified below by risk categories:

	Category			Total
	1	2	3	
Bank balance:				
Cash	\$ 8,632		\$ -	\$ 8,632
Cash equivalents	-	\$ 40,270	-	40,270
Certificates of deposit	-	14,184	-	14,184
	<u>\$ 8,632</u>	<u>\$ 54,454</u>	<u>\$ -</u>	<u>\$ 63,086</u>

#### Investments

	Category			Carrying Amount
	1	2	3	
U.S. Government securities and instrumentalities	\$ 3,277	\$ -	\$ -	\$ 3,277
Corporate bonds	82,808	-	-	82,808
Equity securities	356,929	-	-	356,929
Notes receivable	10,036	-	-	10,036
	<u>\$ 453,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,050</u>
Mutual funds				35,731
Mortgages				43
Total investments				<u>\$ 488,824</u>

#### Agency Funds

At December 31, 2002, the carrying amount of the City's agency fund deposits and cash equivalents were \$16,489,000 and the bank balance was \$38,953,000. Cash and investments held by agency funds are classified below by risk categories:

	Category			Total
	1	2	3	
Bank balance:				
Cash	\$ 3,859		\$ -	\$ 3,859
Cash equivalents	-		-	-
Certificates of deposit	-	\$ 35,094	-	35,094
	<u>\$ 3,859</u>	<u>\$ 35,094</u>	<u>\$ -</u>	<u>\$ 38,953</u>

#### Investments

	Category			Carrying Amount
	1	2	3	
U.S. Government securities and instrumentalities	\$ 7,887	\$ -	\$ -	\$ 7,887
Corporate bonds	-	-	-	-
Equity securities	162,511	-	-	162,511
	<u>\$ 170,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,398</u>

### 3. TAX REVENUES

Tax revenues by fund type for the year ended December 31, 2002 are as follows (amounts in thousands):

	General	Special Revenue	Debt Service
Sales	\$ 145,009		
Real and personal property	25,290	\$ 6,359	\$ 45,173
Dedicated tax millage	48,475	-	-
Penalties and interest on delinquent taxes	2,977	-	-
Utilities	9,239	-	-
Beverage excise	806	-	-
Amusement	1,845	-	-
Parking	2,576	-	-
Documentary transaction	7,216	-	-
Other	240	-	-
	<u>\$ 243,673</u>	<u>\$ 6,359</u>	<u>\$ 45,173</u>

At December 31, 2002, the total sales tax levied in the City is nine percent. Four percent is state sales tax. One and one-half percent is levied by the Orleans Parish School Board (the School Board). One percent is dedicated for transportation and is levied by the Regional Transit Authority (RTA). The remaining two and one-half percent is used to fund the general operations of the City. The City administers and collects the entire five percent of local sales tax. The School Board's portion of the sales tax is accounted for in the Orleans Parish School Board sales tax clearing fund, and the RTA's portion of the sales tax is accounted for in the RTA sales tax clearing fund, both of which are agency funds.

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

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

Property tax levies per \$1,000 of assessed valuation accounted for within the funds of the City (primary government only) for the year ended December 31, 2002 are as follows:

<b>General:</b>	
General governmental services	\$ 14.91
Dedicated for fire and police	6.40
Public library	4.32
Fire and police	10.47
Parkways and parks and recreation department	3.00
Street and traffic control device maintenance	1.90
<b>Special revenue:</b>	
Neighborhood housing improvement fund	1.25
New Orleans economic development fund	1.25
Debt service	<u>26.90</u>
	<u>\$ 70.40</u>

Property taxes levied during 2002, collected during 2002, or expected to be collected within the first 60 days of 2003, are recognized as revenues in the governmental funds – statement of revenues, expenditures, and changes in fund balance. The entire estimated collectible amount is recorded as revenue in the government-wide financial statements. Taxes receivable, estimated to be collected subsequent to the first 60 days of 2002, in the amount of \$18,969,000 are recorded as deferred revenues in the governmental funds balance sheet. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes paid under protest are held in escrow until resolution of the dispute. Amounts collected for other governmental entities are accounted for in the agency funds.

#### 4. GRANTEE LOANS

The City has received certain grant awards from the United States Department of Housing and Urban Development (HUD) for the purposes of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Twelve individual loans are outstanding at December 31, 2002 totaling \$25,941,000 which bear interest at rates ranging from 0% to 7%. These loans are receivable over a fifteen to thirty year period and are recorded as deferred revenue within the special revenue fund at December 31, 2002. Once loan payments are received and the project is accepted by HUD, the City may use the amounts received for other allowable economic development activities specified in the grant agreement.

The future maturities of grantee loans receivable as of December 31, 2002, including interest receipts of \$28,246,000, are as follows (amounts in thousands):

<b>Year Ending</b>	
<b>December 31,</b>	
2003	\$ 3,919
2004	2,328
2005	2,406
2006	2,537
2007	19,316
2008 and thereafter	<u>23,681</u>
	<u>\$ 54,187</u>

One of the grantee loans receivable, amounting to \$6,980,000, relates to the development of the Riverfront Marketplace. In addition to the stated interest of 6.55% on this loan, the City participates in 30% of the net annual cash flows of the project. The City's participation interest is receivable 90 days after the project's year end. This brings the cumulative annual effective yield on the loan up to a maximum of 10%. The cumulative annual effective yield on the loan cannot be less than 8.0%. The City will also participate in 30% of the net proceeds of any sale, refinancing or other disposition of the project, in whole or in part. The Riverfront Marketplace began operations in September 1986.

During 1998, the U.S. Department of Housing and Urban Development ("HUD") agreed to loan to the City \$25,300,000 for the development of the Jazzland Theme Park. These funds were subsequently loaned to Jazzland, Inc. ("Jazzland") and are due from Jazzland in bi-annual installments plus 7.87% interest. During 2001, Jazzland failed to remit to the City a required payment and was in default on its loan as of December 31, 2001. On February 28, 2002, Jazzland filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result, the City wrote off its remaining receivable from Jazzland in the Grant Recipient fund. Since the receivable from Jazzland was recorded as deferred revenue, there was no impact on fund balance. In 2002, Six Flags Theme Park, Inc. assumed management of Jazzland and the theme park was renamed "Six Flags New Orleans." Six Flags has agreed to make monthly lease payments of \$116,667 to the Industrial Development Board, which in turn, transfers the money to the City. The lease expires in 2017. These monies are used by the City to repay the HUD loan. Annual debt service on the loan is \$2.4 million through 2017. Any amounts not recorded through rentals or other revenue sources are funded by the general fund.

During 2000, the U.S. Department of Housing and Urban Development agreed to loan to the City \$5,000,000 for the development of the old American Can Factory into apartments. The City subsequently loaned these funds and an additional \$1,500,000 (amount received by the City through Urban Development Action Grants) to Historic Restoration, Inc. ("HRI"). These funds are due from HRI in quarterly installments plus 2% interest. The final payment is due January 1, 2040 with principal payments commencing on April 1, 2003.

## 5. CAPITAL ASSETS

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

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Non-depreciable capital assets:				
Land	\$ 74,733	\$ -	\$ -	\$ 74,733
Construction in progress	<u>211,744</u>	<u>15,830</u>	<u>9,078</u>	<u>218,496</u>
Total non-depreciable capital assets	<u>286,477</u>	<u>15,830</u>	<u>9,078</u>	<u>293,229</u>
Depreciable capital assets:				
Infrastructure	1,984,860	26,617	-	2,011,477
Buildings	146,686	-	-	146,686
Machinery and equipment	36,552	327	22,422	14,457
Parks	<u>14,427</u>	<u>-</u>	<u>-</u>	<u>14,427</u>
Total depreciable capital assets	<u>2,182,525</u>	<u>26,944</u>	<u>22,422</u>	<u>2,187,047</u>
Less accumulated depreciation for:				
Infrastructure	1,036,295	46,968	-	1,083,263
Buildings	90,620	449	-	91,069
Machinery and equipment	36,013	118	22,422	13,709
Improvements other than buildings	<u>11,764</u>	<u>124</u>	<u>-</u>	<u>11,888</u>
Total accumulated depreciation	<u>1,174,692</u>	<u>47,659</u>	<u>22,422</u>	<u>1,199,929</u>
Total depreciable capital assets, net	<u>1,007,833</u>	<u>(20,715)</u>	<u>-</u>	<u>987,118</u>
Total	<u>\$1,294,310</u>	<u>\$ (4,885)</u>	<u>\$ 9,078</u>	<u>\$1,280,347</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$18,854
Public safety	1,287
Public works	27,072
Health and human services	95
Culture and recreation	280
Urban development and housing	<u>71</u>
Total depreciation expense	<u>\$47,659</u>

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

	Project Authorization	Expended to December 31, 2002	Committed
Mayor (CAO)	\$ 125,865	\$ 83,742	\$ 42,123
Police	13,979	10,818	3,161
Fire	11,551	7,896	3,655
Property Management	70,032	41,785	28,247
Recreation	29,320	16,486	12,834
Human Services	3,745	2,850	895
Parks and Parkways	19,966	15,662	4,304
Utilities	820	455	365
Public Library	10,485	8,698	1,787
Isaac Delgado Museum	6,984	5,989	995
Sanitation Department	19,363	18,166	1,197
Safety and Permits	1,281	1,281	
Mosquito Control Board	1,782	1,156	626
Health	2,981	837	2,144
City Planning Commission	4,871	2,675	2,196
	<u>\$ 323,025</u>	<u>\$ 218,496</u>	<u>\$ 104,529</u>

## 6. LONG-TERM DEBT

*Bond Transactions* - The following is a summary of bond transactions for the City for the year ended December 31, 2002 (amounts in thousands):

	Bonds Payable
Bonds payable at January 1, 2002	\$ 829,223
Bonds issued in 2002	92,415
Bonds retired	<u>(88,930)</u>
Bonds payable at December 31, 2002	<u>\$ 832,708</u>

The beginning balance of bonds payable at January 1, 2002 has been increased by \$189 million to recognize the amortized portion of deep discount bonds in order to comply with the new reporting model mandated by GASB 34.

The City's legal debt limit for general obligation bonds is \$788,095,000 (excluding the accretion effects of the deep discount bonds). At December 31, 2002, the City's legal debt margin (after the reduction for outstanding general obligation bonds and limited tax bonds totaling \$480,691,000, less \$32,878,000 available in Debt Service Funds) was \$340,282,000.

On April 1, 2002, the City of New Orleans issued \$34,000,000 in Public Improvement Bonds. The bonds were issued for the acquisition, construction, improvements and renovation to public buildings and facilities. The bonds are payable in annual installments ranging from \$515,000 to \$2,160,000 at interest rates ranging from 5.125% to 6.000% through December 1, 2031.

On April 1, 2002, the City of New Orleans issued \$58,415,000 in General Obligation Refunding Bonds. The net proceeds of the bonds were used for the purpose of refunding \$56,130,000 of the City's

outstanding Current Interest General Obligation Refunding Bonds Series 1991. The bonds are payable with interest ranging from 5.125% to 5.375% and mature on September 1, 2021.

Included in bonds payable are The Firefighters' Pension and Relief Fund (Old System) bonds which were issued in 2000 to fund a portion of the projected unfunded accrued liability for the pension plan. The bonds bear interest at a variable rate payable annually, however, the City entered into an interest rate swap agreement over the term of the bonds which resulted in a fixed rate of 6.95%. As of December 31, 2002, \$163,260,000 was recorded as a liability in the government-wide financial statements. The swap terminates in September 2030. The City is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreements. However, because the City's hedges are contracted with counterparties having high credit ratings, the City does not anticipate nonperformance by the counterparties, and, as a result, concentration risk is limited.

Bonds payable at December 31, 2002, are comprised of the following (all bonds are serial bonds):

Description	Original Issue (in thousands of dollars)	Range of Average Interest Rates	Amount Outstanding (in thousands of dollars)
General obligation bonds:			
1992-2002 Public Improvement Bonds, due in annual installments ranging from \$325,000 to \$5,325,000 through December 2031	\$ 276,400	5 to 7	\$ 124,205
1991 General Obligation Refunding Bonds, due in annual installments ranging from \$2,080,000 to \$28,585,000 commencing September 2004 through September 2021	368,638	7.07	287,643
1995 General Obligation Refunding Bonds, due in annual installments ranging from \$2,080,000 to \$25,490,000 through October 1, 2021	167,340	6.03	91,520
1998 General Obligation Refunding Bonds, due in annual installments ranging from \$210,000 to \$13,080,000 commencing December 2001 through December 2026	106,520	4.96	100,360
2002 General Obligation Refunding Bonds, due in annual installments ranging from \$300,000 to \$19,050,000 through September 1, 2021	58,415	5.1 to 5.4	58,415
Limited tax bonds:			
1996 Limited Tax Bonds, due in annual installments from \$1,240,000 to \$1,970,000 commencing March 1997 through March 1, 2006	15,800	4.82	7,305
Revenue bonds:			
2000 Taxable Pension Revenue Bonds, due in annual installments from \$3,600,000 to \$7,000,000 commencing December 2001 through December 2030	170,660	6.95	<u>163,260</u>
<b>Total general obligation bonds</b>			<u><b>\$ 832,708</b></u>

The requirement to amortize all bonds outstanding as of December 31, 2002 are as follows (amounts in thousands):

Year Ending December 31,	Interest	Principal
2003	\$ 40,362	\$ 36,465
2004	38,024	38,865
2005	36,962	39,970
2006	36,082	41,380
2007 - 2011	160,411	168,722
2012 - 2016	130,381	167,252
2017 - 2021	89,115	225,322
2022 - 2026	31,190	72,482
2027 - 2031	<u>5,958</u>	<u>42,250</u>
	<u>\$ 568,485</u>	<u>\$ 832,708</u>

The City's debt service fund is held by the Board of Liquidation, City Debt (the Board of Liquidation), an autonomous, self-perpetuating board created under the Louisiana Constitution of 1974. All property taxes levied by the City and dedicated to the payment of outstanding general obligation bonds are collected by the City and, as required by law, paid over to the Board of Liquidation as collected.

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

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

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. At December 31, 2002, the City is in compliance with all such significant limitations and restrictions.

**Advance Refundings** - In prior years, the City entered into advance refunding transactions whereby it issued General Obligation Refunding Bonds to effect early retirement of certain General Obligation Bonds. The net proceeds of these refunding bonds were placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest on the refunded bonds. Accordingly, the escrow accounts and the refundable bonds are no longer included on the City's combined balance sheet. Refunded bonds at December 31, 2002 are as follows (amounts in thousands):

1986 General Obligation Bonds	\$ 9,330
1995 Public Improvement General Obligation Bonds	21,340
1997A Public Improvement General Obligation Bonds	41,910
1998A Public Improvement General Obligation Bonds	<u>6,505</u>
	<u>\$ 79,085</u>

**Other General Long-term Liabilities** - The following is a summary of other liabilities recorded in the government-wide financial statements for the year ended December 31, 2002 (amounts in thousands):

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Claims and judgments (Note 11)	\$ 127,186	\$ 67,709	\$ (51,354)	\$ 143,541
Landfill closing costs (Note 11)	11,303	-	(1,318)	9,985
Accrued annual and sick leave (Note 1)	51,999	-	(1,515)	50,484
Payment due to the Audubon Commission (Note 8)	1,415	-	(91)	1,324
Certificates of indebtedness (see below)	105,585	14,820	(14,150)	106,255
Net pension obligation (Note 7)	7,289	-	-	7,289
HUD Section 108 loan (see below)	29,440	-	(910)	28,530
HUD and DOL for disallowed costs (see below)	<u>1,070</u>	<u>-</u>	<u>(1,070)</u>	<u>-</u>
Total	<u>\$ 335,287</u>	<u>\$ 82,529</u>	<u>\$ (70,408)</u>	347,408
Amount payable within one year				<u>22,878</u>
Amount payable in more than one year				<u>\$ 324,530</u>

The City has entered into contracts for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, with the Secretary of Housing and Urban Development (HUD) as guarantor. Portions of these funds were used to fund grantee loans referred to in Note 4. The loans consist of notes bearing interest at either fixed interest rates ranging from 8.70% to 8.75% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). As of December 31, 2002, \$28,530,000 is recorded as a liability in the government-wide financial statements.

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

Year Ending December 31,	Interest	Principal
2003	\$ 1,581	\$ 1,039
2004	1,123	1,129
2005	1,465	1,201
2006	1,400	1,272
2007	1,330	1,349
2008 and thereafter	<u>9,030</u>	<u>22,540</u>
Total	<u>\$ 15,929</u>	<u>\$ 28,530</u>

The City has issued \$109,960,000 (\$64,445,000 outstanding at December 31, 2002) in certificates of indebtedness (Series 1998A through D) for the primary purpose of refunding the City's Series 1992 certificates of indebtedness, the City's debt obligation incurred in 1983 and additional debt incurred in 1993 under the merger agreement between the Municipal Police Employee's Retirement System and the City's Board of Trustees of the Police Pension Fund. In January 2002, the City issued \$9,665,000 in revenue refunding bonds for the primary purpose to refund the 1998A and D certificates of indebtedness. These revenue refunding bonds mature on August 1 annually through 2005 and bear interest (ranging from 3% to 4.6%) that is payable on February 1 and August 1 annually.

On December 1, 2000, the City issued an additional \$27,000,000 (\$26,990,000 outstanding at December 31, 2002) in certificates of indebtedness. The primary purpose of this debt was to provide funds to the City to pay general settlements and judgments rendered against the City. The certificates bear interest ranging from 3.625% to 6%, payable semiannually. As of December 31, 2002, \$26,990,000 was recorded as a liability in the government-wide financial statements for the aforementioned certificates of indebtedness.

In January 2002, the City issued 2001C certificates of indebtedness in the amount of \$5,155,000 for the primary purpose to pay general settlements and judgments rendered against the City. These bonds mature on August 1 annually, commencing in 2006, through 2011 and bear interest (ranging from 3.5% to 4.25%) that is payable on February 1 and August 1 annually.

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

Year Ending December 31,	Interest	Principal
2003	\$ 5,082	\$ 11,925
2004	4,619	12,415
2005	4,121	12,950
2006	3,570	10,055
2007	2,135	10,550
2008 and thereafter	<u>7,248</u>	<u>48,360</u>
Total	<u>\$ 26,775</u>	<u>\$ 106,255</u>

During 1996, the HUD and the Department of Labor (DOL) assessed the City for approximately \$12,000,000 of disallowed costs related to federal financial assistance that the City had received from these entities from 1978 to 1994. As of December 31, 2002, this liability was paid in full.

## 7. PENSION PLANS AND POSTRETIREMENT HEALTHCARE BENEFITS

At December 31, 2002, the City sponsors and administers four separate single-employer, contributory defined benefit pension plans, namely: (1) Firefighters' Pension and Relief Fund - Old System; (2) Firefighters' Pension and Relief Fund - New System; (3) Police Pension Plan (Police Plan); and (4) Employees' Retirement System of the City of New Orleans (Employees' Plan). The Old System covers fire fighters who were employed prior to December 31, 1967; the New System covers fire fighters hired since that date. Effective March 6, 1983, all members of the Police Plan, active and retired, except for approximately 250 participants who did not meet the eligibility requirements, became members of the Municipal Police Employees' Retirement System (State of Louisiana) (MPERS). The Police Plan of the City will remain responsible for the payment of certain benefits due to differences in length of service and age requirements for the participants who were not transferred to the MPERS plan. MPERS is the only cost-sharing, multiple-employer retirement plan in which employees of the City participate. The Employees' Plan covers all City employees other than fire fighters and police.

All four plans use the accrual basis of accounting for operating income and operating expenses. Within this context, interest income is recognized when earned, as are employer and employee contributions, except in the case of the Police Plan which recognizes employer contributions when due from the City.

**MPERS Plan Description:** On March 6, 1983, an agreement was signed between the City, the Police Pension Funds of the City of New Orleans, and the Municipal Police Employees' Retirement System (MPERS) which provided for the merger of the Police Pension Plans with the MPERS. As of that date, all members of the Police Pension Plans, active and retired, became members of the MPERS. Those members covered by the system who did not meet the age and service requirements of the MPERS will be paid by the Police Pension Fund of the City until they reach age fifty or fifty-five, depending on the length of active service.

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

**Funding Policy:** The contribution rate for MPERS per dollar of payroll is 7.5% and 9%, respectively, for the employee and employer as established by State statute. The City's contributions to the MPERS for the years ended December 31, 2002, 2001 and 2000 were \$4,700,000, \$4,793,000 and \$4,753,000, respectively, equal to the required contributions for each year.

***Employees' Plan, Police Plan, Firefighters' Pension and Relief Fund - Old and New System***

***Descriptions*** - The City contributes to four single-employer defined benefit pensions plans: Employees' Retirement System of the City of New Orleans, Police Pension Fund of the City of New Orleans, Firefighters' Pension and Relief Fund of the City of New Orleans (New System), and Firefighters' Pension and Relief Fund of the City of New Orleans (Old System). Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Authority to establish and amend benefit provisions is provided under the laws of the State of Louisiana. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plan.

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

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

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

***Funding Policies and Annual Pension Costs*** - The Employer Contributions for the Employees' Retirement System and the Firefighters' Pension and Relief Fund (New System) are based on actuarially determined amounts. The Employer Contribution for the Police Pension Fund is based on amounts necessary to cover administrative costs and payments of pensions and benefits, as certified by the Board of Trustees of the Fund. The Employer Contribution for the Firefighters' Pension and Relief Fund (Old System) is based on amounts necessary to pay current expenses, and, in effect, is being funded on a "pay-as-you-go" basis. In December 2000, the City issued \$170,660,000 of taxable pension revenue bonds that will fund the projected unfunded accrued liability of the Firefighters' Pension and Relief Fund (Old System). Employees covered under the Employees' Retirement System contribute 4% of their earnable compensation in excess of \$1,200 per year to the Employees' Retirement System. Employees covered under the Firefighters' Pension and Relief Fund of the City of New Orleans (Old and New Systems) contribute 6% of salary for the first twenty years of employment of these funds.

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

Actuarial Methods and Assumptions

	Employees' Retirement System	Police Pension Fund	Firefighters' Pension and Relief Fund (Old System)	Firefighters' Pension and Relief Fund (New System)
Annual pension cost (thousands)	\$6,665	\$201	\$20,758	\$3,970
Contributions made (thousands)	\$6,665	\$201	\$18,081	\$3,970
Actuarial valuation date	12/31/02	12/31/02	12/31/02	12/31/02
Actuarial cost method	Frozen Entry Age Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Aggregate Actuarial Cost Method
Amortization method	(a)	(b)	Specific number of years - level amount, closed	Specific number of years - level amount, closed
Remaining amortization period	(a)	(b)	12 years	12 years
Asset valuation method	Market Value	Cost which approximates market	Market value	Three year averaging
Actuarial assumptions:				
Investment rate of return	7%	7%	7.5%	7.5%
Projected salary increases	3%	N/A	5%	5%
Projected inflation rate	N/A	N/A	N/A	N/A

- (a) The amortization period, which ends December 31, 2003, is being maintained. Beginning with the January 1, 1992 actuarial valuation, the amortization amount was "frozen" and is equal to the 12 year remaining amortization amount over the period January 1, 1992 through December 31, 2003.
- (b) The "Entry Age Normal" cost method was used to calculate the funding requirements of the Fund. Under this cost method, the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis as a percentage of payroll for each participant between entry age and assumed retirement age.

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

	<b>Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
Employee's Retirement System	12/31/02	\$ 6,665	100 %	\$ -
	12/31/01	\$ 6,370	100 %	\$ -
	12/31/00	\$ 6,710	100 %	\$ -
Police Pension Fund	12/31/02	\$ 201	100 %	\$ -
	12/31/01	\$ 365	100 %	\$ -
	12/31/00	\$ 507	100 %	\$ -
Firefighters' Pension and Relief Fund (Old System)	12/31/02	\$ 20,758	87 %	\$ 9,988
	12/31/01	\$ 20,758	100 %	\$ 7,289
	12/31/00	\$ 21,437	83 %	\$ 7,289
Firefighters' Pension and Relief Fund (New System)	12/31/02	\$ 3,970	100 %	\$ (727)
	12/31/01	\$ 3,970	100 %	\$ (727)
	12/31/00	\$ 3,013	113 %	\$ (727)

Annual pension cost consists mainly of the actuarially required contribution and interest on the net pension obligation.

**Schedule of Funding Progress (amounts in thousands)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Excess of Assets Over AAL (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Excess as a Percentage of Covered Payroll ((a-b)/c)</b>
<b>Employees' Retirement System</b>						
12/31/00	372,276	298,945	73,331	124.53 %	76,249	96.17 %
12/31/01	348,791	301,213	47,578	115.79 %	83,379	57.06 %
12/31/02	376,844	343,572	33,272	109.70 %	78,048	42.63 %

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Excess of Assets Over AAL (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Excess as a Percentage of Covered Payroll ((a-b)/c)</b>
<b>Police Pension Fund</b>						
12/31/00	3,020	339	2,681	890.6 %	-	N/A
12/31/01	3,336	114	3,222	2,926 %	-	N/A
12/31/02	3,352	108	3,244	3,103 %	-	N/A

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll ((a-b)/c)
<b>Firefighters' Pension and Relief Fund (Old System)</b>						
12/31/00	162,258	172,456	(10,198)	94.1 %	44	(23,177.3)%
12/31/01	138,671	173,378	(34,707)	79.98 %	-	N/A
12/31/02	108,773	171,163	(62,390)	63.5 %	-	N/A

**Firefighters' Pension and Relief Fund (New System)**

A schedule of funding progress is not required when the aggregate actuarial cost method is used in determining funding requirements because this method does not separately identify an actuarial accrued liability.

**Postretirement Healthcare Benefits** - In addition to providing pension benefits, the City provides postretirement healthcare benefits, as per City ordinance, for certain retired employees. City employees who have completed 10 years of service and who are eligible to receive pension benefits at the time they terminate employment with the City are eligible to participate in the City's health care plan as retirees. The cost of retirement hospitalization benefits is recognized as an expenditure on a pay-as-you-go basis. For 2002, the cost of providing those benefits for approximately 2,925 retirees was approximately \$13,200,000, of which \$10,485,000 and \$2,715,000 was provided by the City and retirees, respectively.

**8. INDIVIDUAL FUND DISCLOSURES**

*Interfund Receivables and Payables* - Individual fund interfund receivables and payables at December 31, 2002 were as follows (amounts in thousands):

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General	<u>\$ 17,566</u>	<u>\$ 2,488</u>
Special revenue:		
Neighborhood Housing Improvement	4	11
Environmental Improvement	85	-
Rivergate Development Corporation	635	503
Termite Control Fund	30	-
Piazza D'Italia Development	4	-
Sidewalk Paving and Repairs	1	-
Housing and Urban Development	11	3,655
Federal UDAG	-	8
Municipal Endowment Cox Cable	-	102
Traffic Court Judicial Expense	565	1,149
Municipal Court Judicial Expense	-	982
Department of Safety and Permits - Demolition	13	-
Asset Seizure	-	39
Grant Recipient Funds	63	2,278
Public Library Donations	132	39
Plant-A-Tree Campaign	40	-
Delgado-Albania Plantation Commission	74	-
Endowment income	7	2
Total special revenue	<u>1,664</u>	<u>8,768</u>
Capital projects	<u>132</u>	<u>1,295</u>
Permanent fund	<u>1</u>	<u>5</u>
Agency:		
Clearing	1,286	4,357
Deposit	63	5,098
Escrow	1,300	1
Total agency	<u>2,649</u>	<u>9,456</u>
Component units:		
Municipal Yacht Harbor Management Corporation	38	-
Upper Pontalba Building Restoration Corporation	-	38
Total component units	<u>38</u>	<u>38</u>
 Total	 <u>\$ 22,050</u>	 <u>\$ 22,050</u>

Interfund balances resulted from the time lag between (1) the dates that interfund services are provided or reimbursable expenditures occur and (2) payments between funds are made.

**Component Unit Receivables and Payables** - Receivables and payables with component units at December 31, 2002 were as follows (amounts in thousands):

	<b>Receivables</b>	<b>Payables</b>
General	<u>\$ 1,048</u>	<u>\$ -</u>
Capital projects	<u>15</u>	<u>404</u>
Agency:		
Clearing	<u>-</u>	<u>1</u>
Total agency	<u>-</u>	<u>1</u>
Component units:		
New Orleans Building Corporation	47	-
Downtown Development District	-	2,913
Sewerage and Water Board of New Orleans	990	26
Canal Street Development Corporation	1,704	-
Upper Pontalba Building Restoration Corporation	-	304
French Market Corporation	-	100
Louis Armstrong New Orleans International Airport	44	61
Orleans Parish Communication District	-	39
Municipal Yacht Harbor Management Corporation	<u>-</u>	<u>-</u>
Total component units	<u>2,785</u>	<u>3,443</u>
Total	<u>\$ 3,848</u>	<u>\$ 3,848</u>

**Interfund Advances** - Individual fund interfund advances at December 31, 2002 were as follows (amounts in thousands):

	<b>Advances to Other Funds</b>	<b>Advances from Other Funds</b>
General	<u>\$ 353</u>	
Special revenue:		
Sidewalk Paving and Repairing	-	\$ 2
Department of Safety and Permits - Demolition	<u>-</u>	<u>351</u>
Total special revenue	<u>-</u>	<u>353</u>
Total	<u>\$ 353</u>	<u>\$ 353</u>

**Fund Transfers** - Individual fund transfers for the year ended December 31, 2002 were as follows (amounts in thousands):

	Transfers In	Transfers Out
General	<u>\$14,621</u>	<u>\$ 2,623</u>
Special revenue:		
Grant Recipient Funds	-	137
Municipal Court Judicial Expense	1,125	1,835
Traffic Court Judicial Expense	349	-
Rivergate Development Corporation	<u>-</u>	<u>11,500</u>
Total special revenue	<u>1,474</u>	<u>13,472</u>
Total	<u>\$ 16,095</u>	<u>\$ 16,095</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds.

Amounts transferred to the General Fund from the Rivergate Development Corporation represent net rents and other cost reimbursements received related to the land based casino.

**Component Unit Transfers** - Component unit transfers for the year ended December 31, 2002 were as follows (amounts in thousands):

	Transfers In	Transfers Out
General	<u>\$ 3,075</u>	
Component unit:		
French Market Corporation	-	\$ 1,100
Upper Pontalba Building Restoration Corporation	-	100
Louis Armstrong New Orleans International Airport	<u>-</u>	<u>1,875</u>
Total	<u>\$ 3,075</u>	<u>\$ 3,075</u>

Amounts transferred from the Airport represent final repayment of a capital contribution from the City made several years ago. The airport had been repaying the contribution at the rate of \$200,000 per year in prior years. The remaining balance was paid in full in 2002.

**Interfund Charges for Support Services** - Interfund charges for support services paid to the general fund during fiscal year 2002 by the Louis Armstrong New Orleans International Airport amounted to \$1,130,000 primarily for overhead reimbursement and fire protection and by the Orleans Parish Communication District amounted to \$542,000 for overhead reimbursement.

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

**Riverfront Economic Development Agreement-** On April 30, 1992, the City, the Board of Commissioners of the Port of New Orleans, and Audubon Commission entered into an agreement titled "Riverfront Economic Development Agreement" (the Agreement). In accordance with the terms of the Agreement, Audubon Commission paid \$13,000,000 to the Board of Commissioners of the Port of New Orleans. Of this amount \$11,000,000 was from the sale of Audubon Commission's Aquarium Revenue Bonds, Series 1992A, and \$2,000,000 was from self-generated funds of Audubon Commission.

In consideration for the \$11,000,000 payment, Audubon Commission is relieved of all rents or fees due to occupancy pursuant to a Consent and Right of Use Agreement with the Board of Commissioners of the Port of New Orleans. This Consent and Right of Use Agreement, dated October 23, 1987, provided for the development and occupancy of an aquarium and related facilities by the Commission in consideration for stipulated payments of rents and fees over the 99 year term of the Agreement. The \$11,000,000 payment was recorded as prepaid rent and is being amortized over the remaining terms of the consent agreement. Such amount is included in other assets of the Audubon Commission at December 31, 2002.

In consideration for the Audubon Commission's \$2,000,000 payment to the Board of Commissioners of the Port of New Orleans, the City, which became the sole owner of the Rivergate Facility (the site of the City's land-based casino) under the Agreement, agreed to transfer and assign the second \$200,000 of annual net income from the parking facilities at the Rivergate Facility to Audubon Commission for twenty years beginning with the 1992 calendar year. The balance due to the Audubon Commission of \$1,324,000 at December 31, 2002, is recorded in the government-wide financial statements. Because parking operations have been discontinued at the Rivergate Facility, the Agreement gives the City the option to make a lump sum payment to Audubon Commission for the remaining payment discounted at seven percent, or to continue to pay the \$200,000 in monthly installments of \$16,667. The City has elected to continue making the \$200,000 annual payments. \$1,324,000 of the Audubon Commission's \$2,000,000 payment is included in other assets of the Audubon Commission at December 31, 2002. As payments are received from the City of New Orleans, this account is being reduced for that portion of the payment representing return of principal, with the balance credited to interest income.

## 9. FUND BALANCE RESERVES

Certain fund balance amounts in the following funds have been reserved to indicate a restriction for a particular purpose. Details of the components of reserved fund balance at December 31, 2002 are as follows (amounts in thousands):

	Governmental Fund Types				Total
	General	Special Revenue	Debt Service	Capital Projects	
Encumbrances	\$ 10,211	\$ 887		\$ 31,138	\$ 42,236
Long-term advances	252	-	-	-	252
Debt service	-	-	\$ 32,878	-	32,878
<b>Total</b>	<b>\$ 10,463</b>	<b>\$ 887</b>	<b>\$ 32,878</b>	<b>\$ 31,138</b>	<b>\$ 75,366</b>

## 10. INTEREST INCOME

Interest earned on investments held by the City's capital projects fund, certain special revenue funds (Sidewalk Paving and Repairing, Traffic Court Judicial Expense, Department of Safety and Permits-Demolition, Vieux Carre Commission and Municipal Court Judicial Expense) and certain agency funds (Clearing and Deposit) is recorded as revenue of the general fund. The amount of interest revenue recorded by the general fund on investments of the capital projects fund for the year ended December 31, 2002 was approximately \$3,994,000.

## 11. COMMITMENTS AND CONTINGENCIES

*Operating Lease Agreements* - The City has commitments under several operating lease agreements for equipment and facilities. These lease agreements are primarily for copier and data processing equipment, and for land and buildings. They are cancellable by the City at any time. However, City management believes that such leases will generally be renewed or replaced each year. Annual rent in 2002 for such operating lease agreements was \$7,586,000.

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

*Federal Investigation* - The local U.S. Attorney's Office of the Federal Justice Department, in cooperation with the FBI, is currently conducting an investigation into alleged corruption involving certain City departments and contracts awarded by the City over the past several years. The investigation is ongoing and it is not possible to estimate the financial implications of resolving these matters under investigation nor the time frame when such investigation will be completed.

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

The City's claims are financed on a "pay-as-you-go" basis for its motor vehicle fleet, general liability and police department excessive force losses. Premiums are charged to the City's various funds for the unemployment and worker's compensation self-insurance programs and to employees and the City's various funds for the hospitalization self-insurance program. Paid claims in excess of such premiums, if any, are funded by the general fund.

As of December 31, 2002, the City has determined, through an analysis of historical experience, the adequacy of the liability necessary to cover all losses and claims, both incurred and reported and incurred but not reported (IBNR), under its self-insurance programs. The liabilities of \$1,538,000 for motor vehicle fleet, \$65,835,000 for general liability and police department excessive force, \$66,114,000 for workers' compensation and \$10,054,000 for hospitalization have been accrued in the government-wide financial statements, in the total amount of \$143,541,000.

Changes to the City's claims liability amounts in fiscal 2002 and 2001 were (amounts in thousands):

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Benefit Payments and Claims	Balance at Fiscal Year-End
<b>General Liability and Police Liability:</b>				
2001	87,966	6,956	31,559	63,363
2002	63,363	9,470	6,998	65,835
<b>Workers' Compensation:</b>				
2001	40,336	24,897	14,117	51,116
2002	51,116	17,871	2,873	66,114
<b>Motor Vehicle Fleet:</b>				
2001	1,193	564	364	1,393
2002	1,393	601	456	1,538
<b>Hospitalization and Unemployment:</b>				
2001	10,092	42,250	41,028	11,314
2002	11,314	39,767	41,027	10,054
<b>Total:</b>				
2001	139,587	74,667	87,068	127,186
2002	127,186	67,709	51,354	143,541

**Federal Financial Assistance Questioned Costs** - The City receives federal financial assistance directly from federal agencies or passed through from other government agencies. Audits of the City's Schedule of Federal Financial Assistance periodically disclosed certain items or transactions as questioned costs. The ultimate resolution or determination as to whether the costs will be disallowed under the affected grants will be made by the various funding sources and cannot be determined at this time.

**Landfill Closing Costs** - The City owns a closed landfill site located in the eastern portion of the City. State and federal laws require the City to cap the landfill and to monitor and maintain the site for thirty subsequent years. Additionally, the City owns another landfill site located in the eastern portion of the City. Under State and federal laws, the operator of this landfill site will be responsible for closing the landfill once its capacity is reached, and the City will be responsible for monitoring and maintaining the site for thirty subsequent years. The City recognizes a portion of the closure and postclosure care costs within the general long-term debt account group in each operating period even though actual payouts will not occur until these landfills are capped and closed, respectively. The amount recognized each year to date is based on the landfills' capacities used as of the balance sheet date. As of December 31, 2002, the City had incurred a liability of \$9,985,000 which represents the amount of costs reported to date based on the 100 percent capacity of both landfills.

These amounts are based on what it would cost to perform all closure and postclosure care in 2002. Actual cost may be higher due to inflation, changes in technology, or changes in regulations and may need to be covered by charges from future tax revenue.

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

**12. COMPONENT UNIT DISCLOSURES:**

**A. Cash and Time Certificates of Deposit**

The carrying amount of the governmental and proprietary fund component units' ("component unit") deposits at December 31, 2002 was \$202,488,000, and the bank balance was \$208,267,000. The component unit bank balances are categorized below (amounts in thousands) to give an indication of the level of risk assumed by the component unit at year-end. Category 1 includes insured or collateralized cash with securities held by the component unit or its agent in the component unit's name. Category 2 includes collateralized cash with securities held by the pledging financial institution's trust department or its agent in the component unit's name. Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the component unit's name.

	<u>Category</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Bank balances:				
Cash and certificates of deposit	<u>\$ 21,578</u>	<u>\$ 176,822</u>	<u>\$ 9,867</u>	<u>\$ 208,267</u>

**B. Investments**

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

	<u>Category</u>			<u>Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government securities and instrumentalities	\$ 79,726	\$ 62,745	\$ 9,670	\$ 152,141
Corporate bonds	-	134,401	-	134,401
Equity securities	-	66,599	-	66,599
	<u>\$ 79,726</u>	<u>\$ 263,745</u>	<u>\$ 9,670</u>	<u>\$ 353,141</u>

Investments of the component units are carried at fair market value. Unrealized gains and losses on investments are reflected in the statement of revenues, expenses, and changes in retained earnings.

### C. Capital Assets

A summary of proprietary funds component unit property, plant and equipment at December 31, 2002 follows (amounts in thousands):

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Non-depreciable capital assets:				
Land	\$ 97,452	\$ 4,436	\$ -	\$ 101,888
Construction in progress	<u>199,298</u>	<u>148,272</u>	<u>37,921</u>	<u>309,649</u>
Total non-depreciable capital assets	<u>296,750</u>	<u>152,708</u>	<u>37,921</u>	<u>411,537</u>
Depreciable capital assets:				
Buildings	927,507	33,242	338	960,411
Machinery and equipment	285,756	13,971	621	299,106
Improvements other than buildings	228,740	11,998	-	240,738
Other	<u>534,775</u>	<u>99</u>	<u>1,603</u>	<u>533,271</u>
Total depreciable capital assets	<u>1,976,778</u>	<u>59,310</u>	<u>2,562</u>	<u>2,033,526</u>
Less accumulated depreciation for:				
Buildings	343,703	23,596	14	367,285
Machinery and equipment	102,586	17,596	8	120,174
Improvements other than buildings	178,569	21,569	-	200,138
Other	<u>108,145</u>	<u>11,062</u>	<u>-</u>	<u>119,207</u>
Total accumulated depreciation	<u>733,003</u>	<u>73,823</u>	<u>22</u>	<u>806,804</u>
Total depreciable capital assets, net	<u>1,243,775</u>	<u>(14,513)</u>	<u>2,540</u>	<u>1,226,722</u>
Total	<u>\$ 1,540,525</u>	<u>\$ 138,195</u>	<u>\$ 40,461</u>	<u>\$ 1,638,259</u>

Construction in progress in the proprietary component units consists primarily of renovations to the Louis Armstrong New Orleans International Airport and the Sewerage and Water Board of New Orleans' construction of water, sewerage and drainage systems within the City. Outstanding commitments to complete these construction projects as of December 31, 2002 amounted to approximately \$44,437,000 for the Louis Armstrong New Orleans International Airport.

### D. Long-Term Debt

The City is not liable for bonds issued by the Sewerage and Water Board of New Orleans and the Louis Armstrong New Orleans International Airport. Series 1993 Limited Tax bonds issued by the Audubon Commission represent special and limited obligations of the City payable from and secured solely by the proceeds of a special ad valorem tax. The outstanding balance of the Series 1993 bonds at December 31, 2002 was \$24,200,000.

The following represents debt service requirements for all significant component unit bonds outstanding at December 31, 2002. Interest payments for the Sewerage and Water Board of New Orleans, Louis Armstrong New Orleans International Airport and Audubon Commission of \$138,791,000, \$101,529,000 and \$34,011,000, respectively, are included. Amounts (in thousands) shown on individual component units balance sheets are net of unamortized losses on refunding of \$-0-, \$18,670,000 and \$3,294,000 for the Sewerage and Water Board of New Orleans, Louis Armstrong New Orleans International Airport and Audubon Commission, respectively.

Year Ending December 31,	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Total
2003	\$ 5,886	\$ 21,091	\$ 22,546	\$ 49,523
2004	5,820	20,873	21,328	48,021
2005	5,853	20,946	21,327	48,126
2006	5,880	21,007	21,342	48,229
2007	5,893	20,930	21,393	48,216
2008 and thereafter	<u>65,351</u>	<u>199,895</u>	<u>293,220</u>	<u>558,466</u>
	<u>\$ 94,685</u>	<u>\$ 304,664</u>	<u>\$ 401,156</u>	<u>\$ 800,505</u>

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## **REQUIRED SUPPLEMENTARY INFORMATION**

Required Supplementary Information includes budgetary comparisons for the General Fund and major individual Special Revenue Funds

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Original Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 238,174	\$ 244,505	\$ 244,105	(400)
Licenses and permits	64,976	64,976	56,616	(8,360)
Intergovernmental	11,474	12,024	12,498	474
Charges for services	51,264	50,784	51,541	757
Fines and forfeits	12,705	12,875	13,940	1,065
Interest income	7,900	7,900	5,506	(2,394)
Contributions, gifts and donations	17,472	13,301	210	(13,091)
Miscellaneous	16,181	20,883	18,085	(2,798)
Total revenues	<u>420,146</u>	<u>427,248</u>	<u>402,501</u>	<u>(24,747)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	146,849	147,700	142,004	5,696
Public safety	171,809	154,265	153,445	820
Public works	67,789	66,722	62,384	4,338
Health and human services	13,931	13,325	12,160	1,165
Culture and recreation	19,768	25,092	23,424	1,668
Urban development and housing		311	263	48
Debt service:				
Principal retirement	-	9,720	9,720	-
Interest and fiscal charges	-	18,584	18,584	-
Other, net	-	10	5	5
Total expenditures	<u>420,146</u>	<u>435,729</u>	<u>421,989</u>	<u>13,740</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(8,481)</u>	<u>(19,488)</u>	<u>(11,007)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	7,411	18,054	10,643
Transfer in from component unit	-	-	-	-
Operating transfers out	-	-	-	-
Appropriations from prior year budgetary fund balance	-	195	-	(195)
Reduction in prior year's outstanding encumbrances	-	-	6,579	6,579
Other	-	-	2,411	2,411
Total other financing sources (uses)	<u>-</u>	<u>7,606</u>	<u>27,044</u>	<u>19,438</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES		<u>\$ (875)</u>	7,556	<u>\$ 8,431</u>
FUND BALANCES, BEGINNING OF YEAR			6,562	
LESS APROPRIATION FROM BEGINNING OF YEAR FUND BALANCE			<u>-</u>	
FUND BALANCES-BUDGETARY BASIS, END OF YEAR			<u>\$ 14,118</u>	

See notes to financial statements.

**EXHIBIT B-2**

***Budget to GAAP reconciliation*** -The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual presents comparisons of the legally adopted original budget and final budget (non-GAAP basis) with actual data on a budgetary basis. In the general fund, accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with GAAP. A reconciliation of this basis and timing differences is presented below (amounts in thousands):

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 7,556
Adjustments:	
To adjust revenues for accruals and deferrals	(621)
To reverse December 31, 2002 encumbrances recorded as expenditures on the budgetary basis in 2002	9,507
Reduction in prior year's outstanding encumbrances	(6,579)
To add back prior year's encumbrances paid in 2002, but not recorded as expenditures on the budgetary basis in 2002	(6,646)
To adjust expenditures for accruals	1,066
Other	<u>(2,302)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 1,981</u>

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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**GENERAL FUND**

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT C-1  
Page 1 of 5

**GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
<b>Taxes:</b>			
Real estate	\$ 15,866	\$ 16,608	\$ 742
Personal property	8,367	8,683	316
<b>Dedicated millage:</b>			
Police	15,885	16,572	687
Fire	14,627	16,463	1,836
Library	7,484	7,200	(284)
Recreation	2,219	2,550	331
Parkway	2,219	2,494	275
Streets	2,896	3,195	299
Sales - undedicated	151,300	145,009	(6,291)
Penalty and interest on delinquent taxes	2,442	2,977	535
Utilities	10,450	9,138	(1,312)
Chain store	275	253	(22)
Special real property service charge		100	100
Beverage excise	725	806	81
Amusement	1,800	1,845	45
Off-track betting	450	226	(224)
Parking	2,000	2,576	576
Documentary transaction	5,400	7,216	1,816
Racing tax	100	194	94
<b>Total taxes</b>	<u>244,505</u>	<u>244,105</u>	<u>(400)</u>
<b>Licenses and permits:</b>			
Electrical licenses	712	623	(89)
Air conditioning and gas fitter licenses	113	84	(29)
Hoisting and portable licenses	13	7	(6)
Occupational licenses	9,515	9,838	323
Special operating engineer licenses	2		(2)
Stationary engineer licenses	100	71	(29)
Miscellaneous licenses	320	499	179
Service cuts	15	142	127

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT C-1  
Page 2 of 5

**GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Licenses and permits (continued):			
Franchises:			
Cox Communications	1,300	3,722	2,422
Entergy	29,850	25,587	(4,263)
BellSouth Telecommunications	5,730	5,783	53
Miscellaneous franchises	2,000	17	(1,983)
Beverage permits	1,399	1,555	156
Brake tag permits	3,150	2,606	(544)
Building permits	3,390	3,235	(155)
Mayoral permits	310	126	(184)
Mechanical permits	714	631	(83)
Taxi and chauffeurs permits	656	525	(131)
Massage parlor permits	2	-	(2)
Mardi Gras parade permits	55	22	(33)
Medical transportation vehicle permits	17	19	2
Freight loading zone	66	39	(27)
Public right-of-way use	320	1,237	917
Miscellaneous	5,227	248	(4,979)
Total licenses and permits	<u>64,976</u>	<u>56,616</u>	<u>(8,360)</u>
Intergovernmental:			
Federal aid - other	100	28	(72)
Federal Natural Resources Environment	131	31	(100)
State Revenue Sharing	2,297	2,641	344
State aid - DHRR	1,006	597	(409)
State aid - public safety	60	135	75
State aid - other	3,670	4,419	749
Parish transportation fund	4,210	4,074	(136)
Automobile rental tax	70	76	6

(Continued)

**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Intergovernmental (continued):			
Severance tax	-	15	15
Orleans Parish Comm. District Telephone Tax	480	482	2
Total intergovernmental	<u>12,024</u>	<u>12,498</u>	<u>474</u>
Charges for services:			
Admission charge	3	8	5
Commercial disposal charges	190	105	(85)
Food/drink concessions	20	20	-
Driving range fees	11	6	(5)
Emergency medical service charge	5,100	4,217	(883)
Sales - maps and documents	62	45	(17)
Fire protection - New Orleans Airport	2,477	2,846	369
Grass cutting	40	24	(16)
Green fees	425	443	18
Indirect cost	2,017	1,653	(364)
Inspection fees, vacant buildings	-	1	1
Litter abatement charge	150	86	(64)
Park entrance fees	25	16	(9)
Parking meters	3,515	3,608	93
Police and fire services - other	1,055	1,264	209
Public cemetery burial	30	25	(5)
Sanitation service charges	22,300	20,385	(1,915)
Service fees - uninhabitable buildings	50	10	(40)
Tax collection service:			
Levee Board	-	11	11
Orleans Parish School Board	1,560	1,330	(230)
Regional Transit Authority	701	899	198
Lien research service	150	109	(41)
Zoning books and petitions	45	37	(8)
Data processing services - parish agencies	10	12	2
Maintenance of state highways	350	381	31
Towing and immobilization charges	800	4,023	3,223

(Continued)

**GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Charges for services (continued):			
Utility regulatory fees	5,285	6,893	1,608
Curbside recycling	2,360	1,809	(551)
Other	1,303	1,227	(76)
Notorial	100	37	(63)
Lakeview and Lake Carmel fees	650	11	(639)
Asphalt sales	-	-	-
Abandoned car-street	-	-	-
Total charges for services	<u>50,784</u>	<u>51,541</u>	<u>757</u>
Fines and forfeits:			
Fines and fees	9,700	11,168	1,468
Impounded cars	70	112	42
Traffic violations	2,800	2,381	(419)
Municipal court fines	135	84	(51)
Municipal court costs	-	-	-
Library fines	170	178	8
Administration adjudication fees	-	17	17
Total fines and forfeits	<u>12,875</u>	<u>13,940</u>	<u>1,065</u>
Interest income:			
Interest income	<u>7,900</u>	<u>5,506</u>	<u>(2,394)</u>
Total interest income	<u>7,900</u>	<u>5,506</u>	<u>(2,394)</u>
Contributions, gifts and donations	<u>13,301</u>	<u>210</u>	<u>(13,091)</u>
Miscellaneous:			
Cash overage	-	275	275
Workers' compensation subrogation	100	739	639
Building and ground rental	1,094	1,547	453
Casino support service	3,150	-	(3,150)
Vending machine royalties	-	2	2

(Continued)

**GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Miscellaneous (continued):			
Parking royalties	-	18	18
Pay phone royalties	-	1	1
Riverboat gaming fees	3,500	3,509	9
Insurance proceeds	350	1,460	1,110
Intellectual property proceeds	125	129	4
Other	<u>12,564</u>	<u>10,405</u>	<u>(2,159)</u>
Total miscellaneous	<u>20,883</u>	<u>18,085</u>	<u>(2,798)</u>
Total revenues	<u>427,248</u>	<u>402,501</u>	<u>(24,747)</u>
Other financing sources:			
Operating transfers in	7,411	18,054	10,643
Transfer in from component unit	-	-	-
Appropriations from prior year budgetary fund balance	195	-	(195)
Reduction in prior year's outstanding encumbrances	-	6,579	-
Other	<u>-</u>	<u>2,411</u>	<u>2,411</u>
Total other financing sources	<u>7,606</u>	<u>27,044</u>	<u>19,438</u>
Total revenues and other financing sources	<u>\$ 434,854</u>	<u>\$ 429,545</u>	<u>\$ (5,309)</u>

(Concluded)

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
General government:			
The Council:			
Personal services	\$ 3,253	\$ 2,981	\$ 272
Other operating expenditures	8,841	7,272	1,569
	<u>12,094</u>	<u>10,253</u>	<u>1,841</u>
The Mayor:			
Personal services	9,674	9,543	131
Other operating expenditures	45,604	38,605	6,999
	<u>55,278</u>	<u>48,148</u>	<u>7,130</u>
Department of Law:			
Personal services	3,781	3,120	661
Other operating expenditures	9,581	6,940	2,641
	<u>13,362</u>	<u>10,060</u>	<u>3,302</u>
Judicial and parochial:			
Personal services	6,339	6,077	262
Other operating expenditures	34,435	36,020	(1,585)
	<u>40,774</u>	<u>42,097</u>	<u>(1,323)</u>
Department of Finance:			
Personal services	8,074	7,457	617
Other operating expenditures	6,300	6,259	41
	<u>14,374</u>	<u>13,716</u>	<u>658</u>
Unattached boards and commissions:			
Personal services	2,892	2,815	77
Other operating expenditures	939	741	198
	<u>3,831</u>	<u>3,556</u>	<u>275</u>

(Continued)

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
General government (continued):			
Department of Civil Service:			
Personal services	1,937	1,764	173
Other operating expenditures	443	299	144
	<u>2,380</u>	<u>2,063</u>	<u>317</u>
General services:			
Personal services	1,605	8,406	(6,801)
Other operating expenditures	4,002	3,705	297
	<u>5,607</u>	<u>12,111</u>	<u>(6,504)</u>
Total general government	<u>147,700</u>	<u>142,004</u>	<u>5,696</u>
Public safety:			
Department of Police:			
Personal services	94,785	94,643	142
Other operating expenditures	9,472	8,511	961
	<u>104,257</u>	<u>103,154</u>	<u>1,103</u>
Department of Fire:			
Personal services	45,140	46,102	(962)
Other operating expenditures	2,089	1,751	338
	<u>47,229</u>	<u>47,853</u>	<u>(624)</u>
Department of Safety and Permits:			
Personal services	2,592	2,274	318
Other operating expenditures	187	164	23
	<u>2,779</u>	<u>2,438</u>	<u>341</u>
Total public safety	<u>154,265</u>	<u>153,445</u>	<u>820</u>
Public works:			
Department of Public Works:			
Personal services	10,041	9,526	515
Other operating expenditures	9,749	9,184	565
	<u>19,790</u>	<u>18,710</u>	<u>1,080</u>

(Continued)

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Public works (continued):			
Department of Sanitation:			
Personal services	2,358	2,131	227
Other operating expenditures	<u>30,787</u>	<u>29,064</u>	<u>1,723</u>
	<u>33,145</u>	<u>31,195</u>	<u>1,950</u>
Department of Property Management:			
Personal services	5,511	5,156	355
Other operating expenditures	<u>6,881</u>	<u>5,972</u>	<u>909</u>
	<u>12,392</u>	<u>11,128</u>	<u>1,264</u>
Department of Utilities:			
Personal services	852	998	(146)
Other operating expenditures	<u>543</u>	<u>353</u>	<u>190</u>
	<u>1,395</u>	<u>1,351</u>	<u>44</u>
Total public works	<u>66,722</u>	<u>62,384</u>	<u>4,338</u>
Health and human services:			
Department of Health:			
Personal services	8,758	8,293	465
Other operating expenditures	<u>2,018</u>	<u>1,571</u>	<u>447</u>
	<u>10,776</u>	<u>9,864</u>	<u>912</u>
Department of Human Services:			
Personal services	2,095	2,051	44
Other operating expenditures	<u>454</u>	<u>245</u>	<u>209</u>
	<u>2,549</u>	<u>2,296</u>	<u>253</u>
Total health and human services	<u>13,325</u>	<u>12,160</u>	<u>1,165</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT C-2  
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GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Culture and recreation:			
Public Library:			
Personal services	5,906	5,949	(43)
Other operating expenditures	1,741	1,740	1
	<u>7,647</u>	<u>7,689</u>	<u>(42)</u>
Historical District Landmarks Commission:			
Personal services	396	399	(3)
Other operating expenditures	68	43	25
	<u>464</u>	<u>442</u>	<u>22</u>
Vieux Carre Commission:			
Personal services	498	467	31
Other operating expenditures	36	18	18
	<u>534</u>	<u>485</u>	<u>49</u>
Museum of Art:			
Other operating expenditures	558	528	30
	<u>558</u>	<u>528</u>	<u>30</u>
Parkway and Parks Commission:			
Personal services	6,294	5,967	327
Other operating expenditures	1,482	1,254	228
	<u>7,776</u>	<u>7,221</u>	<u>555</u>
Department of Recreation:			
Personal services	6,483	5,565	918
Other operating expenditures	1,630	1,494	136
	<u>8,113</u>	<u>7,059</u>	<u>1,054</u>
Total culture and recreation	<u>25,092</u>	<u>23,424</u>	<u>1,668</u>

(Continued)

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Revised Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Urban development and housing general services - community development:			
Personal services	248	215	33
Other operating expenditures	<u>63</u>	<u>48</u>	<u>15</u>
Total urban development and housing	<u>311</u>	<u>263</u>	<u>48</u>
Debt service:			
Principal	9,720	9,720	-
Interest and fiscal charges	<u>18,584</u>	<u>18,584</u>	<u>-</u>
Total debt service	<u>28,304</u>	<u>28,304</u>	<u>-</u>
Other, net	<u>10</u>	<u>5</u>	<u>5</u>
Total expenditures	<u>435,729</u>	<u>421,989</u>	<u>13,740</u>
Total expenditures and other financing uses	<u>\$ 435,729</u>	<u>\$ 421,989</u>	<u>\$ 13,740</u>

(Concluded)

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## COMBINING FINANCIAL STATEMENTS NON MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

*Rivergate Development Corporation* - Used to account for and oversee the development of any additions to the land-based casino site and the surrounding properties.

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

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

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

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

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

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

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

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

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

*Expendable Trust Funds* are used to account for all monies and all property acquired by donation for a designated purpose, not required to be held intact.

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

**CITY OF NEW ORLEANS**

**EXHIBIT D-1**

**COMBINING BALANCE SHEET - SUMMARY  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2002**

<b>ASSETS</b>	<b>Nonmajor Special Revenue Funds</b>	<b>Permanent Funds</b>	<b>Total Nonmajor Governmental Funds</b>
Cash and cash equivalents	\$ 8,000	\$ 3	\$ 8,003
Investments	39,236	208	39,444
Receivables:			
Interest	-	-	-
Sales taxes	-	-	-
Property taxes	-	-	-
Franchise taxes	-	-	-
Accounts	1,357	-	1,357
Grantee loans	-	-	-
Due from other funds	1,653	1	1,654
Due from other governments	5,006	-	5,006
Due from component unit	-	-	-
Other assets	<u>12</u>	<u>-</u>	<u>12</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 55,264</u></b>	<b><u>\$ 212</u></b>	<b><u>\$ 55,476</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,943		\$ 5,943
Retainage payable	-		-
Other payables	-		-
Due to other funds	5,103	\$ 5	5,108
Due to other governments	183	-	183
Advances from other funds	353	-	353
Due to component unit	-	-	-
Deferred revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>11,582</u></b>	<b><u>5</u></b>	<b><u>11,587</u></b>
<b>FUND BALANCES:</b>			
Fund balances:			
Reserved	887	-	887
Unreserved:			
Designated for subsequent year	4,195	207	4,402
Undesignated	<u>38,600</u>	<u>-</u>	<u>38,600</u>
<b>Total fund balances</b>	<b><u>43,682</u></b>	<b><u>207</u></b>	<b><u>43,889</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 55,264</u></b>	<b><u>\$ 212</u></b>	<b><u>\$ 55,476</u></b>

**CITY OF NEW ORLEANS**

**EXHIBIT D-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - SUMMARY  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2002**

	<b>Nonmajor Special Revenue Funds</b>	<b>Permanent Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 6,359	\$ -	\$ 6,359
Licenses and permits	-	-	-
Intergovernmental	32,245	-	32,245
Charges for services	-	-	-
Program income	215	-	215
Fines and forfeits	4,282	-	4,282
Interest income	426	-	426
Contributions, gifts, donations	1,502	-	1,502
Miscellaneous and other	<u>12,760</u>	<u>-</u>	<u>12,760</u>
Total revenues	<u>57,789</u>	<u>-</u>	<u>57,789</u>
<b>EXPENDITURES</b>			
General government	18,386	-	18,386
Public safety	2,458	-	2,458
Public works	70	-	70
Health and human services	6,350	-	6,350
Culture and recreation	1,847	-	1,847
Urban development and housing	1,817	-	1,817
Economic development and asst.	<u>12,372</u>	<u>-</u>	<u>12,372</u>
	<u>43,300</u>	<u>-</u>	<u>43,300</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,474	-	1,474
Transfer in from component unit	-	-	-
Transfers out	(13,472)	-	(13,472)
Proceeds of long-term debt	-	-	-
Payment to escrow for pension funds	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(11,998)</u>	<u>-</u>	<u>(11,998)</u>
Net change in fund balances	2,491	-	2,491
Fund balances - beginning	<u>41,191</u>	<u>207</u>	<u>41,398</u>
Fund balances - ending	<u>\$ 43,682</u>	<u>\$ 207</u>	<u>\$ 43,889</u>

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	National League of Cities	New Orleans Economic Development	Neighborhood Housing Development	Environmental Improvement	Rivergate Special Fund	Rivergate Development Corporation
<b>ASSETS</b>						
Cash	\$ 6	\$ 65	\$ 1,073	\$ 84	\$ 83	\$ 1,662
Investments, at cost or amortized cost	-	5,619	4,977	1,029	596	365
Accounts receivable (net, where applicable, of allowances for uncollectibles)	-	-	-	9	-	-
Grantee loans receivable	-	-	-	-	-	-
Due from other funds	-	-	4	85	-	635
Due from other governments	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 6</b>	<b>\$ 5,684</b>	<b>\$ 6,054</b>	<b>\$ 1,207</b>	<b>\$ 679</b>	<b>\$ 2,662</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 1		\$ 70	\$ 6		\$ 1,011
Due to other funds	-		11	-		503
Due to other governments	-		-	-		-
Deferred revenues	-		-	-		-
Advances from other funds	-		-	-		-
Due to component units	-		-	-		-
<b>Total liabilities</b>	<b>1</b>		<b>81</b>	<b>6</b>		<b>1,514</b>
Fund balances:						
Reserved for encumbrances	-	\$ 239	358	117	\$ 12	33
Unreserved:						
Designated for subsequent years' expenditures	-	104	-	-	-	-
Undesignated	5	5,341	5,615	1,084	667	1,115
<b>Total fund balances</b>	<b>5</b>	<b>5,684</b>	<b>5,973</b>	<b>1,201</b>	<b>679</b>	<b>1,148</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6</b>	<b>\$ 5,684</b>	<b>\$ 6,054</b>	<b>\$ 1,207</b>	<b>\$ 679</b>	<b>\$ 2,662</b>

Termite Control Fund	Piazza D'italia Development	Traffic Court Judicial Expense	Municipal Court Judicial Expense	Sidewalk Paving and Repairing	Special Event	Adopt a Pothole Program	Department of Safety and Permits - Demolition
\$ 31	\$ 4	\$ 588				\$-	\$ 14
132	15	1,274		\$ 1	\$ 2	-	121
18	-	-	\$ 1,019	-	-	-	281
30	4	565	-	-	-	-	13
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 211</u>	<u>\$ 23</u>	<u>\$ 2,427</u>	<u>\$ 1,019</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$-</u>	<u>\$ 429</u>
		\$ 125 1,149	\$ 37 982			\$-	
<u>-</u>	<u>-</u>	<u>-</u>		\$ 2	-	-	\$ 351
<u>-</u>	<u>-</u>	<u>1,274</u>	<u>1,019</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>351</u>
\$ 10	\$ 3	-	-	-	-	-	-
<u>201</u>	<u>20</u>	<u>1,153</u>	<u>-</u>	<u>-</u>	<u>\$ 2</u>	<u>-</u>	<u>78</u>
<u>211</u>	<u>23</u>	<u>1,153</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>78</u>
<u>\$ 211</u>	<u>\$ 23</u>	<u>\$ 2,427</u>	<u>\$ 1,019</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$-</u>	<u>\$ 429</u>

(Continued)

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Mayor's Office of Tourism and Arts	Music and Entertainment Commission	New Orleans Police Department - Crime Prevention	Asset Seizure	New Orleans War on Drugs
<b>ASSETS</b>					
Cash	\$ 39	\$ 13	\$ 1	\$ 149	\$ 8
Investments, at cost or amortized cost	-	20	-	329	-
Accounts receivable (net, where applicable, of allowances for uncollectibles)	-	-	-	-	-
Grantee loans receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from component units	-	-	-	-	-
Other Assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 39</b>	<b>\$ 33</b>	<b>\$ 1</b>	<b>\$ 478</b>	<b>\$ 8</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 7	\$ 1		\$ 8	
Due to other funds	-	-		39	
Due to other governments	-	-		-	
Deferred revenues	-	-		-	
Advances from other funds	-	-		-	
Due to component units	-	-		-	
<b>Total liabilities</b>	<b>7</b>	<b>1</b>		<b>47</b>	
Fund balances:					
Reserved for encumbrances					
Unreserved:					
Designated for subsequent years' expenditures					
Undesignated	32	32	\$ 1	431	\$ 8
<b>Total fund balances</b>	<b>32</b>	<b>32</b>	<b>1</b>	<b>431</b>	<b>8</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 39</b>	<b>\$ 33</b>	<b>\$ 1</b>	<b>\$ 478</b>	<b>\$ 8</b>

New Orleans Recreation Department	New Orleans Film Commission	New Orleans Special Events	Vieux Carre Commission	Vieux Carre Restoration	Public Library Donations	Sanitation Recycling
\$ 49	\$ 5	\$ 18	\$ 56	\$ 1		\$ 17
-	45	60	-	-	\$ 37	42
-	-	-	-	-	132	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 49</u>	<u>\$ 50</u>	<u>\$ 78</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>\$ 169</u>	<u>\$ 59</u>
	\$ 2				\$ 1	
	-				39	
<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<u>      </u>	<u>      2</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      40</u>	<u>      </u>
		\$ 7				
<u>\$ 49</u>	<u>      48</u>	<u>      71</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>      129</u>	<u>\$ 59</u>
<u>      49</u>	<u>      48</u>	<u>      78</u>	<u>      56</u>	<u>      1</u>	<u>      129</u>	<u>      59</u>
<u>\$ 49</u>	<u>\$ 50</u>	<u>\$ 78</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>\$ 169</u>	<u>\$ 59</u>

(Continued)

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Plant a-Tree Campaign	Municipal Endowment- Cox Cable	Capital Improvement and Infrastructure	Grant Recipient Funds	Expendable Trust Funds	Total 2002
<b>ASSETS</b>						
Cash	\$ 86	\$ 508		\$ 2,659	\$ 781	\$ 8,000
Investments, at cost or amortized cost	-	1,744	\$ 12,276	3,475	7,077	39,236
Accounts receivable (net, where applicable, of allowances for uncollectibles)	-	24	-	-	6	1,357
Grantee loans receivable	-	-	-	-	-	-
Due from other funds	40	-	-	63	81	1,653
Due from other governments	-	-	-	5,006	-	5,006
Due from component units	-	-	-	-	-	-
Other Assets	-	-	-	-	12	12
<b>TOTAL ASSETS</b>	<b>\$ 126</b>	<b>\$ 2,276</b>	<b>\$ 12,276</b>	<b>\$ 11,203</b>	<b>\$ 7,957</b>	<b>\$ 55,264</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 16			\$ 4,658	\$ 4	\$ 5,943
Due to other funds	-	\$ 102		2,274	3	5,103
Due to other governments	-	-		180	-	183
Deferred revenues	-	-		-	-	-
Advances from other funds	-	-		-	-	353
Due to component units	-	-		-	-	-
<b>Total liabilities</b>	<b>16</b>	<b>102</b>	<b>-</b>	<b>7,112</b>	<b>7</b>	<b>11,582</b>
<b>Fund balances:</b>						
Reserved for encumbrances	16	92		-	-	887
Unreserved:						
Designated for subsequent years' expenditures	-					4,195
Undesignated	94	2,082	\$ 12,276	4,091	7,950	38,600
<b>Total fund balances</b>	<b>110</b>	<b>2,174</b>	<b>12,276</b>	<b>4,091</b>	<b>7,950</b>	<b>43,682</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 126</b>	<b>\$ 2,276</b>	<b>\$ 12,276</b>	<b>\$ 11,203</b>	<b>\$ 7,957</b>	<b>\$ 55,264</b>

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**NONMAJOR REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	National League of Cities	New Orleans Economic Development	Neighborhood Housing Improvement	Environment Improvement	Rivergate Special Fund	Rivergate Development Corporation
<b>REVENUES:</b>						
Taxes		\$ 2,121	\$ 2,120			
Intergovernmental		-	-			
Program income		-	-			
Fines and forfeits		-	-	\$ 339		
Interest income		47	45	-		
Contributions, gifts and donations		-	-	-		
Miscellaneous	\$ 1	-	-			\$ 12,300
Total revenues	<u>1</u>	<u>2,168</u>	<u>2,165</u>	<u>339</u>		<u>12,300</u>
<b>EXPENDITURES:</b>						
General government	-	-	-	-		-
Public safety	-	-	-	-		-
Public works	-	-	-	-		-
Health and human services	-	-	-	324		-
Culture and recreation	-	-	-	-		-
Urban development and housing	-	-	1,468	-		-
Economic development and assistance	-	393	-	-		349
Total expenditures	<u>-</u>	<u>393</u>	<u>1,468</u>	<u>324</u>		<u>349</u>
Excess (deficiency) of revenues over expenditures	<u>1</u>	<u>1,775</u>	<u>697</u>	<u>15</u>		<u>11,951</u>
<b>Other financing sources (uses):</b>						
Operating transfers in				-		
Operating transfers out	-	(1,835)	-	-		(11,500)
Total other financing sources (uses)	<u>-</u>	<u>(1,835)</u>	<u>-</u>	<u>-</u>		<u>(11,500)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1	(60)	697	15		451
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>\$ 4</u>	<u>5,744</u>	<u>5,276</u>	<u>1,186</u>	<u>\$ 679</u>	<u>697</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 5</u>	<u>\$ 5,684</u>	<u>\$ 5,973</u>	<u>\$ 1,201</u>	<u>\$ 679</u>	<u>\$ 1,148</u>

Termite Control Fund	Piazza D'italia Development	Traffic Court Judicial Expense	Municipal Court Judicial Expense	Sidewalk Paving and Repairing	Special Event	Adopt a Pothole Program	Department of Safety and Permits - Demolition
	\$ 1			\$ -			
		\$ 2,578	\$ 717				
<u>\$ 376</u>	<u>1</u>	<u>2,578</u>	<u>717</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<u>376</u>	<u>1</u>	<u>2,578</u>	<u>717</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
-	-	3,320	1,842				
-	-	-	-				
-	-	-	-				
396	-	-	-			\$ 70	
-	-	-	-			-	
-	-	-	-			-	
-	-	-	-			-	
<u>396</u>	<u>-</u>	<u>3,320</u>	<u>1,842</u>	<u>---</u>	<u>\$ 1</u>	<u>70</u>	<u>---</u>
<u>396</u>	<u>-</u>	<u>3,320</u>	<u>1,842</u>	<u>---</u>	<u>1</u>	<u>70</u>	<u>---</u>
(20)	1	(742)	(1,125)		(1)	(70)	
-	-	349	1,125				
<u>-</u>	<u>-</u>	<u>349</u>	<u>1,125</u>	<u>---</u>	<u>-</u>	<u>-</u>	<u>---</u>
<u>-</u>	<u>-</u>	<u>349</u>	<u>1,125</u>	<u>---</u>	<u>-</u>	<u>-</u>	<u>---</u>
(20)	1	(393)	-		(1)	(70)	
<u>231</u>	<u>22</u>	<u>1,546</u>	<u>-</u>	<u>---</u>	<u>\$ 3</u>	<u>70</u>	<u>\$ 78</u>
<u>231</u>	<u>22</u>	<u>1,546</u>	<u>-</u>	<u>---</u>	<u>3</u>	<u>70</u>	<u>78</u>
<u>\$ 211</u>	<u>\$ 23</u>	<u>\$ 1,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 78</u>

(Continued)

NONMAJOR REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

	Mayor's Office of Tourism and Arts	Music and Entertain- ment Commission	New Orleans Police Department - Crime Prevention	Asset Seizure	New Orleans War on Drugs
<b>REVENUES:</b>					
Taxes					
Intergovernmental					
Program income					
Fines and forfeits				\$ 648	
Interest income		\$ 2		2	
Contributions, gifts and donations		-		-	
Miscellaneous		83		195	
Total revenues		<u>85</u>		<u>845</u>	
<b>EXPENDITURES:</b>					
General government		-		-	
Public safety		-		603	
Public works		-		-	
Health and human services		-		-	
Culture and recreation	\$ 25	135		-	
Urban development and housing	-	-		-	
Economic development and assistance	-	-		-	
Total expenditures	<u>25</u>	<u>135</u>		<u>603</u>	
Excess (deficiency) of revenues over expenditures	<u>(25)</u>	<u>(50)</u>		<u>242</u>	
<b>Other financing sources (uses):</b>					
Operating transfers in	-	-		-	
Operating transfers out	-	-		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>		<u>-</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(25)	(50)		242	
FUND BALANCES, BEGINNING OF YEAR	<u>57</u>	<u>82</u>	<u>\$ 1</u>	<u>189</u>	<u>\$ 8</u>
FUND BALANCES, END OF YEAR	<u>\$ 32</u>	<u>\$ 32</u>	<u>\$ 1</u>	<u>\$ 431</u>	<u>\$ 8</u>

New Orleans Recreation Department	New Orleans Film Commission	New Orleans Special Events	Vieux Carre Commission	Vieux Carre Restoration	Public Library Donations	Sanitation Recycling
	\$ 2	\$ 3			\$ 1	\$ 3
	-	-			-	-
	35	-			83	-
<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
	37	3			84	3
	-	-			-	-
	-	-			-	-
	-	-			-	-
	83	-			38	-
	-	-			-	-
	-	-			-	-
<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
	83	-			38	-
	(46)	3			46	3
	-	-			-	-
<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
	(46)	3			46	3
<u>\$ 49</u>	<u>94</u>	<u>75</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>83</u>	<u>56</u>
<u>\$ 49</u>	<u>\$ 48</u>	<u>\$ 78</u>	<u>\$ 56</u>	<u>\$ 1</u>	<u>\$ 129</u>	<u>\$ 59</u>

(Continued)

**NONMAJOR REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Plant A-Tree Campaign	Municipal Endowment- Cox Cable	Capital Improvement and Infrastructure	Grant Recipient Funds	Expendable Trust Funds	Total
<b>REVENUES:</b>						
Taxes			\$ 2,117			\$ 6,359
Intergovernmental			-	\$ 32,245		32,245
Program income			-	215		215
Fines and forfeits			-	-		4,282
Interest income		\$ 29	122	48	\$ 122	426
Contributions, gifts and donations	\$ 37	140	-	-	1,012	1,502
Miscellaneous	-	-	-	-	-	12,760
Total revenues	<u>37</u>	<u>169</u>	<u>2,239</u>	<u>32,508</u>	<u>1,134</u>	<u>57,789</u>
<b>EXPENDITURES:</b>						
General government	-	-	-	13,224	-	18,386
Public safety	-	-	-	1,754	-	2,458
Public works	-	101	-	-	-	70
Health and human services	-	-	-	5,630	-	6,350
Culture and recreation	18	-	-	108	1,440	1,847
Urban development and housing	-	-	-	-	-	1,817
Economic development and assistance	-	-	-	11,978	-	12,372
Total expenditures	<u>18</u>	<u>101</u>	<u>-</u>	<u>32,694</u>	<u>1,440</u>	<u>43,300</u>
Excess (deficiency) of revenues over expenditures	<u>19</u>	<u>68</u>	<u>2,239</u>	<u>(186)</u>	<u>(306)</u>	<u>14,489</u>
<b>Other financing sources (uses):</b>						
Operating transfers in	-	-	-	-	-	1,474
Operating transfers out	-	-	-	(137)	-	(13,472)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137)</u>	<u>-</u>	<u>(11,998)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	19	68	2,239	(323)	(306)	2,491
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>91</u>	<u>2,106</u>	<u>10,037</u>	<u>4,414</u>	<u>8,256</u>	<u>41,191</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 110</u>	<u>\$ 2,174</u>	<u>\$ 12,276</u>	<u>\$ 4,091</u>	<u>\$ 7,950</u>	<u>\$ 43,682</u>

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**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT D-5**  
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**GRANT RECIPIENT FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	<b>Federal Department of Interior</b>	<b>Federal Justice Administration</b>	<b>FDJ Office of Justice Program</b>	<b>Federal Health Administration</b>
<b>ASSETS</b>				
Cash			\$ 6	\$ 631
Investments			3,475	-
Grantee loans receivable			-	-
Due from other funds			-	-
Due from other governments	<u>\$ 1</u>	<u>\$ 112</u>	<u>-</u>	<u>1,702</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 1</b></u>	<u><b>\$ 112</b></u>	<u><b>\$3,481</b></u>	<u><b>\$ 2,333</b></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable		\$ 104	\$ 210	\$ 1,430
Due to other funds	\$ 1	8	18	820
Due to other governments	-	-	-	-
Due to component units	-	-	-	-
Deferred revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u><b>1</b></u>	<u><b>112</b></u>	<u><b>228</b></u>	<u><b>2,250</b></u>
<b>Fund balances:</b>				
<b>Unreserved:</b>				
Designated for subsequent years' expenditures	<u>-</u>	<u>-</u>	<u>3,253</u>	<u>83</u>
<b>Total fund balances</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>3,253</b></u>	<u><b>83</b></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 1</b></u>	<u><b>\$ 112</b></u>	<u><b>\$3,481</b></u>	<u><b>\$ 2,333</b></u>

Federal Emergency Management	Department of Economic Development	Federal Energy Grant	Federal Department of Agriculture	Louisiana Commission on Law Enforcement	Department of Health and Human Resources	Environmental Protection Agency
\$ 66		\$ 20	\$ 284	\$ 803	\$ 91	
-		-	-	-	-	
-		-	-	-	-	
99	\$ 13	57 13	-	247	452	\$ 6
<u>\$ 165</u>	<u>\$ 13</u>	<u>\$ 90</u>	<u>\$ 284</u>	<u>\$ 1,050</u>	<u>\$ 543</u>	<u>\$ 6</u>
\$ 165			\$ 4	\$ 624	\$ 117	
-	\$ 13	\$ 13	-	32	426	\$ 6
-	-	5	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>165</u>	<u>13</u>	<u>18</u>	<u>4</u>	<u>656</u>	<u>543</u>	<u>6</u>
-	-	72	\$ 280	394	-	-
-	-	72	280	394	-	-
<u>\$ 165</u>	<u>\$ 13</u>	<u>\$ 90</u>	<u>\$ 284</u>	<u>\$ 1,050</u>	<u>\$ 543</u>	<u>\$ 6</u>

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT D-5  
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GRANT RECIPIENT FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

	Louisiana Department of Public Safety	Federal Department of Labor	Louisiana Department of Education	Louisiana Department of Agriculture and Forest	Department of Culture, Recreation and Tourism
<b>ASSETS</b>					
Cash	\$ 3	\$ 462	\$ 2		
Investments	-	-	-		
Grantee loans receivable	-	-	-		
Due from other funds	-	-	3		\$ 2
Due from other governments	<u>6</u>	<u>1,604</u>	<u>-</u>	<u>\$ 4</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9</u></b>	<b><u>\$ 2,066</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ 4</u></b>	<b><u>\$ 2</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable		\$ 1,311			
Due to other funds	\$ 9	755		\$ 4	
Due to other governments	-	-		-	
Due to component units	-	-		-	
Deferred revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>9</u>	<u>2,066</u>	<u>-</u>	<u>4</u>	<u>-</u>
Fund balances:					
Unreserved:					
Designated for subsequent years' expenditures	<u>-</u>	<u>-</u>	<u>\$ 5</u>	<u>-</u>	<u>\$ 2</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>2</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 9</u></b>	<b><u>\$ 2,066</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ 4</u></b>	<b><u>\$ 2</u></b>

Federal Department of Highway Administration	Department of Labor	Department of Resources	Traffic Court	Private Grants	Federal Department of Social Service	Total <u>2002</u>
	\$ 98		\$ 192		\$ 1	\$ 2,659
	-		-		-	3,475
	-		-		-	-
	-		-	\$ 1	-	63
<u>\$ 30</u>	<u>570</u>	<u>\$ 4</u>	<u>-</u>	<u>-</u>	<u>143</u>	<u>5,006</u>
<u>\$ 30</u>	<u>\$ 668</u>	<u>\$ 4</u>	<u>\$ 192</u>	<u>\$ 1</u>	<u>\$ 144</u>	<u>\$ 11,203</u>
	\$ 560	\$ 2	\$ 17		\$ 114	\$ 4,658
\$ 30	108	1	-		30	2,274
-	-	-	175		-	180
-	-	-	\$-		-	-
-	-	-	-		-	-
<u>30</u>	<u>668</u>	<u>3</u>	<u>192</u>		<u>144</u>	<u>7,112</u>
-	-	<u>1</u>	-	<u>\$ 1</u>	-	<u>4,091</u>
-	-	<u>1</u>	-	<u>1</u>	-	<u>4,091</u>
<u>\$ 30</u>	<u>\$ 668</u>	<u>\$ 4</u>	<u>\$ 192</u>	<u>\$ 1</u>	<u>\$ 144</u>	<u>\$ 11,203</u>

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT D-6  
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**GRANT RECIPIENT FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Federal Department of Interior	Federal Justice Administration	FDJ Office of Justice Program	Federal Health Administration
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 579	\$ 1,588	\$ 12,660
Program income		-	-	-
Interest income		-	48	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues		<u>579</u>	<u>1,636</u>	<u>12,660</u>
<b>EXPENDITURES:</b>				
General government		471	1,215	10,693
Public safety		108	755	1,968
Public works		-	-	-
Health and human services		-	-	-
Culture and recreation		-	-	-
Urban development and housing		-	-	-
Economic development and assistance		-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures		<u>579</u>	<u>1,970</u>	<u>12,661</u>
(Deficiency) excess of revenues over expenditures		<u>          </u>	<u>(334)</u>	<u>(1)</u>
<b>Other financing uses:</b>				
Operating transfers out		-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing uses		<u>          </u>	<u>          </u>	<u>          </u>
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses			<u>(334)</u>	<u>(1)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>				
	<u>          </u>	<u>          </u>	<u>3,587</u>	<u>84</u>
<b>FUND BALANCES, END OF YEAR</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,253</u>	<u>\$ 83</u>

Federal Emergency Management	Department of Economic Development	Federal Energy Grant	Federal Department of Agriculture	Louisiana Commission on Law Enforcement	Department of Health and Human Resources	Environmental Protection Agency
\$ 194 47	\$-	\$ 1	\$ 202	\$ 1,150	\$ 3,580	\$ 24
-	-	-	-	-	167	-
<u>241</u>	<u>-</u>	<u>1</u>	<u>202</u>	<u>1,150</u>	<u>3,747</u>	<u>24</u>
241	-	-	191	256	-	24
-	-	-	-	608	126	-
-	-	-	-	-	-	-
-	-	-	-	286	3,376	-
-	-	-	-	-	108	-
-	-	-	-	-	-	-
<u>241</u>	<u>-</u>	<u>-</u>	<u>191</u>	<u>1,150</u>	<u>3,610</u>	<u>24</u>
-	-	1	11	-	137	-
-	-	-	-	-	(137)	-
-	-	-	-	-	(137)	-
-	-	1	11	-	-	-
-	-	\$ 71	269	394	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 280</u>	<u>\$ 394</u>	<u>\$ -</u>	<u>\$ -</u>

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CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT D-6

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GRANT RECIPIENT FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

	Louisiana Department of Public Safety	Federal Department of Labor	Louisiana Department of Education	Louisiana Department of Agriculture and Forest	Department of Culture, Recreation and Tourism
<b>REVENUES:</b>					
Intergovernmental	\$ 57	\$ 7,826		\$ -	
Program income	-	-			
Interest income	-	-			
<b>Total revenues</b>	<u>57</u>	<u>7,826</u>			
<b>EXPENDITURES:</b>					
General government	-	-			
Public safety	57	-			
Public works	-	-			
Health and human services	-	-			
Culture and recreation	-	-			
Urban development and housing	-	-			
Economic development and assistance	-	7,826			
<b>Total expenditures</b>	<u>57</u>	<u>7,826</u>			
(Deficiency) excess of revenues over expenditures	-	-			
<b>Other financing uses:</b>					
Operating transfers out	-	-			
<b>Total other financing uses</b>	<u>-</u>	<u>-</u>			
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	-	-			
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>\$ 5</u>		<u>\$ 2</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 2</u>

Federal Department of Highway Administration	Department of Labor	Department of Resources	Traffic Court	Private Grants	Federal Department of Social Service	Total 2002
\$ 100	\$ 3,771	\$ 16	\$ 69		\$ 429	\$ 32,245
-	-	-	-		-	215
-	-	-	-		-	48
<u>100</u>	<u>3,771</u>	<u>16</u>	<u>69</u>		<u>429</u>	<u>32,508</u>
100	-	16	69		48	13,224
-	-	-	-		-	1,754
-	-	-	-		-	5,630
-	-	-	-		-	108
-	-	-	-		-	
-	<u>3,771</u>	-	-		<u>381</u>	<u>11,978</u>
<u>100</u>	<u>3,771</u>	<u>16</u>	<u>69</u>		<u>429</u>	<u>32,694</u>
-	-	-	-		-	(186)
-	-	-	-		-	(137)
-	-	-	-		-	(137)
-	-	-	-		-	(323)
-	-	<u>1</u>	-	<u>\$ 1</u>	-	<u>4,414</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 4,091</u>

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**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT D-7**

**Page 1 of 2**

**EXPENDABLE TRUST FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

<b>ASSETS</b>	<b>Delgado- Albania Plantation Commission</b>	<b>Edward Wisner</b>	<b>Institute of Mental Hygiene</b>	<b>LaHache Music</b>	<b>Place DeFrance- Joan of Arc</b>
Cash	\$ 76	\$ 354	\$ 12	\$ 4	\$ 4
Investments	3,012	3,569	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	74	-	-	-	-
Due from component units	-	-	-	-	-
Other assets	12	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$3,174</u></b>	<b><u>\$3,923</u></b>	<b><u>\$ 12</u></b>	<b><u>\$ 4</u></b>	<b><u>\$ 4</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable					
Due to other funds					
Due to component units					
Total liabilities					
<b>FUND BALANCES:</b>					
Unreserved - undesignated	<u>\$3,174</u>	<u>\$3,923</u>	<u>12</u>	<u>\$ 4</u>	<u>\$ 4</u>
Total fund balances	<u>3,174</u>	<u>3,923</u>	<u>12</u>	<u>4</u>	<u>4</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$3,174</u></b>	<b><u>\$3,923</u></b>	<b><u>\$ 12</u></b>	<b><u>\$ 4</u></b>	<b><u>\$ 4</u></b>

Simon Hersheim	Kiwanis Club Lee Circle Sprinkler System	Ella West Freeman Foundation	Endowment Income	<u>Total</u>
\$ 21	\$ 5	\$ 3	\$ 302	\$ 781
54	-	4	438	7,077
-	-	-	6	6
-	-	-	7	81
-	-	-	-	-
-	-	-	-	12
<u>\$ 75</u>	<u>\$ 5</u>	<u>\$ 7</u>	<u>\$ 753</u>	<u>\$ 7,957</u>
			\$ 4	\$ 4
			3	3
			-	-
			7	7
<u>\$ 75</u>	<u>\$ 5</u>	<u>\$ 7</u>	<u>746</u>	<u>7,950</u>
<u>75</u>	<u>5</u>	<u>7</u>	<u>746</u>	<u>7,950</u>
<u>\$ 75</u>	<u>\$ 5</u>	<u>\$ 7</u>	<u>\$ 753</u>	<u>\$ 7,957</u>

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT D-8

Page 1 of 2

EXPENDABLE TRUST FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

	Delgado- Albania Plantation Commission	Edward Wisner	Institute of Mental Hygiene	LaHache Music	Place DeFrance- Joan of Arc
REVENUES:					
Contributions, gifts and donations	\$ 102	\$ 903	\$ 6		
Interest income	<u>46</u>	<u>61</u>	<u>6</u>		
Total revenues	<u>148</u>	<u>964</u>	<u>12</u>		
EXPENDITURES:					
Health and human services					
Culture and recreation	<u>350</u>	<u>1,082</u>	<u>-</u>		
Total expenditures	<u>350</u>	<u>1,082</u>	<u>-</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(202)	(118)	12		
FUND BALANCES, BEGINNING OF YEAR	<u>3,376</u>	<u>4,041</u>	<u>-</u>	<u>\$ 4</u>	<u>\$ 4</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,174</u>	<u>\$ 3,923</u>	<u>\$ 12</u>	<u>\$ 4</u>	<u>\$ 4</u>

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Simon Hersheim	Kiwanis Club Lee Circle Sprinkler System	Ella West Freeman Foundation	Endowment Income	<u>Total</u>
\$ 1				\$ 1,012
<u>2</u>	<u>      </u>	<u>      </u>	\$ 7	<u>122</u>
<u>3</u>	<u>      </u>	<u>      </u>	<u>7</u>	<u>1,134</u>
<u>-</u>	<u>      </u>	<u>      </u>	<u>8</u>	<u>1,440</u>
<u>-</u>	<u>      </u>	<u>      </u>	<u>8</u>	<u>1,440</u>
3			(1)	(306)
<u>72</u>	\$ <u>5</u>	\$ <u>7</u>	<u>747</u>	<u>8,256</u>
<u>\$ 75</u>	<u>\$ 5</u>	<u>\$ 7</u>	<u>\$ 746</u>	<u>\$ 7,950</u>

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT D-9**

**Page 1 of 2**

**EXPENDABLE TRUST FUNDS - ENDOWMENT INCOME TRUST FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

<b>ASSETS</b>	<b>Isaac Delgado Memorial</b>	<b>John McDonogh School</b>	<b>Lafayette Cemetery No. 1 Under Will of Lilly Violet</b>	<b>Mahalia Zimmerman Tomb</b>
Cash	\$ 150	\$ -	\$ 9	\$ 3
Investments	282	-	7	-
Due from other funds	3	-	-	-
Due from component units	-	-	-	-
Accounts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 435</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16</u></b>	<b><u>\$ 3</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable				
Due to other funds	_____	_____	<u>\$ 1</u>	_____
Total liabilities	_____	_____	<u>1</u>	_____
<b>FUND BALANCES:</b>				
Unreserved - undesignated	<u>\$ 435</u>	_____	<u>15</u>	<u>\$ 3</u>
Total fund balances	<u>435</u>	_____	<u>15</u>	<u>3</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 435</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16</u></b>	<b><u>\$ 3</u></b>

EXHIBIT D-9

Page 2 of 2

Mrs. Otto Joachim	Sickles Legacy	Helen Adler Levy Library	<u>Total</u> <u>2002</u>
\$ 1	\$ 137	\$ 2	\$ 302
-	109	40	438
-	4	-	7
-	-	-	-
-	-	6	6
<u>\$ 1</u>	<u>\$ 250</u>	<u>\$ 48</u>	<u>\$ 753</u>
<u>      </u>	<u>      </u>	\$ 4	\$ 4
<u>      </u>	<u>      </u>	2	3
<u>\$ 1</u>	<u>\$ 250</u>	6	7
<u>1</u>	<u>250</u>	42	746
<u>\$ 1</u>	<u>\$ 250</u>	42	746
<u>      </u>	<u>      </u>	<u>\$ 48</u>	<u>\$ 753</u>

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT D-10

Page 1 of 2

EXPENDABLE TRUST FUNDS - ENDOWMENT INCOME TRUST FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

	Isaac Delgado Memorial	John McDonogh School	Lafayette Cemetery No. 1 Under Will of Lilly Violet	Mahalia Zimmerman Tomb
REVENUES:				
Interest income	\$ 2	—	\$ 1	—
Total revenues	<u>2</u>	—	<u>1</u>	—
EXPENDITURES:				
Culture and Recreation	—	\$ 8	—	—
Total expenditures	<u>—</u>	<u>8</u>	<u>—</u>	—
EXCESS OF REVENUES OVER EXPENDITURES	2	(8)	1	
FUND BALANCES, BEGINNING OF YEAR	<u>433</u>	<u>8</u>	<u>14</u>	<u>\$ 3</u>
FUND BALANCES, END OF YEAR	<u>\$ 435</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 3</u>

EXHIBIT D-10

Page 2 of 2

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Mrs. Otto Joachim	Sickles Legacy	Helen Adler Levy Library	<u>Total</u> 2002
<u>      </u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 7</u>
<u>      </u>	<u>3</u>	<u>1</u>	<u>7</u>
<u>      </u>	<u>      </u>	<u>      </u>	<u>8</u>
<u>      </u>	<u>      </u>	<u>      </u>	<u>8</u>
<u>      </u>	<u>3</u>	<u>1</u>	<u>(1)</u>
<u>\$ 1</u>	<u>247</u>	<u>41</u>	<u>747</u>
<u>\$ 1</u>	<u>\$ 250</u>	<u>\$ 42</u>	<u>\$ 746</u>

## TRUST AND AGENCY FUNDS

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

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

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

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

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

## CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT E-1

PENSION TRUST FUNDS  
 COMBINING STATEMENT OF PLAN NET ASSETS  
 DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

ASSETS	Firefighters'		Police Old System	Employees' Retirement System	Total
	Old System	New System			
<b>CURRENT ASSETS:</b>					
Cash	\$ 2,982	\$ 203	\$ 301	\$ 2,102	5,588
Investments	7,508	175,524	3,043	313,495	499,570
Receivables:					
Accrued interest	4	2,210	2	1,397	3,613
Contribution	97,753	-	14	75	97,842
Other	1	646	-	-	647
Property and equipment, net of accumulated depreciation	99	-	-	-	99
Other assets	470	-	-	2	472
<b>TOTAL ASSETS</b>	<b>\$ 108,817</b>	<b>\$ 178,583</b>	<b>\$ 3,360</b>	<b>\$ 317,071</b>	<b>\$ 607,831</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 4	\$ 120	\$ -	\$ 148	\$ 272
Other payables and accruals	38	10,880	-	2,887	13,805
Total current liabilities	42	11,000	-	3,035	14,077
<b>LONG-TERM LIABILITIES:</b>					
Notes payable	3	-	-	-	3
Total long-term liabilities	3	-	-	-	3
Total liabilities	45	11,000	-	3,035	14,080
<b>NET ASSETS:</b>					
Reserved for:					
Employees' pension benefits	108,772	167,583	\$ 3,360	314,036	593,751
Total net assets	108,772	167,583	3,360	314,036	593,751
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 108,817</b>	<b>\$ 178,583</b>	<b>\$ 3,360</b>	<b>\$ 317,071</b>	<b>\$ 607,831</b>

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT E-2**

**COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
YEAR ENDED DECEMBER 31, 2002 (IN THOUSANDS)**

	<u>Fire Fighters'</u>		<u>Police</u>	<u>Employees'</u>	
	<u>Old</u>	<u>New</u>	<u>Old</u>	<u>Retirement</u>	<u>Totals</u>
	<u>System</u>	<u>System</u>	<u>System</u>	<u>System</u>	
<b>Additions</b>					
<b>CONTRIBUTIONS:</b>					
Employer		\$ 3,970	\$ 201	\$ 6,665	\$ 10,836
Members		880	2	4,133	5,015
Fire insurance rebate	\$ 1,026	-	-	-	1,026
Total contributions	<u>1,026</u>	<u>4,850</u>	<u>203</u>	<u>10,798</u>	<u>16,877</u>
<b>INVESTMENT INCOME:</b>					
Net appreciation (depreciation) in fair value of investments	(14,414)	(15,228)	-	(34,158)	(63,800)
Interest and dividends	1,807	5,711	43	12,866	20,427
Other investment income	-	724	-	-	724
Less investment expense	<u>(390)</u>	<u>(855)</u>	<u>(2)</u>	<u>(1,857)</u>	<u>(3,104)</u>
Net investment income	<u>(12,997)</u>	<u>(9,648)</u>	<u>41</u>	<u>(23,149)</u>	<u>(45,753)</u>
<b>OTHER INCOME</b>	<u>-</u>	<u>99</u>	<u>11</u>	<u>-</u>	<u>110</u>
Total additions	<u>(11,971)</u>	<u>(4,699)</u>	<u>255</u>	<u>(12,351)</u>	<u>(28,766)</u>
<b>Deductions</b>					
Retirement benefits paid	17,214	7,670	83	18,492	43,459
Refund of Contributions	-	48	-	995	1,043
Death benefits	63	9	-	-	72
Administrative expenses	310	373	122	87	892
DROP withdrawal	271	210	-	1,835	2,316
PLOP withdrawl	70	786	-	-	856
Transfers	<u>-</u>	<u>-</u>	<u>26</u>	<u>995</u>	<u>1,021</u>
Total deductions	<u>17,928</u>	<u>9,096</u>	<u>231</u>	<u>22,404</u>	<u>49,659</u>
<b>NET INCREASE (DECREASE)</b>	<u>(29,899)</u>	<u>(13,795)</u>	<u>24</u>	<u>(34,755)</u>	<u>(78,425)</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR</b>	<u>138,671</u>	<u>181,378</u>	<u>3,336</u>	<u>348,791</u>	<u>672,176</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR</b>	<u>\$ 108,772</u>	<u>\$ 167,583</u>	<u>\$ 3,360</u>	<u>\$ 314,036</u>	<u>\$ 593,751</u>

See notes to financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT E-3  
Page 1 of 2**

**AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Balance January 1, 2002	Additions	Deductions	Balance December 31, 2002
<b>CLEARING FUND ASSETS</b>				
Cash	\$ 18,319	\$ 2,098,354	\$ (2,096,504)	\$ 20,170
Accounts receivable	67	333	(233)	167
Due from other funds	2,687	9,484	(10,885)	1,286
Due from other governments	786	1,548	(1,463)	871
	<u>\$ 21,859</u>	<u>\$ 2,109,719</u>	<u>\$ (2,109,085)</u>	<u>\$ 22,494</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,938	\$ 62,403	\$ (63,317)	\$ 1,024
Other payables and accruals	2,193	2,323,167	(2,322,940)	2,420
Due to other funds	3,960	10,933	(10,536)	4,357
Due to other governments	13,522	13,305	(12,135)	14,692
Due to component units	246		(245)	1
	<u>\$ 21,859</u>	<u>\$ 2,409,808</u>	<u>\$ (2,409,173)</u>	<u>\$ 22,494</u>
<b>DEPOSIT FUND ASSETS</b>				
Cash	\$ 3,154	\$ 44,097	\$ (43,693)	\$ 3,558
Investments	5,480	17,974	(18,030)	5,424
Accounts receivable	120	63	(121)	62
Due from other funds		63		63
Due from other governments	40	1,807	(1,677)	170
	<u>\$ 8,794</u>	<u>\$ 64,004</u>	<u>\$ (63,521)</u>	<u>\$ 9,277</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 242	\$ 2,301	\$ (2,005)	\$ 538
Other payables and accruals	8,475	2,745	(7,579)	3,641
Due to other funds	77	5,092	(71)	5,098
	<u>\$ 8,794</u>	<u>\$ 10,138</u>	<u>\$ (9,655)</u>	<u>\$ 9,277</u>

(Continued)

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

	Balance January 1, 2002	Additions	Deductions	Balance December 31, 2002
<b>ESCROW FUND ASSETS</b>				
Cash	\$ 5,659	\$ 273,467	\$ (278,477)	\$ 649
Investments	157,646	125,463	(126,023)	157,086
Due from other funds	1,008	3,300	(3,008)	1,300
	<u>\$ 164,313</u>	<u>\$ 402,230</u>	<u>\$ (407,508)</u>	<u>\$ 159,035</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 395	\$ 27,578	\$ (27,084)	\$ 889
Other payables and accruals	163,476	30,376	(35,707)	158,145
Due to other funds	442	230	(671)	1
	<u>\$ 164,313</u>	<u>\$ 58,184</u>	<u>\$ (63,462)</u>	<u>\$ 159,035</u>
<b>TOTAL ALL AGENCY FUNDS ASSETS</b>				
Cash	\$ 27,132	\$2,415,918	\$ (2,418,674)	\$ 24,377
Investments	163,126	143,437	(144,053)	162,510
Accounts receivable	187	396	(354)	229
Due from other funds	3,695	12,847	(13,893)	2,649
Due from other governments	826	3,355	(3,140)	1,041
	<u>\$ 194,966</u>	<u>\$2,575,953</u>	<u>\$ (2,580,114)</u>	<u>\$ 190,806</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,575	\$ 92,282	\$ (92,406)	\$ 2,451
Other payables and accruals	174,144	2,356,288	(2,366,226)	164,206
Due to other funds	4,479	16,255	(11,278)	9,456
Due to other governments	13,522	13,305	(12,135)	14,692
Due to component units	246		(245)	1
	<u>\$ 194,966</u>	<u>\$2,478,130</u>	<u>\$ (2,482,290)</u>	<u>\$ 190,806</u>

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**CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT F-1**

**SCHEDULE OF CAPITAL ASSETS BY ASSET CLASS AND SOURCE  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

---

Governmental funds capital assets:	
Land	\$ 74,733
Infrastructure	2,011,477
Buildings and improvements	146,686
Machinery and equipment	14,457
Parks	14,427
Construction in progress	<u>218,496</u>
Total governmental funds capital assets	<u>\$2,480,276</u>

CITY OF NEW ORLEANS, LOUISIANA

EXHIBIT F-2

SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY  
 DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)

Function and Activity	Land	Infrastructure	Buildings and Improvements	Equipment	Parks	Total
<b>General government:</b>						
The Council	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Mayor	-	-	-	148	-	148
Department of Law	-	-	-	34	-	34
Judicial and Parochial	-	-	66,000	75	-	66,075
Department of Finance	-	-	-	89	-	89
Unattached boards and commissions	-	-	-	130	-	130
Department of Civil Service	-	-	-	15	-	15
General services	-	-	-	452	-	452
General government	-	-	-	2,505	-	2,505
Total general government	-	-	66,000	3,448	-	69,448
<b>Public safety:</b>						
Department of Police	-	-	-	704	-	704
Department of Fire	-	-	-	4,032	-	4,032
Department of Safety and Permits	-	-	-	5	-	5
Total public safety	-	-	-	4,741	-	4,741
<b>Public works:</b>						
Department of Streets	-	2,011,477	-	3,071	-	2,014,548
Department of Sanitation	-	-	-	1,145	-	1,145
Department of Property Management	74,733	-	80,686	390	14,427	170,236
Department Utilities	-	-	-	21	-	21
Total public works	74,733	2,011,477	80,686	4,627	14,427	2,185,950
<b>Health and Human Services:</b>						
Department of Health	-	-	-	172	-	172
Department of Human Services	-	-	-	177	-	177
Total health and human services	-	-	-	349	-	349
<b>Culture and recreation:</b>						
Public Library	-	-	-	444	-	444
Cultural Commission	-	-	-	573	-	573
Department of Recreation	-	-	-	15	-	15
Total culture and recreation	-	-	-	1,032	-	1,032
Urban development and housing	-	-	-	260	-	260
Total capital assets allocated to functions	\$ 74,733	\$ 2,011,477	\$ 146,686	\$ 14,457	\$ 14,427	2,261,780
Construction in progress	-	-	-	-	-	218,496
Total capital assets	-	-	-	-	-	\$ 2,480,276

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT F-3**

**SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY  
YEAR ENDED DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

<b>Function and Activity</b>	<b>Capital Assets January 1, 2002</b>	<b>Additions</b>	<b>Deductions</b>	<b>Capital Assets December 31, 2002</b>
<b>General government:</b>				
The Council	\$ 3,817	\$ -	\$ 3,817	\$ -
The Mayor	148	-	-	148
Department of Law	34	-	-	34
Judicial and Parochial	66,109	-	34	66,075
Department of Finance	668	-	579	89
Unattached boards and commissions	1,214	-	1,084	130
Department of Civil Service	24	-	9	15
General services	732	41	321	452
General government	<u>2,489</u>	<u>138</u>	<u>122</u>	<u>2,505</u>
Total general government	<u>75,235</u>	<u>179</u>	<u>5,966</u>	<u>69,448</u>
<b>Public safety:</b>				
Department of Police	12,378	50	11,724	704
Department of Fire	4,023	9	-	4,032
Department of Safety and Permits	48	-	43	5
Total public safety	<u>16,449</u>	<u>59</u>	<u>11,767</u>	<u>4,741</u>
<b>Public works:</b>				
Department of Streets	1,990,015	26,626	2,093	2,014,548
Department of Sanitation	1,864	-	719	1,145
Department of Property Management	170,236	-	-	170,236
Department Utilities	11	10	-	21
Total public works	<u>2,162,126</u>	<u>26,636</u>	<u>2,812</u>	<u>2,185,950</u>
<b>Health and human services:</b>				
Department of Health	758	-	586	172
Department of Human Services	172	15	10	177
Total health and human services	<u>930</u>	<u>15</u>	<u>596</u>	<u>349</u>
<b>Culture and recreation:</b>				
Public Library	494	5	55	444
Cultural Commission	1,161	44	632	573
Department of Recreation	39	-	24	15
Total culture and recreation	<u>1,694</u>	<u>49</u>	<u>711</u>	<u>1,032</u>
Urban development and housing	<u>824</u>	<u>6</u>	<u>570</u>	<u>260</u>
Construction in progress	<u>211,744</u>	<u>15,830</u>	<u>9,078</u>	<u>218,496</u>
Total capital assets	<u>\$2,469,002</u>	<u>\$42,774</u>	<u>\$31,500</u>	<u>\$2,480,276</u>

**SUPPLEMENTARY SCHEDULE**

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT G-1**

**SCHEDULE OF GENERAL BONDED SERVICE REQUIREMENTS UNTIL MATURITY  
DECEMBER 31, 2002 (AMOUNTS IN THOUSANDS)**

Year	General Obligations Bonds	
	Principal	Interest
2003	34,375	30,857
2004	24,764	40,510
2005	22,114	43,186
2006	22,133	43,161
2007	20,165	43,084
2008	20,164	43,004
2009	20,227	42,858
2010	20,365	42,535
2011	20,650	42,142
2012	20,897	41,674
2013	21,043	41,196
2014	21,302	40,596
2015	21,605	39,939
2016	21,944	39,272
2017	22,263	38,483
2018	22,649	37,639
2019	44,860	14,877
2020	47,000	12,195
2021	49,150	9,391
2022	15,530	6,462
2023	15,710	5,557
2024	16,020	4,646
2025	16,255	3,725
2026	14,500	2,796
2027	10,945	1,958
2028	8,130	1,294
2029	8,035	779
2030	5,360	276
	<u>\$ 608,155</u>	<u>\$ 714,092</u>

**Note:** Classification of amounts due as principal or interest differs from the City's financial statements due to the treatment of deep discount bonds for financial reporting purposes under GASB Statement No. 34

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**STATISTICAL SECTION**  
**(Unaudited)**

**CITY OF NEW ORLEANS, LOUISIANA**

EXHIBIT H-1

Page 1 of 2

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

<b>Year</b>	<b>General Government (1)</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Health and Human Services</b>
1993	\$ 86,034	\$ 135,640	\$ 55,549	\$ 17,053
1994	95,321	135,634	57,694	14,610
1995	121,827	135,702	62,396	12,946
1996	118,622	138,800	49,740	14,301
1997	142,853	155,604	56,139	15,124
1998	129,525	155,123	53,033	12,699
1999	132,020	154,573	57,312	12,865
2000	138,514	160,146	59,042	13,061
2001	163,305	150,555	59,514	12,282
2002	142,009	153,445	62,384	12,160

(1) General government expenditures include other financing uses and other, net.

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<b>Culture and Recreation</b>	<b>Urban Development and Housing</b>	<b>Debt Service</b>	<b>Total</b>
\$ 17,145	\$ 2	\$ 45,539	\$ 356,962
17,505	2	44,796	365,562
18,838	245	40,759	392,713
17,869	336	45,509	385,177
21,648	166	47,040	438,574
20,571	205	49,699	420,855
22,267	222	57,789	437,048
22,837	315	67,058	460,973
22,495	270	82,744	491,165
23,424	263	79,195	472,880

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

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<b>Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter- governmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeits</b>
1993	\$ 186,842	\$ 34,464	\$ 21,546	\$ 37,723	\$ 10,326
1994	187,327	33,150	18,245	39,637	10,856
1995	194,735	35,296	18,825	43,555	10,430
1996	199,355	34,639	17,038	41,778	10,498
1997	202,828	44,462	17,547	44,690	12,957
1998	214,612	55,166	18,407	43,170	11,514
1999	221,915	53,672	18,545	44,039	10,803
2000	232,872	57,020	15,353	42,604	12,575
2001	239,118	62,641	12,391	45,065	13,367
2002	244,105	56,616	12,498	51,541	13,940

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

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<b>Interest Income</b>	<b>Contributions, Gifts and Donations</b>	<b>Miscellaneous (1)</b>	<b>Debt Service</b>	<b>Total</b>
\$ 6,765	\$ 16,047	\$ 7,907	\$ 35,075	\$ 356,695
4,257	30,724	22,545	35,675	382,416
7,284	6,612	34,082	36,782	387,601
8,089	484	21,603	39,578	373,062
10,406	589	44,780	40,787	419,046
8,811	6,613	33,493	43,048	434,834
8,229	1,128	25,312	44,828	428,471
8,829	9,300	60,907	48,617	488,077
10,114	1,309	61,093	48,649	493,747
5,506	210	45,129	48,889	478,434

**CITY OF NEW ORLEANS, LOUISIANA**

EXHIBIT H-3

Page 1 of 2

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

<b>Year</b>	<b>General Government (1)</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Health and Human Services</b>
1993	\$ 81,627	\$ 134,272	\$ 57,053	\$ 17,019
1994	90,076	134,566	53,692	14,606
1995	101,508	135,374	55,686	12,570
1996	103,316	138,257	52,848	14,682
1997	122,846	157,019	59,333	15,074
1998	131,544	154,299	53,744	12,414
1999	129,653	155,136	54,645	12,877
2000	160,266	160,516	63,081	13,280
2001	136,539	150,834	59,862	12,117
2002	139,336	150,055	64,500	12,248

(1) General government expenditures include other financing uses and other, net.

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<b>Culture and Recreation</b>	<b>Urban Development and Housing</b>	<b>Debt Service</b>	<b>Total</b>
\$ 17,012	\$ -	\$ 45,539	\$ 352,522
17,469	4	44,796	355,209
18,714	223	40,759	364,834
17,824	358	45,509	372,794
21,850	166	47,040	423,328
20,381	176	49,699	422,257
22,213	239	57,789	432,552
22,975	326	67,058	487,502
22,397	271	83,111	465,131
23,493	262	79,195	469,089

**CITY OF NEW ORLEANS, LOUISIANA**

EXHIBIT H-4

Page 1 of 2

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

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<b>Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter- governmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeits</b>
1993	\$ 187,341	\$ 34,464	\$ 21,546	\$ 37,760	\$ 10,326
1994	186,702	33,150	18,227	39,637	10,856
1995	195,076	35,296	18,572	43,555	10,430
1996	199,417	34,639	17,590	41,778	10,498
1997	203,088	44,462	16,927	44,717	12,957
1998	212,721	55,166	18,514	43,174	11,515
1999	221,915	53,672	18,548	44,039	10,803
2000	232,872	57,021	15,353	42,604	12,575
2001	239,739	62,540	12,391	44,983	13,367
2002	243,673	56,616	12,498	52,204	13,940

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

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<b>Interest Income</b>	<b>Contributions, Gifts and Donations</b>	<b>Miscellaneous (1)</b>	<b>Debt Service</b>	<b>Total</b>
\$ 6,765	\$ 16,047	\$ 7,472	\$ 35,075	\$ 356,796
4,257	30,742	21,896	35,675	381,142
7,284	6,612	20,208	36,782	373,815
8,067	484	22,916	39,578	374,967
10,406	588	23,710	40,787	397,642
8,811	6,614	27,451	43,048	427,014
8,229	1,128	24,102	44,828	427,264
8,829	9,300	58,501	48,617	485,672
10,114	1,309	25,278	48,649	458,370
5,506	210	34,448	46,604	465,699

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT H-5**

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

Fiscal Year	Total Levied	Collected through December 31, 2002		Balance Outstanding at December 31, 2002		Collected During 2002 Amount
		Amount	Percent	Amount	Percent	
<b>Real estate taxes:</b>						
1993	\$ 149,627	\$ 147,744	98.74	\$ 1,883	1.26	\$ 134
1994	146,451	144,507	98.67	1,944	1.33	150
1995	145,005	142,702	98.41	2,303	1.59	173
1996	155,297	152,866	98.43	2,431	1.57	382
1997	157,517	154,626	98.16	2,891	1.84	1,028
1998	163,715	160,135	97.81	3,580	2.19	1,075
1999	172,016	168,250	97.81	3,766	2.19	1,567
2000	199,666	193,924	97.12	5,742	2.88	4,800
2001	209,441	203,691	97.25	5,750	2.75	8,296
2002	214,088	200,727	93.76	13,361	6.24	200,727
<b>Personal property taxes:</b>						
1993	\$ 72,866	\$ 68,296	93.73	\$ 4,570	6.27	\$ 0
1994	74,955	71,142	94.91	3,813	5.09	0
1995	79,258	75,418	95.16	3,840	4.84	0
1996	85,470	78,291	91.60	7,179	8.40	200
1997	88,126	83,381	94.62	4,745	5.38	268
1998	94,777	88,511	93.39	6,266	6.61	135
1999	98,467	93,080	94.53	5,387	5.47	47
2000	105,951	98,552	93.02	7,399	6.98	887
2001	110,058	97,719	88.79	12,339	11.21	6,633
2002	105,378	91,030	86.38	14,348	13.62	91,030

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT H-6**

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

Fiscal	Real Property		Personal Property		Total		Assessed to Estimated Actual Value
	Net Assessed Value(1)	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	
1993	\$ 918,234	\$ 7,870,555	\$ 456,806	\$ 3,045,373	\$ 1,375,040	\$ 10,915,928	12.6
1994	894,733	7,669,118	467,805	3,118,700	1,362,538	10,787,818	12.6
1995	885,899	7,593,398	467,699	3,117,993	1,353,598	10,711,391	12.6
1996	948,777	8,132,351	533,300	3,555,333	1,482,077	11,687,684	12.7
1997	960,554	8,233,296	548,893	3,659,287	1,509,447	11,892,583	12.7
1998	977,783	8,380,973	578,256	3,855,040	1,556,039	12,236,013	12.7
1999	1,013,240	8,684,889	592,741	3,951,607	1,605,981	12,636,496	12.7
2000	1,159,821	9,941,294	628,860	4,192,400	1,788,681	14,133,694	12.7
2001	1,214,098	10,406,525	651,744	4,344,960	1,865,842	14,751,485	12.6
2002	1,231,764	10,557,947	619,368	4,129,120	1,851,132	14,687,067	12.6

(1) Amounts are net of the homestead exemption.

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT H-7  
Page 1 of 4**

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

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>Direct Property Tax Rates</b>										
City alimony, Sec. 15 Act 4 of 1916; Art. XIV Sec. 24 Const. 1921 Act 151 of 1962	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91
Interest and redemption city bond, Sec. 15, Act 4 of 1916 (Amended Act 575 of 1966)	26.90	26.90	26.90	26.90	26.90	26.90	26.90	26.90	26.90	26.90
Special tax for sewerage, water and drainage, Act 197 of 1938 and Act 626 of 1960, Art. XIV, Sec. 23.1, 23.4-23.12 Const. 1921	-	-	-	-	-	-	-	-	-	-
Special tax for maintenance, operations and extension of the drainage system, Act 565 of 1966, Art. XIV, Sec. 23.2 Const. 1921 and Art VI, Sec. 22.36 and 32 Const. 1974.1 and Art. VII, Sec. 23, 1974 Const. LSA R.S. 47:1705 (B)	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59	22.59
Special tax for establishing and maintaining a zoological garden in Audubon Park, Art. X Sec. 10 and Sec. 801 of Title 39 Louisiana Const. 1972 approved by voters in a referendum November 1972	.44	.44	.44	.44	.44	.44	.44	.44	.44	.44
Special dedicated tax to operate the Public Library Act VII, Part II Sec. 23 of Louisiana Const. 1974, LSA R.5, 47:1705(B) approved by voters in November 1986	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32

(Continued)

**CITY OF NEW ORLEANS, LOUISIANA**

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

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Special tax dedicated to maintenance of double platoon Fire Department and triple platoon Police Department, Act 7 of 1920 Art. XIV, Sec. 25, Const. 1921	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27	4.27
Special tax (additional) for increase in pay to officers and members of Police and Fire Department, Act 260 of 1928, Art. XIV, Sec. 25, Const. 1921	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.13	2.13
Special tax to establish and maintain an aquarium by the Audubon Commission Act. VII, Part II Sec. 23, of La. Const. 1974. LSA R-5, 47:1705(B) approved by the voters in November 1986	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11
Special tax, Police without Homestead Exemption: additional millages for police protection, Act 1103 of 1990; Art. VII, Sec. 23	5.26	5.26	5.26	5.26	5.26	5.26	5.26	5.26	5.26	5.26
Special tax, Fire without Homestead Exemption: additional millages for fire protection, Act 1103 of 1990; Art. VII, Sec. 23	5.21	5.21	5.21	5.21	5.21	5.21	5.21	5.21	5.21	5.21
Special tax, Neighborhood Housing Improvement	1.25	1.25	1.25	1.25	1.25	1.25	1.25	2.50	2.50	2.50

(Continued)

**CITY OF NEW ORLEANS, LOUISIANA**

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

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Capital improvements & Infrastructure Trust Fund	2.50	2.50	2.50	2.50	2.50	2.50	2.50	-	-	-
Special tax, New Orleans Economic Development Fund	1.25	1.25	1.25	1.25	1.25	1.25	1.25	2.50	2.50	2.50
Special tax, Parkways and Park and Recreation Department	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Special tax, Street and Traffic Control Device Maintenance	<u>1.90</u>									
Total direct property tax rates	<u>100.04</u>									
<b>Overlapping Property Tax Rates</b>										
Special tax to provide funds for Board of Assessors according to Sec. 1925.1, 1925.2A title 47 La. revised statute Act 450, 1986	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19
Special tax, Orleans Parish Levee Board for support, maintenance and construction of levees and levee drainage as authorized by Act 6, Sec. 39, Const. 1974	5.46	5.46	5.46	5.46	5.85	5.85	5.85	5.85	5.85	5.13
Special tax, Orleans Parish Levee Board, for support, maintenance and construction of levees and levee drainage Art. XVI, Sec. 2 Const. 1921 amended, ratified Art. 6, Sec.31 of the 1974 Const.	6.55	6.55	6.55	6.55	6.16	6.16	6.16	6.16	6.16	6.16

(Continued)

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT H-7  
Page 4 of 4**

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

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Special tax for Orleans Parish School Board, for support, maintenance and construction of Public Schools of the City of New Orleans as levied by said Board annually, Act 51 of 1920, Art. XII, Sec. 16 Const. 1921 Act 264 of 1926;s Act 751 of 1964	52.98	53.05	52.70	51.10	48.80	45.40	45.10	45.10	45.10	45.10
Special tax, Law Enforcement District of Orleans Parish, LRS 33:90001-9010	<u>3.0</u>									
Total overlapping property tax rates	<u>69.18</u>	<u>69.25</u>	<u>68.9</u>	<u>67.30</u>	<u>65.00</u>	<u>61.60</u>	<u>61.30</u>	<u>61.30</u>	<u>61.30</u>	<u>60.58</u>
Total	<u>169.22</u>	<u>169.29</u>	<u>168.94</u>	<u>167.34</u>	<u>165.04</u>	<u>161.64</u>	<u>161.34</u>	<u>161.34</u>	<u>161.34</u>	<u>160.62</u>

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

(Concluded)

**CITY OF NEW ORLEANS, LOUISIANA**

EXHIBIT H-8

**COMPUTATION OF LEGAL DEBT MARGIN  
DECEMBER 31, 2002 (UNAUDITED, AMOUNTS IN THOUSANDS)**

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Assessed value	\$2,251,699
Debt limitation - 35% of total assessed value*	<u>788,095</u>
Amount of debt applicable to debt limitation:**	
General obligation bonds***	473,386
Limited tax bonds	<u>7,305</u>
	480,691
Less assets in debt service fund available for retirement of general obligation bonds	<u>32,878</u>
Total amount of debt applicable to debt limit	<u>447,813</u>
Legal debt margin	<u>\$ 340,282</u>

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

\*\*Excludes revenue bonds

\*\*\*Excludes the effects of accretion on deep discount bonds

**CITY OF NEW ORLEANS, LOUISIANA**

EXHIBIT H-9

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

<b>Fiscal Year</b>	<b>Population*</b>	<b>Assessed Value Real Estate and Personal Property</b>	<b>General Obligation Bonded Debt</b>	<b>Ratio of Bonded Debt to Assessed Value</b>	<b>Bonded Debt Per Capita (1)</b>
1993	497	\$ 1,770,985	\$ 429,243	24.24	864
1994	497	1,786,595	415,625	23.26	836
1995	497	1,784,739	432,261	24.22	870
1996	497	1,914,889	414,711	21.66	834
1997	497	1,969,443	448,081	22.76	901
1998	497	1,969,443	474,421	24.09	955
1999	497	2,212,297	485,156	21.93	976
2000	485	2,173,287	464,176	21.36	957
2001	485	2,251,699	464,495	20.63	958
2002	485	2,251,699	473,386	21.02	976

\*Per 1990 and 2000 U.S. Census.

(1) Bonded debt per capita not in thousands.

NOTE: Bonded debt does not include the effects of accretion on deep discount bonds.

**CITY OF NEW ORLEANS, LOUISIANA**

EXHIBIT H-10

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
TOTAL DEBT TO TOTAL GENERAL EXPENDITURES  
(NON-GAAP BUDGETARY BASIS)  
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Expenditures(1)</b>	<b>Ratio of Debt Service to Total General Expenditures</b>
1993	\$ 12,614	\$ 22,969	\$ 35,583	\$ 356,962	9.97
1994	13,618	21,966	35,584	365,562	9.73
1995	11,538	17,307	28,845	392,713	7.35
1996	17,550	20,718	38,268	385,177	9.94
1997	17,870	21,600	39,470	438,574	9.00
1998	17,245	23,077	40,322	420,855	9.58
1999	30,185	27,604	57,789	437,048	13.22
2000	38,787	28,271	67,058	460,973	14.55
2001	46,155	36,589	82,744	491,165	16.85
2002	38,515	40,680	79,195	472,880	16.75

(1) Includes general and debt service funds only.

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT 11**

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2002 (UNAUDITED, AMOUNTS IN THOUSANDS)**

	<b>Bonded Debt</b>	<b>Percentage Overlapping</b>	<b>Overlapping Debt</b>
<b>City of New Orleans:</b>			
General obligation, limited tax, and revenue bonds	\$ 643,708	100 %	\$ 643,708
<i>Sewerage and Water Board</i>	259,285	100	259,285
Audubon Commission	<u>56,772</u>	100	<u>56,772</u>
Total direct City debt	<u>959,765</u>		<u>959,765</u>
<b>Overlapping debt:</b>			
Orleans Parish School Board (1)	324,898	100	324,898
Orleans Levee District (1)	<u>125,217</u>	100	<u>125,217</u>
Total overlapping debt	<u>450,115</u>		<u>450,115</u>
Total direct and overlapping debt	<u>\$ 1,409,880</u>		<u>\$ 1,409,880</u>

---

(1) The fiscal year of the Orleans Parish School Board and Orleans Levee District ends on June 30th. Overlapping debt is based on June 30, 2002 financial information.

**PROPERTY VALUE AND CONSTRUCTION  
LAST TEN FISCAL YEARS (UNAUDITED, AMOUNTS IN THOUSANDS)**

	Property Value			Construction			
	Real Estate	Personal	Total	Residential Permits	Residential Valuation	Nonresidential Permits	Nonresidential Valuation
1993	\$7,870,555	\$3,045,373	\$10,915,928	11,358	\$99,151	3,039	\$90,433
1994	7,669,118	3,118,700	10,787,818	2,993	98,675	824	131,997
1995	7,593,398	3,117,993	10,711,391	2,595	105,590	604	39,063
1996	8,132,351	3,556,167	11,688,518	2,163	79,469	365	175,218
1997	8,233,296	3,659,287	11,892,583	2,131	62,761	1,501	123,250
1998	8,380,973	3,856,747	12,237,720	1,962	104,227	339	146,053
1999	8,684,889	3,951,607	12,636,496	2,089	122,342	531	161,068
2000	9,941,294	4,192,400	14,133,694	2,223	136,686	531	110,446
2001	10,406,525	4,344,960	14,751,485	2,170	111,804	556	153,741
2002	10,926,851	4,499,423	15,426,274	2,371	133,259	454	170,758

Source: Department of Safety and Permits.

EXHIBIT H-12  
Page 1 of 2

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<u>Commercial</u>		<u>Industrial</u>	
<u>Permits</u>	<u>Valuation</u>	<u>Permits</u>	<u>Valuation</u>
233	\$ 70,176	1	\$ 6,887
904	77,500	20	5,700
627	219,679	47	22,548
160	28,921	8	846
900	97,325	18	1,163
184	49,028	2	11,796
294	78,293	3	184
325	135,665	9	2,551
333	52,103	5	936
305	76,057	8	1,518

**CITY OF NEW ORLEANS, LOUISIANA**

**EXHIBIT H-13**

**PRINCIPAL TAXPAYERS  
DECEMBER 31, 2002 (UNAUDITED, AMOUNTS IN THOUSANDS)**

<b>Name of Taxpayer</b>	<b>Type of Business</b>	<b>2002 Assessed Value</b>	<b>Percentage of Total Assessed Value</b>
Entergy Services	Electric and gas utilities	\$ 74,501	4.11 %
BellSouth Telecommunications	Telephone utilities	59,439	3.28
Hibernia National Bank	Financial institution	38,930	2.15
Harrah's Entertainment	Hospitality and gaming	33,119	1.83
Banc One	Financial institution	30,414	1.68
Whitney National Bank	Financial institution	26,398	1.46
Tenet	Managed Care	16,575	.91
Jazzland	Theme Park	14,314	.79
International River Center	Real Estate	14,241	.79
EOP New Orleans LLC	Telecommunications	<u>13,181</u>	<u>.73</u>
		<u>\$ 321,112</u>	<u>17.73 %</u>

**DEMOGRAPHICAL AND MISCELLANEOUS STATISTICS  
(UNAUDITED)**

---

*Location:*

Southeastern Louisiana between Lake Pontchartrain and the Mississippi River

*Size:*

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

*Population:*

484,674 (2000 U.S. Census)

*Climate:*

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

*Public Safety:*

Department of Police

Police districts - 8

Budgeted positions - 2,167

Department of Fire

Fire districts - 6

Budgeted positions - 686

*Public Works:*

Developed expressways	33	miles
Paved roadways with curbs, gutters and subsurface drainage	1,063	miles
Asphalt center strip roadways with some related subsurface drainage	359	miles
Temporary surfaces, roadways	273	miles
Unopened or undeveloped streets	<u>29</u>	miles
Total	<u>1,757</u>	miles

Budgeted positions - 312

*Recreation:*

City of New Orleans Recreation Centers	10
Stadiums	7
Pools:	
Outdoor	16
Indoor	3
Tennis court locations	10
Playgrounds	113
Other unique sites (cultural activities)	6
Acreage	560
Associated agencies' acreage	4,691
Municipal golf courses	4
Budgeted positions	219

Source: City Records.

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

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

We have audited the government-wide financial statements of the City of New Orleans, Louisiana (the "City"), as of and for the year ended December 31, 2002, and have issued our report thereon dated June 27, 2003. 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.

### **Compliance**

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

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

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the government-wide financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in detail in the attached appendix A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the government-wide financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness..

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated June 27, 2003.

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

*Deloitte + Touche LLP*

June 27, 2003

# CITY OF NEW ORLEANS

## APPENDIX A

### COMMENT 02-01

#### FIXED ASSET INVENTORY

##### Observation

In 2002, the City adopted Governmental Accounting Standards Board Statement ("GASB") No. 34, *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Government."* GASB No. 34 requires the City to record its capital assets, net of accumulated depreciation, on its government-wide financial statements. Based on prior year recommendations, the City of New Orleans (the "City") has substantially completed an inventory of its significant fixed assets. In the past several years, the City was precluded from producing a complete listing of all assets that agree to the general ledger mainly due to a failed system conversion in 1998. The City has recorded the results of its current inventory on excel spreadsheets as well as its fixed asset system, AFIN Advantage 2.0. In the current year, the City has experienced numerous difficulties extracting accurate information from the AFIN Advantage 2.0 system. The system has not been able to produce accurate asset addition or deletion reports, and the reports that are produced contain numerous duplications of asset amounts. As a result, the City has had to solely rely upon the information that is able to be downloaded to excel spreadsheets and calculate depreciation expense, in accordance with GASB No. 34, manually.

##### Recommendation

We recommend that the City evaluate its AFIN Advantage 2.0 system to ensure that it contains the capabilities to comply with the requirements of GASB No. 34. If it is determined that the system does have the necessary capabilities, we advise that the City seek technical support to properly operate the AFIN Advantage 2.0 system. Based on the amount of City owned capital assets, it is inefficient and inadequate to maintain the only accurate fixed asset records on excel spreadsheets. This practice will lead to numerous recording errors as well as jeopardize the safeguarding of assets due to the lack of sufficient systems to accurately track the movement of the capital assets. Once an acceptable system is established, the City should implement a reconciliation process within each department that would accurately report all capital asset additions greater than the \$5,000 threshold as well as all capital asset disposals. Finally, a policy should be established that would require periodic cycle counts on at least a quarterly basis that would be reconciled to the general ledger. These periodic counts would improve the controls around the safekeeping and recording of the capital assets.

##### Management's Response

The City will evaluate the AFIN Advantage 2.0 system to determine if it has the capabilities to support the City's capital assets needs and the new GASB 34 requirements.

##### Completion Date

November 30, 2003

##### Contact

Wayne DeLarge, Comptroller  
Earl J. Kilbride, MIS Director

## COMMENT 02-02

### CASH-BANK RECONCILIATIONS

#### Observations

As noted in prior years, there are certain deposit and disbursement accounts that are reconciled separately by finance and treasury. It was noted that discrepancies exist between the reconciliations performed by the separate functions. Also, it did not appear that material reconciling items in the deposit clearing account were identified and properly recorded within the cash balance.

#### Recommendation

We recommend that the function of cash reconciliations be assigned to a single department. In addition, we recommend that the City implement a reconciliation process which identifies and resolves on a timely basis all outstanding reconciling items. As in prior years, we also recommend that the City develop a standardized process and format for its bank reconciliations. Finally, the City should continue working on its plan to implement a centralized cash management function that would enable the City to monitor its cash balances, consolidate numerous accounts, and project its ability to meet its future cash requirements through formalized monthly cash flow forecasts.

#### Management's Response

The administration recently issued an RFP to evaluate the cash management and internal controls within the Bureau of Treasury. Within the scope of this engagement we will seek a recommendation on how to best handle and standardize bank reconciliations.

#### Completion Date

November 30, 2003

#### Contact

Sharon McDonald, Treasurer  
Wayne DeLarge, Comptroller

**COMMENT 02-03**

**RECONCILIATION OF DUE TO/DUE FROM COMPONENT UNITS**

Observation

As noted in prior years, during our testing of due to/due from component units, we noted that there were numerous out of balance conditions between the City's financial statements and various component units. The City is not following its own guidelines that were established in January 1998 that required quarterly reconciliation of the due to/due from balances with component units.

Recommendation

Accounting personnel should begin to follow the City's policy to reconcile these balances on a quarterly basis. There also should be a procedure where a due to/due from matrix is prepared by accounting personnel that would provide a detail of each component unit balance and the City's related balance. This matrix should be reviewed by the comptroller on a quarterly basis and any differences should be resolved immediately.

Management's Response

The administration will begin immediately the reconciliation of Due To/Due From for the major component units. We also assess the need and requirement on the remainder of the component units.

Completion Date

July 31, 2003

Contact

Wayne DeLarge, Comptroller  
Earl J. Kilbride, MIS Director

**STATUS OF THE 2001 RECOMMENDATIONS**

The following is a summary of the 2001 recommendations from our report dated June 28, 2002 and the status of implementation thereof:

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
<u>COMMENT 01-1</u>			
Schedule of Findings-Management did not believe that it violated the public bid laws.	X		
<u>COMMENT 01-2</u>			
Fixed asset inventory – Management will conduct a physical inventory.		X	
<u>COMMENT 01-3</u>			
Cash – Bank Reconciliations – Management will coordinate efforts to improve process.			X
<u>COMMENT 00-4</u>			
Reconciliation of due to/from components units – management concurs that quarterly reconciliations must be provided.			X

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**Deloitte  
& Touche**

June 27, 2003

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

Dear Mayor and Members of the City Council:

In planning and performing our audit of the government-wide financial statements of the City of New Orleans, Louisiana (the "City") for the year ended December 31, 2002 (on which we have issued our report dated June 27, 2003), we developed the following recommendations concerning certain matters related to its internal control and certain observations and recommendations on other accounting, administrative, and operating matters. A description of the responsibility of management for establishing and maintaining internal control, and of the objectives of and inherent limitations of internal control is set forth in the attached Appendix and should be read in conjunction with this letter. Our comments are presented in Exhibit I and are listed in the table of contents thereto. See also "Status of the 2001 Recommendations" on pages 6 through 7.

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

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

Yours truly,

*Deloitte + Touche LLP*

Deloitte  
Touche  
Tohmatsu

# **CITY OF NEW ORLEANS**

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## **EXHIBIT I**

### **INTERNAL CONTROL STRUCTURE**

#### **USER TERMINATION PROCEDURES**

##### Observation

During our follow-up and current reivew of security access procedures, we noted the City of New Orleans does not have a formal procedure for the removal of system access for employees that have been terminated or transferred. The process that the city follows currently is to allow the account of the terminated user to suspend because of inactivity.

There is a risk that unauthorized use of the terminated user access can occur before the account is suspended. Unauthorized activities of terminated users are difficult to track.

Also, without a consistent process, transferred (people changing departments) users with changed access requirements may result in violation of segregation of duties as additional access may be given without revoking the previous access.

##### Recommendation

Collaborating with human resources will allow the MIS department to become aware in a timelier manner when there are personnel changes that will affect user access to the network and various applications maintained by the MIS department. Human Resources should notify IT on job changes and terminations on an immediate basis so that access can be modified/terminated on a timely basis.

##### Management's Response

The City is implementing a new Active Directory that will control system access on PC-based systems. This project is underway and should be complete by year-end. Mainframe systems are not linked to the active directory and require proactive security measures by the MIS Security Administrator

In order to tie this new security data to HR hiring and transfers, and to generate reports for use by the mainframe security administrator, the Office of Technology and the City MIS departments plans to begin requirements gathering for a new ERP system to more effectively manage HR data records, to allow seamless integration into the new Active Directory for security concerns, to allow integration into a general ledger system, and to integrate into a payroll system. An estimated completion date for this project has not yet been determined because of critical technology project that must be completed prior to determining full system requirements. We estimate that this project will begin in or around the September, 2003 timeframe.

##### Completion Date

Ongoing

##### Contact

Greg Meffert, Chief Technology Officer

## PROGRAM CHANGES

### Observation

During our follow up and current year review of program change management procedures, we noted there is not a consistent requirement for end users to test and formally approve program changes prior to movement into production.

There are no formal testing procedures outside of what the programmers perform. Generally, the programmers are expected to test the modified programs using test data. Users should also be testing the program to ensure it meets the expectations; however, there is no requirement for users to test changes, and thus, often the programs are not tested by users. Without sufficient program change controls, management cannot be reasonably assured that changes made to the application systems are appropriately requested, authorized and implemented.

### Recommendation

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

### Management Response

The City has been working to institute testing and QA procedures. The City will hire consultants to augment City staff. Once projects are properly staffed, a test/QA signoff procedure will be enforced. On certain projects, we have already succeeded. Given that many systems are being migrated to newer platforms, this will be a continuous effort. The signoff procedures will be developed and implemented; but the enforcement of those procedures can only occur once the staff can support the day-to-day operations.

### Completion Date

Ongoing

### Contact

Greg Meffert, Chief Technology Officer

## ACCOUNTING, ADMINISTRATIVE AND OPERATING MATTERS

### FINANCIAL STATEMENT PREPARATION

#### Observation

As discussed in the prior year, at fiscal year-end, the Accounting department personnel prepare trial balances for all funds of the City to prepare the annual financial report. Accounting department personnel spend a significant amount of time preparing year-end trial balances in a personal computer-based spreadsheet program. The City's general ledger software does not currently prepare the reports needed by the Accounting department for the creation of the annual financial report. Manually reentering the data is inefficient and increases the potential for error in creating the annual financial report. With the adoption of Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*", the City must include in its government-wide financial statements capital assets, debt obligations, property tax receivables, etc., which require detail record keeping and should not be maintained on personal computer-based spreadsheet programs.

#### Recommendation

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

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

#### Management's Response

Currently, the IT Department has contracted with an outside vendor to produce automated reports from the general ledger system. The Accounting Department will have the capability of also producing financial statement and ad hoc reports on demand.

#### Completion Date

December 31, 2003

#### Contact

Wayne DeLarge, Comptroller

## BUSINESS CONTINUITY PLAN

### Observation

During our follow-up and current year review of business continuity plan, we noted the City of New Orleans has not developed a citywide business continuity plan or a disaster recovery plan to restore the City's computing capabilities.

Critical business functions and system resources may not be recovered in the event of major damage or inaccessibility of key information technology facilities, increasing the risk of loss of business and resources. A disaster recovery plan contains the necessary arrangements to restore system availability and processing in event of a disaster. In order to understand the potential risks and impact to operations, a Business Impact Analysis (BIA) should be performed. Upon completion of a BIA that would define risks and exposures to the business and drive the recovery strategy, Information Technology management can secure the most cost-effective arrangements for recovering EDP services in the event of a disaster.

### Recommendation

A Disaster Recovery Plan needs to be developed; documented and tested that includes MIS Disaster Recovery procedures as well as user procedures that would be necessary to recover these business functions. These two pieces should work together to ensure that in the event of a disaster the processing functions could be recovered with minimal lost time and information. The plan should be developed from an overall business perspective and address only critical business processes. A plan should include:

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

### Management's Response

Some efforts have already been (and are being) implemented to address these issues. Examples are: 1) Network requirements being sent out for bid require redundant connections to key City business location, 2) mainframe operations are being moved off-site to a facility that already has an effective disaster recover plan, and 3) acquisition of satellite telephones that are unaffected by local cellular outages for use by key City personnel during an emergency. A global, MIS disaster recovery plan has not yet been developed.

### Completion Date

To Be Determined

### Contact

Charles Rice, Chief Administrative Officer  
Greg Meffert, Chief Technology Officer

## RECONCILIATIONS OF URBAN DEVELOPMENT ACTION GRANTS

### Observation

As discussed in the prior year, the City maintains a listing of outstanding amounts receivable under the Urban Development Action Grants (UDAG) separately in the Accounting Department and in the Mayor's Department of Economic Development. It was noted that the listings of amounts outstanding do not agree. The total differences of these schedules amounted to approximately \$1,200,000.

### Recommendation

We recommend that the Accounting Department and the Mayor's Office of Economic Development reconcile the detail of the outstanding amounts receivable under UDAG. In addition, we recommend that the reconciliation of the UDAG account be designated to one department within the City.

### Management's Response

The Accounting Office will work with the Mayor's Office of Economic Development to develop a procedure for reconciling the grant managers ledgers to the official accounting records maintain by Finance Department.

### Completion Date

November 30, 2003

### Contact

Wayne DeLarge, Comptroller

## POLICY ON CELL PHONE USAGE

### Observation

Since 2002, allegations have surfaced periodically concerning the inappropriate use of City provided cell phones by employees for personal or non-business purposes. Under the existing City policy, supervisors are required to scrutinize an employee's cell phone costs for personal charges and seek reimbursement from the employee. Apparently, these policies are not being followed consistently.

### Recommendation

Competition within the wireless industry has generated dramatic changes in recent years in the costs and features associated with cell phones. We recommend that management update its cell phone policy to reflect such changes and require supervisors to review cell phone usage of their subordinates to determine uniform compliance with the policy. Procedures should be implemented to collect reimbursements from employees for non-business use of the phones.

### Management's Response

A revised cell phone policy has been prepared in draft form to address these issues.

### Completion Date

December 31, 2003

### Contact

Charles Rice, Chief Administrative Officer

## STATUS OF THE 2001 RECOMMENDATIONS

The following is a summary of the 2001 recommendations from our report dated June 28, 2002 and the status of implementation thereof:

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
• The City should develop a detail of its accounts payable for all funds.		X	
• The City should maintain a database of all claims.			X
• The City should establish a formal procedure to remove system access for employees who have been terminated or transferred.			X
• An internet security strategy should be defined based on the services provided by the City through the internet.	X		
• The City should adopt a policy that all workstations connected to the wide area network should contain anti-virus software.			X
• Formal program change procedures should include steps where users test all programs prior to movement into production.			X
• Many municipalities establish minimum levels of fund balance beyond which levels they will not exceed except in unusual or extraordinary circumstances. The City should establish for budgeting purposes a minimum level of fund balance.			X
• Consider expanding the size and staffing levels of the internal audit department.			X

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
• Explore alternative to manually reentering information that is already maintained in electronic format.			X
• Begin the processing of assessing its records regarding the historical cost of infrastructure.	X		
• A Disaster Recovery Plan needs to be developed, documented and tested.			X
• An analysis of budget to actual results should be performed on a regular interval.		X	
• Additional research of certain trust funds should be performed to determine their legal status and whether the requirements of each of these funds are being met.			X
• The City should reconcile the outstanding amounts receivable under UDAG.		X	

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## CITY OF NEW ORLEANS

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### SINGLE AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2002

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

Release Date 9/17/03

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

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

We have audited the Schedule of Expenditures of Federal Awards of the City of New Orleans for the year ended December 31, 2002. The Schedule of Expenditures of Federal Awards is the responsibility of the management of the City of New Orleans. Our responsibility is to express an opinion on the Schedule of Expenditures of Federal Awards based on our audit. The accompanying Schedule of Expenditures of Federal Awards is not a part of the City of New Orleans' general purpose financial statements for the year ended December 31, 2002. The general purpose financial statements were audited by other auditors.

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

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

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

Page 2

In our opinion, the Schedule of Expenditures of Federal Awards of the City of New Orleans presents fairly, in all material respects, the expenditures of federal awards of all federal programs for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As further discussed in Notes 4, 5 and 9, the City of New Orleans has been requested by federal agencies to remit funds for ineligible and disallowed costs and has failed to comply with certain *contractual and programmatic requirements with regard to its federal awards programs* during the year ended December 31, 2002 and in previous years. The determination of whether the identified instances of noncompliance will ultimately result in a disallowance of costs cannot be presently determined.

In accordance with Government Auditing Standards, we have also issued a report dated June 6, 2003 on our consideration of the City of New Orleans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit. Also, that report identified instances of noncompliance.

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

June 6, 2003



**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Agriculture</u>			
<u>Direct Awards</u>			
Agricultural Research -			
Basic and Applied Research	10.001	-----	\$ <u>190,476</u>
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's</u>			
<u>Department of Social Services</u>			
Special Supplemental Nutrition Program for			
Women, Infants and Children -			
Administrative Costs	10.557	CFMS553940	898,567
Special Supplemental Nutrition Program for			
Women, Infants and Children -			
Food Issuance (NOTE 13)	10.557	CFM5553940	8,189,549
<u>Through: Associated Catholic Charities</u>			
Commodity Supplemental Food Program	10.565	Philmat 99/00 CSFP2001	<u>167,124</u>
<u>Sub-total - Awards from a</u>			
<u>Pass-Through Entity</u>			<u>9,255,240</u>
<b>Total U. S. Department</b>			
<b>of Agriculture</b>			<u>9,445,716</u>

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

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Commerce</u>			
<u>Direct Awards</u>			
Public Works and Economic Development Facilities-			
Multi-Purpose Cadastre	11.300	-----	\$ 96,094
Coastal Zone Management Administration	11.419	-----	<u>48,356</u>
<i>Sub-total - Direct Awards</i>			<u>144,450</u>
 <u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's</u>			
Department of Natural Resources			
Coastal Zone Management			
Administration	11.419	NA970Z0162	<u>16,075</u>
<i>Sub-total-Awards from a Pass-Through Entity</i>			<u>16,075</u>
<b>Total U. S. Department of Commerce</b>			<u>160,525</u>

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

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U. S. Department of Housing and Urban Development</u></b>			
<b><u>Direct Awards</u></b>			
Urban Development Action Grants- Cumulative Program Income	14.221	-----	\$ 137,906
Urban Development Action Grants- Grantee Loans (NOTE 6)	14.221	-----	11,711,937
Urban Development Action Grants- American Can Project Loan (NOTE 6)	14.221	-----	1,000,000
Community Development Block Grant- Special Purpose Grants	14.227	-----	745,242
Emergency Shelter Grants Program Shelter Plus Care	14.231	-----	722,040
Home Investment Partnerships Program	14.238	-----	275,440
Housing Opportunities for Persons with AIDS Brownsfield Economic Development Initiative- Grantee Loan (NOTE 8)	14.239	-----	7,060,590
Community Development Block Grant- Section 108 Loan Guarantee (NOTE 7)	14.241	-----	2,195,385
	14.246	-----	500,000
	14.248	-----	<u>41,475,518</u>
<b><i>Sub-total - Direct Awards</i></b>			<b><u>65,824,058</u></b>

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

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Housing and Urban Development, Continued</u>			
<u>CDBG-Entitlement and Small Cities Cluster</u>			
<u>Direct Awards</u>			
Community Development Block Grants	14.218	-----	<u>\$22,104,928</u>
<u>Awards from a Pass-Through Entity</u>			
Through: State of Louisiana's Department of Social Service Emergency Shelter Grant	14.231		CFMS 570976/559272 536119/584063 380,460
Through: Housing Authority of New Orleans Public and Indian Housing Drug Elimination Program	14.854		<u>156,855</u>
<i>Sub-total - Awards from a Pass-Through Entity</i>			<u>537,315</u>
<b>Total U. S. Department of Housing and Urban Development</b>			<u>88,466,301</u>

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

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U. S. Department of Interior</u></b>			
<b><u>Direct Awards</u></b>			
Migratory Bird Banding and Data Analysis	15.976	-----	\$ 16,700
Urban Park and Recreation Recovery	15.919	-----	<u>12,900</u>
<b>Total U. S. Department of Interior</b>			
<u>29,600</u>			
<b><u>U. S. Department of Justice</u></b>			
<b><u>Direct Awards</u></b>			
Executive Office of Weed and Seed Plan	16.595	-----	296,387
Comprehensive Domestic Violence Program	16.588	-----	196,985
Local Law Enforcement Block Grant Program	16.592	-----	1,906,083
High Intensity Drug Trafficking	19PGCP545	-----	57,406
Weapons of Mass Destruction	TE-CX-0139	-----	63,693
Internet Crimes Against Children	MC-CX-K006	-----	<u>9,185</u>
<b><i>Sub-total - Direct Awards</i></b>			
<u>2,529,739</u>			

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

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b>U. S. Department of Justice, Continued</b>			
<i>Awards from a Pass-Through Entity</i>			
<b>Through: State of Louisiana's Commission on Law Enforcement</b>			
Juvenile Accountability Incentive Block Grants	16.523	A98-8-010/035	\$ 168,704
Electronic Equipment	N/A	P00-8-009/ P99/P00-9-002	15,815
Juvenile Justice and Delinquency Prevention	16.540	94/96/97/98 JF-FX-0022	78,464
Byrne Formula Grant Program	16.579	B-99-9-015/017/ 003/002/001	625,593
Mentoring Program	16.548	W99-9-003	39,039
Violence Against Women Formula Grant	16.588	M-98-9-002	<u>219,555</u>
<i>Sub-total - Awards from a Pass- Through Entity</i>			<u>1,147,170</u>
<b>Total U. S. Department of Justice</b>			<u>3,676,909</u>

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

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Labor</u>			
<u>Direct Awards</u>			
Welfare to Work to State and Localities	17.253	-----	\$ 1,610,441
HIB Visa Tech Skills	17.249	-----	<u>2,160,584</u>
			<u>3,771,025</u>
<i>Sub-total-Direct Awards</i>			
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's Department of Labor</u>			
Welfare to Work to State and Localities	17.253		2,311,513
Workforce Investment Act-Adult	17.258		1,902,973
Workforce Investment Act-Youth	17.259		2,142,196
Workforce Investment Act-Dislocated Worker	17.260		<u>1,473,434</u>
			<u>7,830,116</u>
<i>Sub-total-Awards from a Pass-Through Entity</i>			
<b>Total U. S. Department of Labor</b>			<u>11,601,141</u>

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

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Transportation</u>			
<u>Direct Awards</u>			
Airport Improvement Program-			
New Orleans Aviation Board	20.106	-----	\$ <u>6,781,413</u>
 <u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's</u>			
Department of Transportation			
Highway Planning and Construction	20.205	0012/0014/0103/0004	445,782
Roadway Incident Management Patrol	N/A	INH-MAP-002	99,558
<u>Through: State of Louisiana's</u>			
Highway and Safety Commission			
Safe and Sober	N/A	00-27/0127	46,848
Radar	N/A	0127-01	2,520
Traffic Crash Data	N/A	9261-06	<u>10,071</u>
 <u>Sub-total Awards from a</u>			
<u>Pass-Through Entity</u>			<u>604,779</u>
 <u>Total U. S. Department</u>			
<u>of Transportation</u>			<u>7,386,192</u>

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

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Treasury</u>			
<u>Direct Awards</u>			
Gang Resistance Education and Training	21.053	-----	\$ <u>19,332</u>
			<u>19,332</u>
<b>Total U. S. Department of Treasury</b>			
<u>Environmental Protection Agency</u>			
<u>Direct Awards</u>			
New Orleans Brownfields Project - Superfund State Site - Specific Cooperative Agreements	66.802	-----	<u>24,165</u>
			<u>24,165</u>
<b>Total Environmental Protection Agency</b>			

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

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>Federal Emergency Management Agency</u>			
<u>Direct Awards</u>			
Emergency Management-State and Local Assistance	83.534	-----	\$ 115,196
Flood Elevation Assistance	83.536	-----	<u>241,135</u>
<u>Sub-total-Direct Awards</u>			<u>356,331</u>
<u>Awards from a Pass-Through Entity</u>			
<u>Through: State of Louisiana's</u>			
Emergency Preparedness			
Emergency Management-State and Local Assistance	83.520	1435/37 DRLA	<u>3,524,299</u>
<u>Sub-total Awards from a</u>			
<u>Pass-Through Entity</u>			<u>3,524,299</u>
<b>Total Federal Emergency</b>			
<b>    Management Agency</b>			<u>3,880,630</u>

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

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Health and Human Services</u>			
<u>Direct Awards</u>			
Health Center Grants for Homeless Population	93.151	-----	\$ 1,230,493
Community Prevention Coalitions (Partnership)	282-99-0023	-----	140,259
Medical Response	93.230	-----	832,389
Demonstration Grant	93.926	-----	<u>2,597,288</u>
Healthy Start Initiative-Great Expectations Program			
<u>Sub-total - Direct Awards</u>			<u>4,800,429</u>

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

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Health and Human Services, Continued</u>			
<u><i>HIV Emergency Relief Cluster</i></u>			
<u>Direct Awards</u>			
HIV Emergency Relief Project Grant-Ryan White Program	93.914	-----	\$ <u>7,753,253</u>
<i>Sub-total - HIV Emergency Relief Cluster</i>			
<u>Awards from a Pass-Through Entity</u>			
<b>Through: State of Louisiana's Departments of Health and Hospitals and Social Services</b>			
EPSDT Medical	N.A.	1410012	946,360
Preventive Health and Health Services Block Grant	93.991	CFMS563403/551721	197,209
Temporary Assistance for Needy Families	93.558	CFMS577645	575,784
Preventative Health Services	93.977	CFMS577443	31,140
Family Planning Services	93.217	CFMS584488/587053	35,166

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

(CONTINUED)

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

(CONTINUED)

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<u>U. S. Department of Health and Human Services, Continued</u>			
<u>Awards from a Pass-Through Entity, Continued</u>			
<u>Through: State of Louisiana's Departments of     Health and Hospitals and Social Services, Continued</u>			
Maternal and Child Health Services Block Grant	93.994	DHH016969/18032	\$ 81,582
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	18364/19150	86,292
Homeless Dental	N.A.	1880043	60,670
<u>Through: National Black Women's Health Project, Inc.</u>			
Preventive Health Services - STD Research, Demonstration Grant	93.978	USO/CCU317	<u>69,466</u>
<i>Sub-total - Awards from a Pass-Through Entity</i>			
			<u>2,083,669</u>
<b>Total U. S. Department of Health and Human Services</b>			
			<u>14,637,351</u>
<b>Total Expenditures of Federal Awards- City of New Orleans</b>			
			<u>\$139,327,862</u>

N.A.=Not Available.

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

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**NOTE 1 - BACKGROUND:**

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

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

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

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

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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

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

**NOTE 4 - QUESTIONED COSTS:**

The City of New Orleans and certain sub-recipients who received funds from the City have expended certain federal grant funds in a manner that may have violated certain restrictive provisions of the related grants. The related questioned cost amounts as reported in the current and prior Single Audit reports pertinent to such actions excluding audit findings that were no longer valid based upon the provisions of OMB Circular A-133 Section 315(b)(4) are as follows:

<u>Program Year</u>	<u>Amount</u>
<u>City of New Orleans</u>	
December 31, 1997 through	
December 31, 2001	\$ 8,855,699
December 31, 2002	<u>1,169,337</u>
Total	<u>\$10,025,036</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**NOTE 4 - QUESTIONED COSTS, CONTINUED:**

<u>Sub-Recipients</u>	
December 31, 1995 through	
December 31, 2002	<u>\$51,768</u>
Total	<u>\$51,768</u>

Also, as a result of sub-recipient monitoring performed by independent accountants during 2002, 2001, 2000 and 1999, questioned costs totaling \$1,206,084 was noted. See page 96 for further details.

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

**NOTE 5 - INELIGIBLE/DISALLOWED AND QUESTIONED COSTS:**

As of the date of this report, funding sources have reviewed the operations and activities of certain programs and have rendered determinations as detailed in the status of other audits performed by Federal Auditors. Such ineligible/disallowed costs aggregated \$7,572,551 with repayments and credit reductions of such ineligible/disallowed costs totaling \$6,602,951 as of December 31, 2002. Additionally, documentation provided by the City of New Orleans to Federal Auditors resulted in clearance of an additional \$936,116 in questioned costs. When required, the repayment of the ineligible/disallowed costs is funded from non-federal funds. However, the Schedule of Expenditures of Federal Awards has not been adjusted for any such repayments. See pages 84 through 87 for further details.

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**NOTE 6 - GRANTEE LOANS - UDAG:**

The City has received certain grant awards from the United States Department of Housing and Urban Development (HUD) for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Twelve individual loans are outstanding at December 31, 2002, totaling \$12,711,937 which bear interest at rates ranging from zero percent-to-seven percent. These loans are receivable over a fifteen-to-thirty-year period and are recorded as deferred revenue at December 31, 2002. Once loan payments are received and the project is accepted by HUD, the City may use the amounts received for other allowable economic development activities as specified in the grant agreement.

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

The future maturities of grantee loans receivable as of December 31, 2002, are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2003	\$ 1,440,741
2004	628,730
2005	629,107
2006	629,492
2007	629,500
Thereafter	<u>8,754,367</u>
	<u>\$12,711,937</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**NOTE 7 - HUD SECTION 108 LOANS:**

The City has entered into contracts for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, with the Secretary of Housing and Urban Development (HUD) as guarantor. The City received these loans in order to fund its commitments to Jazzland, American Can, Palace of the East, LLC and Louisiana Artist Guild. During the years prior to and as of December 31, 2002, \$25,300,000 was disbursed to Jazzland; \$5,000,000 was disbursed to the American Can Project; \$5,000,000 was disbursed to Palace of the East, L.L.C. (Grand Theater) and \$7,100,000 to Louisiana Artist Guild.

These loans consist of notes bearing interest at either 8.70% to 8.75% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). Principal repayments totaling \$924,482 have been received by the City of New Orleans through December 31, 2002. As of December 31, 2002, the entire remaining balance of \$41,475,518 is recorded as a liability in the City of New Orleans' General Long-term Debt Account Group.

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

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 7 - HUD SECTION 108 LOANS, CONTINUED:**

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

<u>Jazzland Project</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 4,134,242	\$ 2,363,202
2004	1,696,933	1,190,820
2005	1,600,463	1,287,289
2006	1,496,179	1,391,574
2007	<u>1,048,640</u>	<u>18,142,633</u>
Sub-Total	<u>9,976,457</u>	<u>24,375,518</u>
 <u>American Can Project</u>		
2003	99,656	69,021
2004	97,920	93,649
2005	96,034	95,535
2006	94,123	97,460
2007	92,144	99,425
Thereafter	<u>1,633,240</u>	<u>4,544,910</u>
Sub-Total	<u>2,113,117</u>	<u>5,000,000</u>
 <u>Grand Theater Project</u>		
2003	304,312	-0-
2004	302,800	227,500
2005	293,525	192,500
2006	285,120	202,500
2007	275,483	212,500
Thereafter	<u>2,159,360</u>	<u>4,165,000</u>
Sub-Total	<u>3,620,600</u>	<u>5,000,000</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 7 - HUD SECTION 108 LOANS, CONTINUED:**

<u>Louisiana Artist Guild</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 241,873	\$ 46,000
2004	249,742	187,000
2005	282,690	202,000
2006	302,941	216,000
2007	315,462	232,000
Thereafter	<u>3,390,667</u>	<u>6,217,000</u>
	<u>4,783,375</u>	<u>7,100,000</u>
	<u>\$20,493,549</u>	<u>\$41,475,518</u>

**NOTE 8 - BROWNSFIELD ECONOMIC DEVELOPMENT INITIATIVE GRANT :**

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

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2003	\$ 9,966	\$ 6,902
2004	9,792	9,365
2005	9,603	9,554
2006	9,412	9,746
2007	9,214	9,942
Thereafter	<u>163,324</u>	<u>454,491</u>
Total	<u>\$211,311</u>	<u>\$ 500,000</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**NOTE 9 - CONTINGENCY:**

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

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

The audit of the federal award programs of the City of New Orleans for the year ended December 31, 2002 disclosed instances of non-compliance that may be material to the Schedule of Expenditures of Federal Awards, but for which the ultimate resolution cannot presently be determined.

**NOTE 10 - MAJOR FEDERAL AWARDS PROGRAMS:**

The City of New Orleans' major federal awards programs for the year ended December 31, 2002, were determined based upon program activity. The City's major federal awards programs for the year ended December 31, 2002, were all federally assisted programs for which program activity was equal to or greater than \$2,293,526 during the year ended December 31, 2002. Additionally, four (4) Type B high risk programs with funds less than \$2,293,526 were substituted for three (3) Type A low risk programs.

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount provided To Subrecipients</u>
Special Supplemental Program	10.557	\$ 35,554
Community Development Block Grants	14.218	9,185,066
Urban Development Action Grant	14.221	50,000
Special Purpose Grants	14.227	568,203
Emergency Shelter Grant	14.231	939,497
Shelter Plus Care	14.238	242,583
Home Investment Partnership Program	14.239	6,086,889
Housing Opportunities for Persons with AIDS	14.241	2,142,561
Local Law Enforcement and Block Grant	16.592	842,801
Weed and Seed	16.595	295,822
Comprehensive Domestic Violence	16.588	132,016
HIB Visa Tech Skills	17.249	1,798,132
Welfare-to-Work	17.253	3,188,721
Workforce Investment Act	17.258/259/ 260	4,468,559
Health Center Grants for Homeless Population	93.151	502,561
Demonstration Grant	93.194	209,394
HIV Emergency Relief Formula Grant	93.914	7,612,013
Healthy Start Initiative	93.926	<u>2,270,181</u>
Total		<u>\$40,570,553</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 12 - STATE GRANTS**

The City of New Orleans receives non-federal funds from the State of Louisiana to perform certain public programs. Expenditures and adjustments to expenditures for the year ended December 31, 2002 are as follows

<u>State Grantor Agency/ Program Name</u>	<u>Contract Number</u>	<u>Expenditures and Adjustments</u>
<u>Louisiana Department of Health and Human Resources</u>		
Carver High Clinic	1415855	\$ 39,206
B.T.W. School Clinic	1946796	9,952
Mobile Dental Care	1880051	124,187
EPSDT Dental	1880027/188019/ 35	120,669
Carver Clinic	5633611/ 544064	95,833
B.T.W. Clinic	563359/544064	56,262
Crisis Trauma Center	MH00-1S-358 MH99-15-407	125,763
Homeless Diabetes Education	576763	<u>19,362</u>
		<u>591,234</u>
<u>Louisiana Department of Culture, Recreation and Tourism</u>		
Library State Aid	n/a	108,235
Pontchartrain Park	261-361	<u>8,570</u>
		<u>116,805</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 12 - STATE GRANTS, CONTINUED**

<u>State Grantor Agency/ Program Name</u>	<u>Contract Number</u>	<u>Expenditures and Adjustments</u>
<u>Facility Planning and Control</u>		
St. Bernard Center Improvement	F 1020SA	\$ 315,543
Behrman Stadium	FPC50ML	83,743
A. P. Sanchez Center	M201-92B-1	28,776
East N. O. Center	ML201-95-B-6	(5,350)
Algiers Stable Museum	ML3-98-13	9,468
North Broad Parking	ML3-008-14	6,276
Lower Algiers Facility	ML3-01-02	96,235
Lincoln Beach Improvement	ML3-998-07	<u>80,844</u>
		<u>615,535</u>
<u>Louisiana Department of Family Services</u>		
Hearing Office Program	355700134	<u>48,404</u>
<u>Louisiana Department of Transportation and Development</u>		
Earhart Corridor	742-07-26	513,320
Tchoupitoulas Street	742-07-62	<u>7,873,153</u>
		<u>8,386,473</u>
Total State Grant Expenditures		\$ <u>9,758,451</u>

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

The City of New Orleans, in conjunction with the State of Louisiana Department of Health and Hospitals, administers the Women, Infants and Children Supplemental Program (WIC). As a result, eligible participants received WIC drafts to obtain WIC food packages totaling \$8,189,549.



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

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

We have audited the Schedule of Expenditures of Federal Awards of the City of New Orleans as of and for the year ended December 31, 2002, and have issued our report thereon dated June 6, 2003. The general purpose financial statements were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. As discussed in Notes 4, 5 and 9, the City of New Orleans has failed to comply with certain contractual and programmatic requirements with regard to its federal award programs during the year ended December 31, 2002 and in previous years. Such failures to comply with certain contractual and programmatic requirements resulted in questioned costs totaling \$10,025,036.

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

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**(CONTINUED)**

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

**Compliance**

As part of obtaining reasonable assurance about whether the City of New Orleans' Schedule of Expenditures of Federal Awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the Schedule of Expenditures of Federal Awards' amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that might be material to the Schedule of Expenditures of Federal Awards, but for which the ultimate resolution cannot presently be determined. The instances of non-compliance are identified in Schedule II as audit findings 2002-01 and 2002-02. Also, our December 31, 2002 audit of the federal programs resulted in questioned costs totaling \$1,169,337, which is material to the Schedule of Expenditures of Federal Awards, but the ultimate resolution cannot be presently determined. We also noted other immaterial instances of noncompliance that we have reported to management of the City of New Orleans in a separate letter dated June 6, 2003.

Under the terms and conditions of certain contracts and grants, the City of New Orleans disburses grants and awards to certain sub-recipients who are audited by other independent auditors and monitored by Independent Accountants engaged by the City of New Orleans and the City Council of New Orleans. Also, the City of New Orleans is periodically audited by federal agencies. The other independent auditors, independent accountants and federal auditors have furnished their audit and agreed-upon procedures reports to us. The audit and agreed-upon procedures reports contained instances of non-compliance pertaining to programmatic and financial activities of certain sub-recipients and the City of New Orleans.

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

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**(CONTINUED)**

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

The scope of our work was not sufficient to express, and we do not express an opinion on the completeness of the findings. However, information on the effect of the reported findings is included in the Current Status of Other Audits and Program Reviews performed by Federal Auditors and other Independent Auditors section starting on page 84 and the Summary of Other Independent Accountants fiscal and programmatic monitoring on page 96.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the City of New Orleans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule of Expenditures of Federal Awards and not to provide assurance on the internal control over financial reporting. Other independent auditors issued a report in which they reported separately on the results of their study and evaluation of the City of New Orleans internal control over financial reporting as a part of their audit of the general purpose financial statements. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Schedule of Expenditures of Federal Awards being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we did note other matters involving the internal control over financial reporting that we have reported to management of the City of New Orleans in a separate letter dated June 6, 2003.

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

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**(CONTINUED)**

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

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

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

June 6, 2003



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

**Compliance**

We have audited the compliance of the City of New Orleans with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2002. The City of New Orleans' major federal programs are identified in the summary of the independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of New Orleans' management. Our responsibility is to express an opinion on the City of New Orleans' compliance based on our audit.

We conducted our audit of compliance in accordance with 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

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

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**(CONTINUED)**

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

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

As described in Schedule III, audit findings 2002-04, 2002-07, 2002-09, 2002-11 and 2002-12 in the accompanying schedule of findings and questioned costs, the City of New Orleans did not comply with the requirements to properly procure contracts, document program income, monitor compliance with the Davis-Bacon Act, comply with matching requirements, and site-inspection requirements, that are applicable to its Home Investment Partnership, Emergency Shelter Grant, Community Development Block Grant and Community Development Block Grant-Section 108 Loan Guarantee programs. Compliance with such requirements is necessary in our opinion, for the City of New Orleans to comply with requirements applicable to those programs. In addition, the results of our audit procedures disclosed other instances of non-compliance that are required to be reported in accordance with OMB Circular A-133 and which are described in Schedule III in the accompanying schedule of findings and questioned costs as items 2002-03, 2002-05, 2002-06, 2002-08, 2002-10, 2002-13, 2002-14, 2002-15, 2002-16, 2002-17, 2002-18, 2002-19 and 2002-20.

In our opinion, except for the City of New Orleans' failures to properly procure contracts, monitor compliance with the Davis-Bacon Act, document program income and comply with matching and site inspection requirements, as described in the preceding paragraph, the City of New Orleans complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

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

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**(CONTINUED)**

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

Under the terms and conditions of certain contracts and grants, the City of New Orleans disburses grants and awards to certain sub-recipients who are audited by other independent auditors and monitored by Independent Accountants engaged by the City of New Orleans and the City Council of the City of New Orleans. Also, the City of New Orleans is periodically audited by federal agencies. The other independent auditors, independent accountants and federal auditors have furnished their audit and agreed-upon procedures reports to us. The audit and agreed-upon procedures reports contained instances of non-compliance pertaining to programmatic and financial activities of certain sub-recipients and the City of New Orleans. The scope of our work was not sufficient to express, and we do not express an opinion on the completeness of the findings. However, information on the effect of the reported findings is included in the Current Status of Other Audits and Program Reviews performed by Federal Auditors and other Independent Auditors section starting on page 84 and the Summary of Other Independent Accountants fiscal and programmatic monitoring on page 96.

**Internal Control Over Compliance**

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

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

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**(CONTINUED)**

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of New Orleans' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Schedule III in the accompanying schedule of findings and questioned costs as items 2002-03, 2002-04, 2002-05, 2002-07, 2002-08, 2002-09, 2002-11, 2002-12, 2003-13, 2002-14, 2002-15, 2002-16, 2002-17, 2002-18, 2002-19 and 2002-20.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions entitled **Internal Control-Departmental Programmatic Activities, Davis-Bacon Act, On-Site Inspections, Program Income, Financial Reporting, Reporting, Cost Allocation and Matching** are material weaknesses. Such reportable conditions are identified as audit findings 2002-05, 2002-07, 2002-08, 2002-09, 2002-11, 2002-12, 2002-13, 2002-14, and 2001-16.

We also noted other matters that we have reported to the management of the City of New Orleans in a separate letter dated June 6, 2003.

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

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**(CONTINUED)**

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

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

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

June 6, 2003

**SCHEDULE I**

**SUMMARY OF THE  
INDEPENDENT AUDITORS' RESULTS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**SCHEDULE I**

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

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1. Type of report issued on the schedule of expenditures of federal awards unqualified.
2. Did the audit disclose any reportable conditions in internal control no.
3. Were any of the reportable conditions material weaknesses no.
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization yes; also, an uncertainty exists whereby the ultimate resolution cannot presently be determined.
5. Did the audit disclose any reportable conditions in internal control over major programs yes.
6. Were any of the reportable conditions in internal control over major programs material weaknesses yes.
7. Type of report issued on compliance for major programs qualified.
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a) yes.
9. The following is an identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.218	Community Development Block Grant
14.231	Emergency Shelter Grant
14.239	Home Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
14.248	Community Development Block Grant- Section 108 Loan Guarantees
16.592	Local Law Enforcement Block Grant program

**SCHEDULE I**

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

---

<u>CFDA Number</u>	<u>Name of Federal Program</u>
17.249	HIB Visa Tech Skills
17.253	Welfare to Work
17.258	Workforce Investment Act-Adult Program
17.259	Workforce Investment Act-Youth Activities
17.260	Workforce Investment Act- Dislocated Workers
93.914	HIV Emergency Relief Project Grant
93.926	Healthy Start Initiatives

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

<u>Program</u>	<u>Amount</u>
Type A	\$2,293,526

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

**SCHEDULE II**

**FINANCIAL STATEMENT FINDINGS FOR THE**

**YEAR ENDED DECEMBER 31, 2002**

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

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**COMPLIANCE**

**Audit Finding Reference Number**

2002-01 Departmental Monitoring

**Federal Program and Specific Federal Award Identification**

**CFDA Title and Number**

10.557 Special Supplemental Nutrition Program for Women, Infants and Children  
14.218 Community Development Block Grants  
14.239 Home Investment Partnership Program  
16.592 Local Law Enforcement Block Grant  
17.249 Workforce Investment Act-IA H-1B Technical Skill Training Grants  
17.253 Welfare-to-Work  
17.258 Workforce Investment Act-Adult Program  
17.259 Workforce Investment Act-Youth Activities  
17.260 Workforce Investment Act-Dislocated Workers  
93.914 HIV Emergency Relief  
93.926 Healthy Start Initiatives

**Condition**

We noted during our audit that the City of New Orleans could improve its internal control procedures with regard to monitoring departmental federal programmatic activities. At December 31, 2002, certain departments and agencies of the City of New Orleans expended approximately \$11,031,000 to perform programmatic activities.

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

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**COMPLIANCE, CONTINUED**

**Audit Finding Reference Number**

2002-01 Departmental Monitoring, Continued

**Recommendation**

We continue to recommend that the management of the City of New Orleans continue to ensure that various departments and agencies who administer and conduct programmatic activities are programmatically monitored.

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

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**COMPLIANCE**

**Audit Finding Reference Number**

2002-02 Procurement

**Federal Program and Specific Federal Award Identification**

**CFDA Title and Number**

14.218 Community Development Block Grants

**Condition**

As described in audit finding 2002-04 and in the prior years audit findings 2001-02 and 2001-04 , the City of New Orleans utilized pre-existing contracts to procure grant allowable asphalt and concrete street repair services of approximately \$11 million during the year ended December 31, 2001. During the course of the 2002 audit, we noted an additional \$429 thousand of expenditures under those pre-existing contracts.

The management of the City of New Orleans has indicated that the present procurement policy provides for increasing, decreasing or adjusting an awarded contract, provided such additional services are consistent with the services provided in the original award and the contract term is extended.

**Recommendation**

We continue to recommend that management of the City of New Orleans take the necessary steps to resolve this condition.

**SCHEDULE III**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

SCHEDULE III

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-03 Monitoring

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218 Community Development Block Grants  
14.239 Home Investment Partnership Program  
14.241 Housing Opportunities for Persons with AIDS  
14.248 Community Development Block Grants-Section 108 Loan  
Guarantees  
17.249 Workforce Investment Act-H-1B Technical Skill Training Grants  
93.914 HIV Emergency Relief  
93.926 Healthy Start Initiatives

Federal Award Year

December 31, 2002

Federal Agencies

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

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-03 Monitoring, Continued

Pass-Through Entity

Not applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section M stipulates that a pass-through entity is responsible for the monitoring of the sub-recipient's activities to provide reasonable assurance that the sub-recipient administers federal awards in compliance with federal requirements. This responsibility includes identifying federal award information and compliance requirements to the sub-recipient and ensuring required audits are performed.

Conditions and Perspectives

We noted during our audit the following conditions:

The management of the City of New Orleans failed to include in contracts, certain award information and A-133 audit requirements and failed to obtain A-133 audit reports for the following grant programs and related sub-recipients:

<u>CFDA/Grant Program</u>	<u>Sub-Recipient Contract Deficiencies</u>	<u>Delinquent A-133 Audit Reports</u>
14.218 Community Development Block Grant	-0-	5
14.239 Home Investment Partnership Program	-0-	2
14.241 Housing Opportunities for Persons with AIDS	-0-	3
14.248 Community Development Block Grant Section 108 Loan Guarantees	-0-	3

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-03 Monitoring, Continued

Conditions and Perspectives, Continued

<u>CFDA/Grant Program</u>	<u>Sub-Recipient Contract Deficiencies</u>	<u>Delinquent A-133 Audit Reports</u>
17.249 Workforce Investment Act- H-1B Technical Skills Training Grants	-0-	1
93.914 HIV Emergency Relief	-0-	1
93.926 Healthy Start Initiatives	<u>1</u>	<u>1</u>
Total	<u>1</u>	<u>16</u>

- The programmatic monitoring methodology and documentation of sub-recipients requires further improvement for the following grant program:

CFDA/Grant Program

14.248 Community Development Block Grants-  
Section 108 Loan Guarantees

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-03 Monitoring, Continued

Cause

The management of the City of New Orleans is continuing to improve its internal control procedures for monitoring.

Effect

The City of New Orleans is continuing to ensure that sub-recipients are monitored in accordance with federal requirements.

Recommendation

We recommend that the City of New Orleans continue in its efforts to ensure that a fiscal and programmatic monitoring system is completely established that would be in compliance with federal requirements and also provide to the City a comfortable degree of assurance with regard to ensuring sub-recipients comply with federal, state and city regulations.

**SCHEDULE III**

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

<u>Audit Finding Reference Number</u>	<u>Questioned Cost</u>
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2002-04 Procurement

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218 Community Development Block Grants

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section I stipulates that procurement standards should be established that provide full and open competition.

Conditions and Perspective

We noted during our audit that the City of New Orleans utilized pre-existing contracts to procure street and concrete repair services of approximately \$11 million in 2001 and an additional \$429 thousand in 2002. The pre-existing contracts were executed during the 1999 year as a result of low-bid awards to two contractors totaling \$1,378,170 and \$1,020,475, respectively. Such contracts, which were for the provision of the street and concrete repairs similar in nature to the 2001 and 2002 repairs, were initially issued for periods ending in the year 2000, but were extended through the year 2001 and 2002 without any subsequent full and open competition.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-04 Procurement, Continued

Conditions and Perspective, Continued

The agreements for the pre-existing contracts specified a certain period the required services were to be provided. In our opinion, upon expiration of the contract period, the required services were required to be competitively procured.

Cause

The City of New Orleans procurement policy allows the increase, decrease, or adjustment of an awarded contract, provided such additional services are consistent with the services provided in the original award and the contract term is extended.

Questioned costs

For purposes of this condition, we have not questioned any costs. As a result of our audit, we noted that such services were allowable under the terms and conditions of the grant.

Effect

In our opinion, the City of New Orleans has not complied with the federal and state public bid law because the contract was not re-bid after the initial contract period expired.

Recommendation

We recommend that management of the City of New Orleans take the necessary steps to resolve this condition.

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-05 Internal Control - Departmental  
Programmatic Activities

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

10.557 Special Supplemental Nutrition Program for  
Women, Infants and Children  
14.218 Community Development Block Grants  
14.239 Home Investment Partnership Program  
16.592 Local Law Enforcement Block Grants  
17.249 Workforce Investment Act-IAH-1B  
Technical Skill Training Grants  
17.253 Welfare-to-Work  
17.258 Workforce Investment Act-Adult Program  
17.259 Workforce Investment Act-Youth Activities  
17.260 Workforce Investment Act-Dislocated Workers  
93.914 HIV Emergency Relief  
93.926 Healthy Start Initiatives

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development  
U. S. Department of Justice

Pass-Through Entity

Not Applicable

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-05 Internal Control - Departmental  
Programmatic Activities, Continued

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section A stipulates that grant activities must be allowable under the terms and conditions of the grant.

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

Conditions and Perspectives

We noted during our audit that the City of New Orleans could improve its internal control procedures with regard to monitoring departmental federal programmatic activities. At December 31, 2002, certain departments and agencies of the City of New Orleans expended approximately \$11,031,000 to perform programmatic activities.

However, certain internal control procedures and characteristics as presented in the Internal Control-Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) are not presently utilized by the City of New Orleans.

Cause

The management of the City of New Orleans has not completed the establishment of internal monitoring procedures to ensure City of New Orleans departments are complying with established goals and guidelines.

Questioned Cost

For purposes of these conditions, we have not questioned any costs.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2002-05 Internal Control - Departmental  
Programmatic Activities, Continued

**Effect**

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

**Recommendation**

We recommend that management of the City of New Orleans consider the following activities in the development of an overall departmental plan:

- Ongoing monitoring built-in through independent reconciliations, staff meeting feed back, rotating staff, supervisory review, and management review of reports.
- Periodic site visits performed at decentralized locations and checks performed to determine whether procedures are being followed as intended.
- Follow up on irregularities and deficiencies to determine the cause.
- Internal quality control reviews performed.
- Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls.
- Internal audit routinely tests for compliance with Federal requirements.
- The Office of Federal and State Programs and the Office of the Chief Administrative Office reviews the results of all monitoring or audit reports and periodically assess the adequacy of corrective action.

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

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**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

**Questioned Costs**

2002-06 Eligibility

\$-0-

**Federal Program and Specific Federal Award Identification**

**CFDA Title and Number**

10.557 Special Supplemental Nutrition Program  
For Women, Infants and Children (WIC)  
14.239 Home Investment Partnership Program

**Federal Award Year**

December 31, 2002

**Federal Agencies**

U. S. Department of Agriculture  
U. S. Department of Housing and Urban Development

**Pass-Through Entity**

State of Louisiana

**Criteria**

OMB Circular A-133 Compliance Supplement Part 4, Section 4-14.239-3 and 4-14.557-8 specify the specific eligibility requirements for individuals receiving Home Investment Partnership Program grant funds and WIC benefits, respectively.

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

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**FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-06 Eligibility, Continued

Conditions and Perspectives

Home Investment Partnership Program

We noted during our audit that for three (3) of the five (5) participants tested, the management of the City of New Orleans was unable to provide inspection documentation that the applicable properties met the City's Minimum Housing Standards and Section 8 Housing Quality Standards.

Women, Infants and Children

We noted during our audit that for the participants tested, the management of the City of New Orleans was unable to provide documentation that the related participants' income was verified.

Cause

The management of the City of New Orleans did not adhere to established compliance procedures.

Questioned Costs

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

Effect

Non-compliance with federal requirements regarding the documentation of the eligibility of individuals and ensuring eligible individuals receive appropriate benefits.

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

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**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2002-06 Eligibility, Continued

**Recommendation**

We recommend that management of the City of New Orleans adhere to established procedures.

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-07 Program Income

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218 Community Development Block Grants

14.239 Home Investment Partnership Program

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development

Pass-Through Entity

Not Applicable

Criteria

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

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-07 Program Income, Continued

Conditions and Perspectives

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

Cause

The City of New Orleans has not completed the establishment of a system to accumulate, account for and monitor program income of sub-recipients.

Questioned Costs

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

Effect

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

Recommendation

We recommend that management of the City of New Orleans continue to take the necessary steps to complete a system to accumulate, account for, monitor and ensure that program income is utilized in compliance with all applicable federal rules and regulations.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-08      Program Income

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.221      Urban Development Action Grant-Grantee Loans

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 3 Section J stipulates that Program income be correctly determined, recorded and used in accordance with the program requirements and A-102 Common Rule.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-08      Program Income, Continued

Conditions and Perspectives

We noted during our audit that the City of New Orleans recorded receipt of Urban Development Action Grant principal repayments totaling \$276,682 for the year ended December 31, 2002. However, \$1,093,619 was required to be received based upon the related debt service amortization. Our review of the payment activity also disclosed certain Urban Development Action Grant mortgage accounts with little or no re-payment activity.

Cause

The management of the City of New Orleans has not effectively ensured loan repayments are made and consequently that loan accounts are not delinquent.

Questioned Costs

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

Effect

Non-compliance with federal program requirements and the A-102 Common Rule.

Recommendation

We recommend that immediate steps be taken to determine each Urban Development Action Grant loan's status and that appropriate collection efforts be implemented to correct any loan deficiencies.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-09      Davis-Bacon Act

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218      Community Development Block Grant

14.239      Home Investment Partnership Program

14.248      Community Development Block Grants-Section 108 Loan Guarantees

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development

Criteria

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

Conditions and Perspectives

We noted during our audit that management of the City of New Orleans had not fully implemented the monitoring of construction contracts for compliance with the Davis-Bacon Act.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-09      Davis-Bacon Act, Continued

Cause

The management of the City of New Orleans did not adhere to established procedures.

Questioned Costs

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

Effect

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

Recommendation

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

**SCHEDULE III**

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

---

**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

**Questioned Costs**

2002-10 Suspended and Debarment Certifications

\$-0-

**Federal Program and Specific Federal Award Identification**

**CFDA Title and Number**

14.218 Community Development Block Grants

93.926 Healthy Start Initiatives

**Federal Award Year**

December 31, 2002

**Federal Agencies**

U. S. Department of Housing and Urban Development

U. S. Department of Health and Human Services

**Pass-Through Entity**

Not Applicable

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

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**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2002-10 Suspended and Debarment Certifications

**Criteria**

OMB Circular A-133 Compliance Supplement Part 3, Section I stipulates that contractors receiving individual awards for \$100,000 or more and all sub-recipients must certify that the organization and its principals are not suspended or debarred.

**Conditions and Perspectives**

We noted during our audit that management of the City of New Orleans failed to obtain suspended and debarred certifications from contractors and/or sub-recipients for the following federal grant programs

<b><u>CFDA Number/Grant Program</u></b>	<b><u>Sub-recipients</u></b>
14.218 Community Development Block Grants	1
93.926 Healthy Start Initiatives	<u>1</u>
Total	<u>2</u>

**Cause**

The management of the City of New Orleans inadvertently failed to obtain the certifications.

**Questioned Costs**

For purposes of these conditions, we have not questioned any costs.

**SCHEDULE III**

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

---

**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2002-10 Suspended and Debarment Certifications

**Effect**

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

**Recommendation**

We recommend that management of the City of New Orleans adhere to established procedures and ensure that applicable contractors and sub-recipients provide the related certifications.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

<u>Audit Finding Reference Number</u>	<u>Questioned Costs</u>
2002-11      Matching	<u>\$1,169,337</u>

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.231      Emergency Shelter Grant  
14.239      Home Investment Partnerships Program

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development

Pass-Through Entity

Not Applicable

Criteria

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

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-11      Matching, Continued

Conditions and Perspectives

We noted during our audit that the City of New Orleans must provide eligible matching contributions of 12.5% of its actual Home Investment Partnership Program expenditures. The grantor agency has allowed the City of New Orleans to provide the match in the form of certain non-federal expenditures (i.e. forgiven taxes, appraisal value of donated land or real property, infrastructure, site preparation, non-federal cash, etc.) incurred or provided by the sub-recipient. However, management of the City of New Orleans failed to fully document the match of Home Investment Partnership program funds for the year ended December 31, 2002.

Also, for the Emergency Shelter Grants program, funded sub-recipients must document a non-federal match amount that is equal to the Emergency Shelter Grant funds received from the City of New Orleans.

Cause

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

Questioned Costs

For the Home program we have questioned the amount of matching funds which were not documented. This amount totals \$839,567 which is 12.5% of the Home Investment Partnership Program funds drawn down.

For the Emergency Shelter Grant program, we have questioned the amount of matching funds which were not documented. This amount totaled \$329,770.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2002-11      Matching, Continued

**Effect**

Non-compliance with federal requirements on providing a match of grant fund expenditures.

**Recommendation**

We recommend that Management of the City of New Orleans take immediate steps to document the match of Home Investment Partnership Program and Emergency Shelter Grant expenditures.





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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

<u>Audit Finding Reference Number</u>		<u>Questioned Costs</u>
2002-13	Financial Reporting	<u>\$-0-</u>

**Federal Program and Specific Federal Award Identification**

**CFDA Title and Number**

14.218	Community Development Block Grant
14.239	Home Investment Partnership Program
14.231	Emergency Shelter Grants
14.241	Housing Opportunities for People with AIDS

**Federal Award Year**

December 31, 2002

**Federal Agencies**

U. S. Department of Housing and Urban Development

**Pass-Through Entity**

Not Applicable

**Criteria**

OMB Circular A-133 Compliance Supplement Part 4, Section 4.14.218 - Reporting specifies that the financial information per the Summary Report (CO4PR03) and the CDBG Financial Summary (CO4PR26), which is included in the Consolidated Annual Performance and Evaluation Report (CAPERS) must agree to the accounting records.

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2002-13      Financial Reporting, Continued

**Conditions and Perspectives**

We noted during our audit that the financial information for all HUD grants which were included in the summary report section of the CAPERS and the CDBG financial summary did not agree to the accounting records.

**Cause**

The City of New Orleans has continued to experience significant problems with the Integrated Disbursement and Information System (IDIS) that has resulted in inaccurate information being generated.

**Effect**

Due to the problems with the IDIS, the City of New Orleans was unable to provide accurate financial information to HUD.

**Recommendation**

We recommend that management of the City of New Orleans continue to investigate and correct the present problems with the Integrated Disbursement and Information System.

**SCHEDULE III**

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

<u>Audit Finding Reference Number</u>	<u>Questioned Cost</u>
2002-14 Reporting	<u>\$-0-</u>

**Federal Program and Specific Federal Award Identification**

**CFDA Title and Number**

14.218 Community Development Block Grant  
14.231 Emergency Shelter Grants  
14.239 Home Investment Partnership  
14.241 Housing Opportunities for Persons with AIDS  
93.914 HIV Emergency Relief  
93.926 Healthy Start Initiatives

**Federal Award Year**

December 31, 2002

**Federal Agencies**

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

**Pass-Through Entity**

Not Applicable

**Criteria**

OMB Circular A-133 Compliance Supplement Part 3, Section L - Reporting specifies that federal program reports should include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with program requirements.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2002-14      Reporting, Continued

**Conditions and Perspectives**

We noted during our audit the following conditions:

- Certain grant expenditures for the HIV Emergency Relief Grant and grant receipts and expenditures for HUD programs that were reflected on the related financial reports (SF 272) submitted during the year ended December 31, 2002 did not agree in total to the grant expenditure and receipt amounts recorded in the accounting records as follows:

<u>Grant Name</u>	<u>CFDA Number</u>	<u>Amount Per Report</u>		<u>Amount Per Accounting Records</u>	
		<u>Receipts</u>	<u>Disbursements</u>	<u>Receipts</u>	<u>Disbursements</u>
Healthy Start Initiatives	93.926	\$ 2,548,051	\$ 3,592,389	\$ 2,331,802	\$ 2,597,289
HIV Emergency Relief	93.914	\$ 7,620,382	\$ 8,343,865	\$ 7,631,973	\$ 7,749,253
HUD	14.218, 14.231, 14.239 and 14.241	\$34,277,255	\$33,528,480	\$34,086,822	\$30,852,400

- Program Income reported on the Federal Cash Transaction reports for HUD programs did not agree to financial records.
- The HIV Emergency Relief Federal SF-272 reports were not submitted timely.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-14 Reporting, Continued

Cause

The management of the City of New Orleans encountered problems in utilizing and obtaining financial information for the financial reporting system for the HIV Emergency Relief Program. For HUD, certain funds were drawn down in the year 2003, certain prior year costs were reported during 2002 and certain financial information regarding program income was not obtained.

Questioned Costs

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

Effect

Certain federal financial reports contained inaccurate financial information.

Recommendation

We recommend that management of the City of New Orleans take immediate steps to ensure accurate financial information is provided to federal agencies.

**SCHEDULE III**

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-15      Earmarking

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

93.914      HIV Emergency Relief (Ryan White)

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Health and Human Services

Pass-Through Entity

Not Applicable

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-15      Earmarking, Continued

\$-0-

Criteria

OMB Circular A-133 Compliance Supplement Part 4 specifies the following earmarking percentages for the related grants:

Program

Earmarking Percentage

HIV Emergency Relief

An amount not less than the percentage represented by the ratio of infants, women, and children with AIDS in the population of the City of New Orleans to the City of New Orleans' overall population with AIDS is to be spent on services to these populations.

Conditions and Perspectives

For the Ryan White Program, the management of the City of New Orleans did not compile the related AIDS statistics and as a result was unable to ensure that the required earmarking target was met.

Cause

The management of the City of New Orleans has indicated that further review is required to be made of this condition.

Questioned Costs

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

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

**Questioned Costs**

2002-15      Earmarking, Continued

\$-0-

**Effect**

The management of the City of New Orleans has not complied with the earmarking limitation specified by the federal government.

**Recommendation**

We recommend that immediate steps be taken to ensure that the required earmarking funding is provided to applicable organizations and programmatic data is compiled to ensure earmarking targets are met.

**SCHEDULE III**

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-16      Cost Allocation

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218      Community Development Block Grant  
14.239      Home Investment Partnerships Program

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development (HUD)

Pass-Through Entity

None

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section B Cost Principles specify that certain facility costs incurred by local governments can be allocated based upon a cost allocation plan.

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-16      Cost Allocation, Continued

Conditions and Perspectives

We noted during our audit that payments of rental costs for the lease of the facilities which house personnel who administer the HUD programs were not based upon a cost allocation plan. The total annual rental costs was approximately \$936,000 with payments from the Community Development Block Grants and Home Investment Partnership Program grants totaling \$376,000 and \$87,000, respectively.

Cause

The management of the City of New Orleans had not developed a methodology to allocate facility rental costs.

Questioned Costs

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

Effect

Facility rental costs charged to a respective grant might be unreasonable.

Recommendation

We recommend that management of the City of New Orleans take immediate steps to correct this condition.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-17      Cash Management

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218      Community Development Block Grant  
14.231      Emergency Shelter Grants  
14.239      Home Investment Partnership Program  
14.241      Housing Opportunities for Persons with AIDS

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 3 Section C stipulates that when entities are funded on a reimbursement basis, program cost must be paid for by entity funds before reimbursement is requested from the federal government.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-17      Cash Management, Continued

Conditions and Perspectives

*We noted during our audit fourteen (14) disbursements in which reimbursement of funds were requested from the Federal Government by the City of New Orleans prior to the applicable cost being paid by the City of New Orleans.*

Cause

The management of the City of New Orleans has not effectively ensured that program cost are paid by the City of New Orleans prior to requesting reimbursement from the Federal Government.

Questioned Costs

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

Effect

Non-compliance with federal program requirements and the A-102 Common Rule.

Recommendation

We recommend that immediate steps be taken to ensure that program cost are paid by the City of New Orleans prior to requesting funds from the Federal Government.

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

Questioned Costs

2002-18 Eligibility

\$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

10.557 Special Supplemental Nutrition Program for Women, Infants and  
Children (WIC)

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Agriculture

Pass-Through Entity

State of Louisiana

Criteria

OMB Circular A-133 Compliance Supplement Part 4, Section 4-10.557.8 specify the specific eligibility requirements for individuals receiving WIC funds.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-18 Eligibility, Continued

Conditions and Perspectives

We noted during our audit that the City of New Orleans prepares and submits to the State of Louisiana Office of Public Health a monthly request for reimbursement for participants served in the WIC program. This monthly request for reimbursement indicates the number of WIC participants served at each of the seven (7) service locations. Our audit work indicated that the data base utilized summarize the number of participants served each month does not permit the identification of the names of the specific individuals served for whom reimbursement is being requested. Thus, we were unable to determine whether those individuals tested for eligibility, selected from appointment records, were actually included in the data base of the amounts requested for reimbursement.

Cause

The City of New Orleans has not implemented of a system to accumulate, account for and summarize request for WIC reimbursement by participant served.

Questioned Costs

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

Effect

Uncertainties regarding the eligibility of participants for whom reimbursement is being requested.

Recommendation

We recommend that management of the City of New Orleans refine its data base to identify WIC participants for whom reimbursement is being requested.

**SCHEDULE III**

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

<u>Audit Finding Reference Number</u>		<u>Questioned Cost</u>
2002-19	Equipment and Real Property Management	<u>\$-0-</u>

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218	Community Development Block Grant (CDBG)
14.231	Emergency Shelter Grants
14.239	Home Investment Partnership Program
14.241	Housing Opportunities for People with AIDS

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section F stipulates that equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment and equipment shall be adequately maintained.

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2002-19      Equipment and Real Property Management, Continued

**Conditions and Perspectives**

We noted during our audit that the equipment and furniture listing had a number of items lacking identifying tag numbers, purchase price acquisition dates and/or disposition dates.

**Cause**

The research to identify missing data related to the equipment was in process but not yet completed.

**Questioned Costs**

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

**Effect**

Non-compliance with federal regulations regarding equipment management.

**Recommendation**

We recommend that management of the City of New Orleans take immediate steps to ensure compliance with equipment management regulations.

**SCHEDULE III**

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

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number Questioned Cost

2002-20      Relocation Assistance \$-0-

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.218      Community Development Block Grant (CDBG)

Federal Award Year

December 31, 2002

Federal Agencies

U. S. Department of Housing and Urban Development

Pass-Through Entity

Not Applicable

Criteria

Pursuant to 49CFR Subtitle A Paragraph 24.402(a) - Replacement Housing Payment for 90-day Occupants - A tenant or owner-occupant displaced from a dwelling is entitled to receive a payment(s) not to exceed \$5,250 for rental assistance.

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

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**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

Audit Finding Reference Number

2002-20      Relocation Assistance, Continued

Conditions and Perspectives

We noted during our audit that two (2) displaced individuals received rental assistance greater than \$5,250.

Cause

Weakness in internal control relating to relocation assistance.

Questioned Costs

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

Effect

Non-compliance with federal regulations regarding relocation assistance.

Recommendation

We recommend that management of the City of New Orleans take immediate steps to ensure compliance with relocation assistance regulations.

**CURRENT STATUS OF OTHER AUDITS  
AND PROGRAM REVIEWS  
PERFORMED BY FEDERAL AGENCIES**

**CITY OF NEW ORLEANS  
CURRENT STATUS OF OTHER AUDITS  
AND PROGRAM REVIEWS  
PERFORMED BY FEDERAL AGENCIES**

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FEDERAL AGENCY - U. S. DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT (HUD) - OFFICE  
OF INSPECTOR GENERAL

SUBJECT - HOME INVESTMENT PARTNERSHIP PROGRAM

AUDIT PERIOD - JANUARY 13, 1992 THROUGH APRIL 30, 1994

BACKGROUND

In May of 1994, the U. S. Department of Housing and Urban Development, Office of Inspector General, began an audit of the Home Investment Partnerships program as administered by the City of New Orleans. The audit report No. 95-FW-255-1007 dated March 24, 1995, was intended to determine whether the City of New Orleans managed its Home program effectively and complied with the applicable regulations.

The audit disclosed numerous instances of what was deemed misuses of Federal funds, regulatory violations, inefficiencies, and numerous uncorrected deficiencies. Moreover, the audit stated that the City had seriously mismanaged Home activities and that officials responsible for administering the program did not properly plan, implement, or monitor Home activities or always take corrective action upon notice of problems.

Consequently, a substantial amount of the grant award was questioned with additional amounts identified as ineligible. Costs determined to be ineligible per the report were \$280,151 while an additional \$6,322,800 was questioned because of a lack of satisfactory documentation to support the eligibility of the costs.

CURRENT STATUS

The U. S. Department of Housing and Urban Development (HUD) and the City of New Orleans have reached a repayment agreement that provides over a five year period an annual payment of \$1,070,590. As of December 31, 2002, the City of New Orleans has repaid HUD a cumulative amount of \$6,602,951. Also, per the agreement HUD will re-apply all payments made by the City of New Orleans to the Home Investment Partnership Program.

**CITY OF NEW ORLEANS  
CURRENT STATUS OF OTHER AUDITS  
AND PROGRAM REVIEWS  
PERFORMED BY FEDERAL AGENCIES  
(CONTINUED)**

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FEDERAL AGENCY - U. S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT

SUBJECT - MONITORING/TECHNICAL ASSISTANCE SITE VISIT

AUDIT PERIOD - FISCAL YEAR 2000

BACKGROUND

On May 15, 2001 the City of New Orleans received a notification from the U. S. Department of Housing and Urban Development (HUD). The notification indicated that as a result of the monitoring/technical assistance site visit, it was determined that the City of New Orleans had not completely provided adequate documentation in the opinion of HUD to substantiate either the eligibility of certain programmatic activities or that the activity met the national objective. As a result, HUD disallowed \$5,654,567 in grant costs.

During the year ended December 31, 2001, HUD indicated that the questioned cost amount had been reduced from \$5,654,567 to \$925,000. On March 7, 2002, HUD requested that the City of New Orleans submit additional documentation to establish the eligibility of the CDBG funding with respect to the use of the \$925,000.

Audit Period - FISCAL YEAR 2001

The U. S. Department of Housing and Urban Development has completed its monitoring/technical assistance site visit for the fiscal year 2001. However, the report had not been issued at the completion of the independent auditors' fieldwork.

CURRENT STATUS

On November 12, 2002, based on additional information provided to HUD by the City, the City received notification that the finding relating to the eligibility of the programmatic activity was considered cleared.

**CITY OF NEW ORLEANS  
CURRENT STATUS OF OTHER AUDITS  
AND PROGRAM REVIEWS  
PERFORMED BY FEDERAL AGENCIES  
(CONTINUED)**

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FEDERAL AGENCY - U. S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT

SUBJECT - MONITORING/TECHNICAL ASSISTANCE SITE VISIT

AUDIT PERIOD - FISCAL YEAR 2001

BACKGROUND

On May 23, 2002 the City of New Orleans received notification from the U. S. Department of Housing and Urban Development (HUD), the notification indicated that as a result of the monitoring and technical assistance site visit fifteen (15) programmatic/fiscal findings were cited. Additionally questioned cost of \$11,116 related to the Community Development Block Grant program were deemed not necessary for the operation of the CDBG program. That monitoring and technical assistance site visit report also contained four (4) areas of concern that while not based on statutory or regulatory requirements, if left uncorrected could become a finding.

CURRENT STATUS

On March 12, 2003 six (6) of the fifteen (15) findings were cleared, by HUD and questioned cost of \$11,116 resolved.

**CITY OF NEW ORLEANS  
CURRENT STATUS OF OTHER AUDITS  
AND PROGRAM REVIEWS  
PERFORMED BY FEDERAL AGENCIES  
(CONTINUED)**

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FEDERAL AGENCY - U. S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT

SUBJECT - MONITORING/TECHNICAL ASSISTANCE SITE VISIT

AUDIT PERIOD - FISCAL YEAR 2002

BACKGROUND

On March 12, 2003 the City of New Orleans received notification from the U. S. Department of Housing and Urban Development (HUD). The notification indicated that as a result of the monitoring and technical assistance site visit twenty-one (21) programmatic/fiscal findings were cited. Additionally questioned cost of \$33,484 related to the Community Development Block Grant Program and the Home Investment Partnership Program were deemed not necessary for the operation of the programs. The monitoring and technical assistance site visit report also contained four (4) areas of concern that, while not based on statutory or regulatory requirements, if left uncorrected could become a finding.

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

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

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

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

OTHER INDEPENDENT AUDITOR - JUSTIN SCANLON, CPA

FINDINGS AND QUESTIONED COSTS

The New Orleans Affordable Home ownership, Inc. is a sub-recipient of Home program funds from the City of New Orleans. An audit which was performed on the organization for the period August 29, 1989 through December 31, 1994 contained several compliance findings with related questioned costs totaling \$1,290,328. However, the cognizant agency has not rendered a final determination in this matter, and reasons have not been provided by management of the organization that the audit finding does not warrant any further action.

CURRENT STATUS

Pursuant to City fo New Orleans' internal communication dated February 21, 2003 all findings applicable to the above mentioned audit period have been resolved.

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

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

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

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

FINDINGS AND QUESTIONED COSTS

The New Orleans Affordable Home ownership is a sub-recipient of Home Program funds from the City of New Orleans. An audit which was performed for the year ended December 31, 1995 contained several compliance findings with related questioned costs totaling \$152,368. The cognizant agency has not rendered a final determination with regard to this matter, and reasons have not been provided by management of the organization that the audit finding does not warrant any further action.

CURRENT STATUS

Pursuant to City of New Orleans' internal communication dated February 21, 2003 all findings applicable to the above mentioned audit period have been resolved.

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

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ORGANIZATION - NEW ORLEANS AFFORDABLE HOME OWNERSHIP, INC.

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

OTHER INDEPENDENT AUDITOR - JUSTIN SCANLAN, CPA

FINDINGS AND QUESTIONED COSTS

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

CURRENT STATUS

Pursuant to City of New Orleans' internal communication dated February 21, 2003 all findings applicable to the above mentioned audit period have been resolved.

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

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ORGANIZATION - THIRD SHILOH HOUSING, INC.

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

OTHER INDEPENDENT AUDITOR - LUTHER SPEIGHT & CO.

FINDINGS AND QUESTIONED COSTS

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

CURRENT STATUS

Pursuant to City of New Orleans' internal communication dated February 21, 2003 all findings applicable to the above mentioned audit period have been resolved.

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

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ORGANIZATION - MULTI-SERVICE CENTER FOR THE HOMELESS

AUDIT PERIOD - YEARS ENDED DECEMBER 31, 1995 AND 1994

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

FINDINGS AND QUESTIONED COSTS

The Multi-Service Center for the Homeless is a sub-recipient of funding from the City Council grants and the City of New Orleans Emergency Shelter Grants (HUD) for the aforementioned periods. The Independent Accountants' Report On Applying Agreed-Upon Procedures relative to the Organization's compliance with certain laws and regulations reported an allegation of fraud against an employee of the Organization. The results of the engagement was reported to the Organization's Board of Directors and the State Legislative Auditor. This matter has been referred to the Federal Bureau of Investigation who is presently reviewing the matter for trial.

Current Status

The City of New Orleans is currently pursuing this matter through litigation activities the results of which cannot be determined at this time. The unpaid amount due to the City of New Orleans is \$27,951.

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

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ORGANIZATION - MULTI-SERVICE CENTER FOR THE HOMELESS

AUDIT PERIOD - YEAR ENDED DECEMBER 31, 1996

OTHER INDEPENDENT AUDITOR - BRUNO & TERVALON LLP, CPAs

FINDINGS AND QUESTIONED COSTS

The Multi-Service Center for the Homeless is a sub-recipient of Emergency Shelter Grants (CFDA 14.231) from the City of New Orleans. An audit performed for the year ended December 31, 1996 contained several compliance findings with related questioned costs totaling \$15,649. The Cognizant Agency has not rendered a final determination with regard to these findings, and reasons have not been provided by the organization that the audit finding does not warrant any further action.

CURRENT STATUS

Pursuant to City of New Orleans correspondence dated January 10, 2002 audit findings applicable to questioned costs of \$15,649 have been resolved.

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

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ORGANIZATION - UNITED SERVICES FOR AIDS FOUNDATION, INC.

AUDIT PERIOD - YEAR ENDED DECEMBER 31, 1999

FINDINGS AND QUESTIONED COSTS

The United Services for AIDS Foundation, Inc. is a sub-recipient of HIV Emergency Relief Formula Grant funds (CFDA 93.915) from the City of New Orleans. An audit performed for the year ended December 31, 1999 contained certain compliance findings with related questioned costs totaling \$23,817. The cognizant agency has not rendered a final determination with regard to these findings.

CURRENT STATUS

A final determination was rendered and the questioned costs is currently being repaid to the funding source.

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

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ORGANIZATION - EXCELTH, INC.

AUDIT PERIOD - YEAR ENDED DECEMBER 31, 2001

OTHER INDEPENDENT - BRUNO & TERVALON LLP,  
Certified Public Accountants

AUDIT FINDING

The Independent Auditors noted that the Administrator of two City of New Orleans sponsored health clinics received payments from EXCELTH, Inc. to prepare and submit Medicare, Medicaid and other third party claims and perform janitorial services at the same two health clinics.

The Administrator of the Clinics is employed by the City of New Orleans Health Department. In the Independent Auditors' opinion, this condition represents a Code of Ethics violation.

CURRENT STATUS

No change. Similar occurrences noted during the December 31, 2002 audit period.

**SUMMARY OF THE INDEPENDENT ACCOUNTANTS  
FISCAL AND PROGRAMMATIC MONITORING**

**CITY OF NEW ORLEANS  
SUMMARY OF OTHER INDEPENDENT ACCOUNTANTS  
FISCAL AND PROGRAMMATIC MONITORING OF THE  
CITY OF NEW ORLEANS' SUB-RECIPIENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

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The management of the City of New Orleans and the City Council of the City of New Orleans engaged Independent Accountants to perform fiscal and programmatic monitoring on subrecipients who received Home Investment Partnership, Community Development Block Grant, Emergency Shelter Grant, Healthy Start Initiative, Job Training partnership, Employment Training Assistance, Welfare-to-Work, Housing Opportunities for Persons with AIDS, and HIV Emergency Relief Program grant funds for the years ended December 31, 2002, 2001, 2000 and 1999.

As a result of the Independent Accountants' Monitoring of sub-recipients' activities, approximately \$1,206,084 of federal funds were questioned.

The management of the City of New Orleans has issued management decisions on such monitoring findings and is working towards either resolving or receiving reimbursement of all questioned costs.

**CITY OF NEW ORLEANS  
EXIT CONFERENCE**

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An exit conference and other meetings were held at the City of New Orleans to discuss the audit report and the various findings. Those who have been in attendance are noted below. The findings were also discussed, prior to the exit conference, with the respective department heads.

**CITY OF NEW ORLEANS**

Councilmember Marlin Gusman	-- City Council Audit Committee
Councilmember Renee Gill-Pratt	-- City Council Audit Committee
Councilmember Cynthia Willard-Lewis	-- City Council Audit Committee
Ms. Thelma French	-- Assistant to the Mayor
Mr. Reginald Zeno	-- Director of Finance
Mr. Wayne M. DeLarge	-- Comptroller

**BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

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

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

June 6, 2003

**CITY OF NEW ORLEANS  
CORRECTIVE ACTION PLAN - AUDIT FINDINGS  
DECEMBER 31, 2002**

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS THROUGH AGENCY CONTACTED
<p><b>2002-01 DEPARTMENTAL MONITORING</b></p> <p>The Independent Auditors noted that the City of New Orleans could improve its internal control procedures with regard to monitoring departmental federal programmatic activities.</p>	<p>The Management of the City of New Orleans will implement internal control procedures to monitor the departmental accomplishments as it relates to federal activities.</p>	<p>Oct. 2003</p>	<p>Charles Rice</p>	<p>HUD DOJ</p>
<p><b>2002-02 PROCUREMENT</b></p> <p>The Independent Auditor noted that the City of New Orleans utilized preexisting contracts to procure grant allowable street and concrete repair services of approximately \$11 million during the year ending December 31, 2001. During the course of the 2002 audit, the Independent Auditor noted an additional \$429 thousand of expenditures under those pre-existing contracts.</p>	<p>The management of the City of New Orleans disagrees with the Independent Auditor. The management of the City of New Orleans notes that these expenditures were recorded prior to last year's finding being communicated and new procedures for processing purchase order change notices have been developed.</p>	<p>Completed</p>	<p>Reginald Zeno</p>	<p>HUD</p>

<p><b>2002-03 MONITORING</b></p> <p>The Independent Auditor noted that management of the City of New Orleans failed to include in contracts, certain award information and A-133 audit requirements and failed to obtain A-133 audit reports.</p>	<p>The management of the City will obtain audit reports on all subrecipients requiring an A-133 audit and include necessary award information and A-133 audit requirements in all future contracts.</p>	<p>Dec. 2003</p>	<p>Charles Winchester</p>	<p>HUD DOL HHS</p>
<p><b>2002-04 PROCUREMENT</b></p> <p>The Independent Auditor noted that the City of New Orleans utilized preexisting contracts to procure grant allowable street and concrete repair services of approximately \$ \$11 million in 2001 and an additional \$429 thousand in 2002.</p>	<p>The management of the City of New Orleans notes that new procurement procedures have been implemented for processing all requests for purchase order changes.</p>	<p>Completed</p>	<p>Reginald Zeno</p>	<p>HUD</p>
<p><b>2002-05 INTERNAL CONTROL - DEPARTMENTAL MONITORING</b></p> <p>The Independent Auditors noted that the City of New Orleans could improve its internal control procedures with regard to monitoring departmental federal programmatic activities.</p>	<p>The Management of the City of New Orleans will implement internal control procedures to monitor the departmental accomplishments as it relates to federal activities.</p>	<p>Oct. 2003</p>	<p>Charles Rice</p>	<p>HUD DOJ</p>

<p><b>2002-06 ELIGIBILITY</b></p> <p>The Independent Auditors noted that management of the City of New Orleans was unable to provide inspection documentation that the applicable properties met the City's Minimum Housing Standards and Section 8 Housing Quality Standards for three (3) of the five (5) participants tested in the Home Investment Partnership Program. The Independent Auditors also noted that the City of New Orleans was unable to provide documentation that the related participants' income was verified in the WIC program.</p>	<p>Management of the City of New Orleans will provide documentation to justify that the participants tested are eligible in accordance with program guidelines.</p>	<p>Dec. 2003</p>	<p>Dr. Kevin Stephens Alberta Pate</p>	<p>HUD HHS</p>
<p><b>2002-07 PROGRAM INCOME</b></p> <p>The Independent Auditors noted that management of the City of New Orleans had not completed the establishment of a system to accumulate and account for program income data of subrecipients and to ensure program income is utilized in compliance with all applicable federal rules and regulations.</p>	<p>The Management of the City of New Orleans will review and enhance the system of accounting for program income of subrecipients</p>	<p>Dec. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>
<p><b>2002-08 PROGRAM INCOME</b></p> <p>The Independent Auditors noted that management of the City of New Orleans recorded receipt of Urban Development Action Grant principle repayments totaling \$276,682 for the year ended December 31, 2002. However, \$1,093,619 was required to be received based upon the related debt service amortization.</p>	<p>The Management of the City of New Orleans will review and enhance the system of accounting for program income of subrecipients</p>	<p>Dec. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>

<p><b>2002-09 DAVIS -BACON ACT</b></p> <p>The Independent Auditors noted that management of the City of New Orleans had not fully implemented the monitoring of construction contracts for compliance with the Davis-Bacon Act.</p>	<p>The management of the City of New Orleans will ensure that established procedures are adhered to. Management will require quarterly development reports.</p>	<p>Dec. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>
<p><b>2002-10 SUSPENDE AND DEBARRED CERTIFICATION</b></p> <p>The Independent Auditors noted that management of the City of New Orleans failed to obtain suspended and debarred certifications from certain contractors.</p>	<p>The management of the City of New Orleans will ensure that established procedures are adhered to.</p>	<p>Dec. 2003</p>	<p>Alberta Pate Charles Winchester</p>	<p>HUD HHS</p>
<p><b>2002-11 MATCHING</b></p> <p>The Independent Auditors noted that the management of the City of New Orleans failed to document the match of Home funds for the year ended December 31, 2002 which resulted in questioned cost of \$1,169,337.</p>	<p>The Management of the City of New Orleans will develop procedures to document the matching requirement on all federal grants.</p>	<p>Oct. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>
<p><b>2002-12 SPECIAL TESTS AND PROVISIONS ON-SITE INSPECTIONS</b></p> <p>The Independent Auditors noted that management of the City of New Orleans had not performed on-site inspections of rental rehabilitation projects funded with HOME funds.</p>	<p>The Management of the City of New Orleans will adhere to established procedures.</p>	<p>Dec. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>

<p><b>2002-13 FINANCIAL REPORTING</b></p> <p>The Independent Auditors noted that the financial information for all HUD Grants which were included in the summary report section of the CAPERS and the CDBG financial summary did not agree to the accounting records.</p>	<p>The Management of the City of New Orleans is reconciling the financial information with HUD. Also, the Accounting Office will work with the Mayor's Office of Economic Development to Develop procedures for reconciling the official accounting records maintain by the Finance department</p>	<p>Sept. 2003</p>	<p>Reginald Zeno</p>	<p>HUD</p>
<p><b>2002-14 REPORTING</b></p> <p>The Independent Auditors noted that certain grant expenditures and receipts that were reflected on the related financial reports (SF 272) submitted during the year ended December 31, 2002 did not agree in total to the grant expenditure and receipt amounts recorded in the accounting records.</p>	<p>The Management of the City of New Orleans will take immediate steps to ensure accurate financial information is provided to all funding sources.</p>	<p>Aug. 2003</p>	<p>Alberta Pate Dr. Kevin Stephens</p>	<p>HUD Hrs</p>
<p><b>2002-15 EARMARKING</b></p> <p>The Independent Auditor noted that the Management of the City of New Orleans did not compile the related AIDS statistics and as a result was unable to ensure that the required earmarking target was met.</p>	<p>The Management of the City of New Orleans will take steps to ensure that required earmarking targets are met.</p>	<p>Oct. 2003</p>	<p>Alberta Pate Dr. Kevin Stephen</p>	<p>HUD HRSA</p>
<p><b>2002-16 COST ALLOCATION</b></p> <p>The Independent Auditor noted that payment of rental costs for the lease of the facilities which house personnel who administer the HUD programs were not based upon a cost allocation plan</p>	<p>The Management of the City of New Orleans will develop a cost allocation plan for rental space.</p>	<p>Sept. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>

<p><b>2002-17 CASH MANAGEMENT</b></p> <p>The Independent Auditor noted that fourteen (14) disbursements in which reimbursement of funds were requested from the Federal Government by the City of New Orleans prior to the applicable cost being paid by the City of New Orleans.</p>	<p>In the future, the management of the City of New Orleans will ensure that reimbursement co-inside with disbursement payments per federal regulations.</p>	<p>Sept. 2003</p>	<p>Reginald Zeno</p>	<p>HUD</p>
<p><b>2002-18 ELIGIBILITY</b></p> <p>The Independent Auditor noted that the data base utilized by management of the City of New Orleans does not permit for the identification of the names of the specific individuals served for whom reimbursement is being requested.</p>	<p>The Management of the City of New Orleans will update/ improve the data management system of the WIC program to participants and eligibility documentation.</p>	<p>Dec. 2003</p>	<p>Dr. Kevin Stephens Greg Meffert</p>	<p>HHS</p>
<p><b>2002-19 EQUIPMENT AND REAL PROPERTY MANAGEMENT</b></p> <p>The Independent Auditor noted that equipment and furniture listing had a number of items lacking identifying tag numbers, purchase price acquisition dates and/or disposition dates.</p>	<p>The Management of the City of New Orleans will take the necessary steps to correct this situation.</p>	<p>Dec. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>
<p><b>2002-20 RELOCATION ASSISTANCE</b></p> <p>The Independent Auditor noted that two (2) displaced individuals received rental assistance greater than \$5,250.</p>	<p>The Management of the City of New Orleans will take steps to ensure compliance with relocation assistance regulation.</p>	<p>Sept. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>



Member  
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Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
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Paul K. Andoh, Sr., CPA

## **INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

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

We have audited the Schedule of Expenditures of Federal Awards (the Schedule) of the City of New Orleans for the year ended December 31, 2002 and have issued our report thereon dated June 6, 2003. In planning and performing our audit of the Schedule, we considered the City of New Orleans' internal control over financial reporting and compliance.

During our audit, we became aware of the following matters that are opportunities for strengthening internal control and operating efficiency.

### **ALL MAJOR FEDERAL PROGRAMS**

#### 1. Encumbrances

We noted during our audit that amounts recorded as encumbrances in the City of New Orleans' financial records had not been completely adjusted. It appears that further review and adjustments are required to be made of the encumbrance amounts.

We recommend that immediate steps be taken to ensure that grant related encumbrances are reconciled to ensure adherence to generally accepted governmental accounting standards.

## **INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

To the Members of the  
City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
Page 2

### **2. Internal Control over Compliance**

Non-federal entities agree to comply with applicable laws, regulations and the provisions of contract and grant agreements and to maintain internal control to provide reasonable assurance of compliance with these requirements, as a condition of receiving federal awards.

OMB Circular A-133, Part 6 is intended to assist non-federal entities in complying with these requirements by presenting characteristics of internal control which may be used to reasonably ensure compliance with the fourteen (14) compliance requirements specified by the federal government within OMB Circular A-133.

We recommend that the management of the City of New Orleans routinely ensure applicable grant agencies/departments comply with such recommended internal control over compliance procedures.

## **HOME INVESTMENT PARTNERSHIP PROGRAM**

### **3. Programmatic Data Base**

We noted during our audit that management of the Home Program had not completed the establishment of a tracking system data base that would provide essential information of certain programmatic activities such as:

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

## **INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

To the Members of the  
City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
Page 3

### **HOME INVESTMENT PARTNERSHIP PROGRAM, CONTINUED**

#### **3. Programmatic Data Base, Continued**

We recommend that management of the Home Program complete the implementation of the noted tracking system data base.

### **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) - SECTION 108 LOAN GUARANTEES**

#### **4. Coordination Between City Departments**

The Division of Housing and Neighborhood Development is the lead City agency responsible for the implementation of HUD Entitlement Programs. However, certain Section 108 Loan Guarantee program responsibilities are under the direction of the Office of Economic Development.

We recommend that the City insure that all responsibilities for compliance with CDBG regulations are clearly established.

### **CITY OF NEW ORLEANS HEALTH DEPARTMENT**

#### **5. Code of Ethics for Public Officials and for Public Employees**

We noted during our review of a sub-recipient's audit report that the Administrator of two City of New Orleans sponsored health clinics received payments from such sub-recipients to perform janitorial services at the same two health Clinics.

The Administrator of the Clinics is employed by the City of New Orleans Health Department and in our opinion, has entered into a condition that represents a Code of Ethics violation.

## INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Members of the  
City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
Page 4

This letter does not affect our report dated June 6, 2003 on the Schedule of Expenditures of Federal Awards of the City of New Orleans. This letter is intended solely for the information and use of the City Council, the Mayor of the City of New Orleans, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and the Legislative Auditor's Office.

*Bruno & Tervalon LLP*

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

June 6, 2003

**CITY OF ORLEANS  
CORRECTIVE ACTION PLAN-INDEPENDENT AUDITOR'S COMMENTS TO MANAGEMENT  
DECEMBER 31, 2002**

MANAGEMENT COMMENTS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/PASS THROUGH AGENCY CONTACT
<p><b>1. ENCUMBRANCES</b></p> <p>The Independent Auditors noted that the City of New Orleans' financial records for encumbrances had not been completely adjusted.</p>	<p>The management of the City of New Orleans will continue to analyze encumbrances on an annual basis.</p>	<p>Dec. 2003</p>	<p>Reginald Zeno</p>	<p>HUD</p>
<p><b>2. INTERNAL CONTROL OVER COMPLIANCE</b></p> <p>The Independent Auditors noted non-federal entities agree to comply with applicable laws, regulations and the provisions of contract and grant agreements and to maintain internal control to provide reasonable assurance of compliance with these requirements, as a condition of receiving federal awards.</p>	<p>The management of the City of New Orleans disagrees with the Independent Auditors comment. The management of the City of New Orleans routinely conducts management, subreceptient and monitoring trainings to insure internal control over compliance</p>	<p>Completed</p>	<p>Charles Winchester</p>	<p>HUD DOJ DOL HHS</p>
<p><b>3. PROGRAM DATA BASE</b></p> <p>The Independent Auditors noted that management of the Home program had not completed the establishment of a tracking system data base that provides essential information of certain programmatic activities</p>	<p>The management of the City of New Orleans will continue to effectively implement the noted tracking system.</p>	<p>Dec. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>

<p><b>4. COORDINATION BETWEEN CITY DEPARTMENTS</b></p> <p>The Independent Auditors noted that the Division of Housing and Neighborhood Development is the lead City agency responsible for the implementation of HUD Entitlement Programs. However, certain Section 108 Loan Guarantee program responsibilities are under the direction of the Office of Economic Development.</p>	<p>The management of the City of New Orleans will insure that all responsibilities for compliance with CDBG regulations are clearly established funded agencies and departments.</p>	<p>Dec. 2003</p>	<p>Alberta Pate</p>	<p>HUD</p>
<p><b>5. CODE OF ETHICS FOR PUBLIC OFFICIALS AND FOR PUBLIC EMPLOYEES</b></p> <p>The Independent Auditors noted that the Administrator of two (2) City of New Orleans sponsored health Clinics received payments from such subrecipients to perform janitorial services at the same two (2) Health Clinics. In the Independent Auditors' opinion this represents a Code of Ethics Violation.</p>	<p>The management of the City of New Orleans reported this situation to OMI for investigation.</p>	<p>Dec. 2003</p>	<p>Dr. Kevin Stephens</p>	<p>HHS</p>

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Monitoring

**Reference Number:** 2001-01

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 1998

**Page Number:** 38

**Federal Grantor Agency/CFDA Number /Title:**

U.S. Department of Housing and Urban Development

14.218 - Community Development Block Grant

14.221 - Urban Development Action Grant - Cumulative Program Income

14.221 - Urban Development Action Grant - American Can

14.239 - Home Investment Partnership Program

14.246 - Brownsfield Economic Development

14.248 - Community Development Block Grant - Section 108

U.S. Department of Justice

16.548 - Delinquency Prevention

16.592 - Local Law Enforcement Block Grant

U.S. Department of Labor

17.249 - HIB Visa Tech Skills

17.253 - Welfare-to-Work

17.258, 17.259 & 17.260 - Workforce Investment Act

U.S. Department of Health and Human Services

93.914 - HIV Emergency Relief

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Monitoring

**Reference Number:** 2001-01

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The City of New Orleans has improved its monitoring of sub-recipients and has implemented a fully compliant monitoring system during 2003.

Preparer's Signature: Rebe French Phone Number: 565-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Procurement

**Reference Number:** 2001-02

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 2001

**Page Number:** 40

**Federal Grantor Agency/CFDA Number/Title:**

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

**Status of Finding (check one):** Fully Corrected  ; Partially Corrected  ; Not Corrected  ; Change in Corrective Action  , No Further Action Needed  .

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

Street and contract repair services under the pre-existing contracts have been completed and no further disbursements are anticipated.

Preparer's Signature: *Debra French* Phone Number: 565-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Monitoring

**Reference Number:** 2001-03

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 1998

**Page Number:** 42

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development

- 14.218 - Community Development Block Grant
- 14.221 - Urban Development Action Grant - Cumulative Program Income
- 14.221 - Urban Development Action Grant - American Can
- 14.239 - Home Investment Partnership Program
- 14.246 - Brownsfield Economic Development
- 14.248 - Community Development Block Grant - Section 108

U.S. Department of Justice

- 16.548 - Delinquency Prevention
- 16.592 - Local Law Enforcement Block Grant

U.S. Department of Labor

- 17.249 - HIB Visa Tech Skills
- 17.253 - Welfare-to-Work
- 17.258, 17.259 & 17.260 - Workforce Investment Act

U.S. Department of Health and Human Services

- 93.914 - HIV Emergency Relief

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Monitoring

**Reference Number:** 2001-03

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The city of New Orleans has improved its monitoring of sub-recipients and implemented a fully compliant monitoring system during 2003, however certain sub-recipient audit reports have not been received.

Preparer's Signature: Cheryl French Phone Number: 565-0414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

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**For the Year Ended:** December 31, 2002

**Finding Title:** Procurement

**Reference Number:** 2001-04

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 2001

**Page Number:** 46

**Federal Grantor Agency/CFDA Number/Title:**

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

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

Street and contract repair services under the pre-existing contracts have been completed and no further disbursements are anticipated.

Preparer's Signature: Reba Green

Phone Number: 565-0414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Internal Control - Departmental Programmatic Activities

**Reference Number:** 2001-05

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 1999

**Page Number:** 48

**Federal Grantor/CFDA Number/Title:**

U.S. Department of Agriculture

10.557 - Special Supplemental - WIC

10.565 - Commodity Supplemental Food Program

U.S. Department of Housing and Urban Development

14.218 - Community Development Block Grant

14.221 - Urban Development Action Grant - Cumulative Program Income

14.238 - Shelter Plus

U.S. Department of Justice

16.592 - Local Law Enforcement Block Grant

U.S. Department of Transportation

20.205 - State and Community Highway Safety

U.S. Federal Emergency Management Agency

83.534 - Emergency Management

U.S. Department of Health and Human Services

93.585 - Empowerment Zones Programs

93.1410012 - EPSDT Medical and Dental Services and

93.194 - Demonstration Grants

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Internal Control - Departmental Programmatic Activities

**Reference Number:** 2001-05

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The City of New Orleans has increased the scope of its monitoring procedures to include Departmental Programmatic Activities and have implemented such procedures during 2003.

Preparer's Signature: *Patricia French* Phone Number: 505-6914

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

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**For the Year Ended:** December 31, 2002

**Finding Title:** Eligibility

**Reference Number:** 2001-06

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 2001

**Page Number:** 52

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Agriculture  
10.557 - Special Supplemental - WIC

U.S. Department of Housing and Urban Development  
14.239 - Home Investment Partnership Program

**Status of Finding (check one):** Fully Corrected \_\_\_\_\_; Partially Corrected \_\_\_\_\_; Not Corrected  X ; Change in Corrective Action \_\_\_\_\_, No Further Action Needed \_\_\_\_\_.

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

The City of New Orleans will continue to take the appropriate steps to ensure compliance with all regulations related to participant eligibility.

Preparer's Signature: Richard D. Heron Phone Number: 565-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

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**For the Year Ended:** December 31, 2002

**Finding Title:** Program Income

**Reference Number:** 2001-07

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 1998

**Page Number:** 54

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development  
14.239 - Home Investment Partnership Program

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The management of the City of New Orleans will take appropriate steps to ensure program income is properly accounted for.

Preparer's Signature: *Julia French* Phone Number: 565-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Program Income

**Reference Number:** 2001-08

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 2001

**Page Number:** 56

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development  
14.221 Urban Development Action Grant - Grantee Loans  
14.248 Community Development Block Grant - Section 108

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The audit of the UDAG grant has been completed and the UDAG accounts are being reconciled. Jazzland has completed its bankruptcy filing and the Jazzland loan has been restructured with a new loan obligator.

Preparer's Signature: Reba D. French Phone Number: 565-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Davis-Bacon Act

**Reference Number:** 2001-09

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 1998

**Page Number:** 58

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development

14.218 - Community Development Block Grant

14.239 - Home Investment Partnership Program

**Status of Finding (check one):** Fully Corrected \_\_\_\_\_; Partially Corrected \_\_\_\_\_; Not Corrected  X ; Change in Corrective Action \_\_\_\_\_, No Further Action Needed \_\_\_\_\_.

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

The management of the City of New Orleans has not yet fully implemented Davis-Bacon monitoring procedures.

Preparer's Signature: Reha A. Mendez Phone Number: 505-0414

**CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

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**For the Year Ended:** December 31, 2002

**Finding Title:** Suspended and Debarred Certifications

**Reference Number:** 2001-10

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 2000

**Page Number:** 60

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Agriculture

10.557 - Special Supplemental - WIC

U.S. Department of Housing and Urban Development

14.218 - Community Development Block Grant

14.221 - Urban Development Action Grant

14.239 - Home Investment Partnership Program

U.S. Department of Justice

16.592 - Local Law Enforcement Block Grant

U.S. Department of Labor

17.253 - Welfare-to-Work

U.S. Department of Health and Human Services

93.914 - HIV Emergency Relief

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Suspended and Debarred Certifications

**Reference Number:** 2001-10

**Status of Finding (check one):** Fully Corrected \_\_\_\_\_; Partially Corrected \_\_\_\_\_; Not Corrected  
  X  ; Change in Corrective Action \_\_\_\_\_, No Further Action Needed \_\_\_\_\_.

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

The management of the City of New Orleans has not obtained all suspension and debarment certifications.

Preparer's Signature: Robert French Phone Number: 565-6414

**CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

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**For the Year Ended:** December 31, 2002

**Finding Title:** Matching

**Reference Number:** 2001-11

**Amount of Questioned Cost in Finding:** \$1,240,409

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

**Initial Year of Finding:** 1998

**Page Number:** 63

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development

14.231 - Emergency Shelter Grant

14.239 - Home Investment Partnership Program

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The Department of Housing and Neighborhood Development is currently compiling the information to document the match for HOME and ESG funds for the year ended December 31, 2001.

Preparer's Signature: Reba L. Herch Phone Number: 565-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Allowable Activities

**Reference Number:** 2001-12

**Amount of Questioned Cost in Finding:** \$2,234,428

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

**Initial Year of Finding:** 2000

**Page Number:** 66

**Federal Grantor Agency/CFDA Number/Title:**

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

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The City of New Orleans has not provided programmatic has not received programmatic accomplishments for the applicable departments but has increased the scope of its internal monitoring to include departmental activities.

Preparer's Signature: Reba D. Marsh Phone Number: 504-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

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

**Reference Number:** 2001-13

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 1999

**Page Number:** 68

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development  
14.239 - Home Investment Partnership Program

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The management of the City of New Orleans has not performed all of the required site-inspections.

Preparer's Signature: Thelma Herich Phone Number: 505-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Financial Reporting

**Reference Number:** 2001-14

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 1999

**Page Number:** 70

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development

14.218 - Community Development Block Grant

14.231 - Emergency Shelter Grants

14.239 - Home Investment Partnership Program

14.241 - Housing Opportunities for People with AIDS

**Status of Finding (check one):** Fully Corrected \_\_\_\_\_; Partially Corrected \_\_\_\_\_; Not Corrected  X ; Change in Corrective Action \_\_\_\_\_, No Further Action Needed \_\_\_\_\_.

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

The management of the City of New Orleans is continuing to update the financial information in the Integrated Disbursement and Information System.

Preparer's Signature: Sheba Green Phone Number: 565-6414

**CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Financial Reporting

**Reference Number:** 2001-15

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 1999

**Page Number:** 72

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development

14.218 - Community Development Block Grant

14.231 - Emergency Shelter Grants

14.239 - Home Investment Partnership Program

14.241 - Housing Opportunities for People with AIDS

U.S. Department of Justice

16.592 - Local Law Enforcement Block Grant

U.S. Department of Health and Human Services

93.914 - HIV Emergency Relief Program

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Financial Reporting

**Reference Number:** 2001-15

**Status of Finding (check one):** Fully Corrected \_\_\_\_\_; Partially Corrected \_\_\_\_\_; Not Corrected  
  X  ; Change in Corrective Action \_\_\_\_\_, No Further Action Needed \_\_\_\_\_.

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

The City of New continues to differences between the SF 272 financial reports and the accounting records.

Preparer's Signature: Reba Lereh Phone Number: 515-6414

**CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Earmarking

**Reference Number:** 2001-16

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 2001

**Page Number:** 75

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development  
14.239 - Home Investment Partnership Program

U.S. Department of Health and Human Services  
93.914 - HIV Emergency Relief Program

**Status of Finding (check one):** Fully Corrected \_\_\_\_\_; Partially Corrected \_\_\_\_\_; Not Corrected  X ; Change in Corrective Action \_\_\_\_\_, No Further Action Needed \_\_\_\_\_.

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

The City of New Orleans has not disbursed 15% of its HOME funds to Community Housing Development Organizations.

The management if the City of New Orleans has not compiled the AIDS statistics to document compliance with the earmarking target.

Preparer's Signature: John French Phone Number: 505-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Finding Title:** Cost Allocation

**Reference Number:** 2001-17

**Amount of Questioned Cost in Finding:** \$ -0-

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

**Initial Year of Finding:** 2001

**Page Number:** 78

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Housing and Urban Development

14.218 - Community Development Block Grant

14.239 - Home Investment Partnership Program

**Status of Finding (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The City of New Orleans has developed a cost allocation methodology to allocate rental expense.

Preparer's Signature: Thelma Lopez Phone Number: 505-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Comment Title:** Encumbrances

**Reference Number:** Management Letter Comment #1

**Amount of Questioned Cost in Comment:** \$ -0-

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

**Initial Year of Comment:** 2001

**Page Number:** 2

**Federal Grantor Agency/CFDA Number/Title:** All Major Federal Programs

**Status of Comment (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The management of the City of New Orleans is continuing to evaluate encumbrances relative to grants.

Preparer's Signature: Robert A. Smith Phone Number: 505-0414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Comment Title:** Internal Control over Compliance

**Reference Number:** Management Letter Comment #2

**Amount of Questioned Cost in Comment:** \$ -0-

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

**Initial Year of Comment:** 2001

**Page Number:** 2

**Federal Grantor Agency/CFDA Number/Title:** All Major Federal Programs

**Status of Comment (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The management of the City of New Orleans is continually ensuring that applicable grant agencies/departments comply with internal control over compliance procedures.

Preparer's Signature: *Neha N. Herch* Phone Number: 565-0414

**CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Comment Title:** Programmatic Data Base

**Reference Number:** Management Letter Comment #3

**Amount of Questioned Cost in Comment:** \$ -0-

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

**Initial Year of Comment:** 2001

**Page Number:** 3

**Federal Grantor Agency/CFDA Number/Title:**

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

**Status of Comment (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The management of the City of New Orleans has not completed the establishment of a programmatic database.

Preparer's Signature: Cherise A. Herod Phone Number: 565-6414

**CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Comment Title:** Matching Requirement

**Reference Number:** Management Letter Comment #4

**Amount of Questioned Cost in Comment:** \$ -0-

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

**Initial Year of Comment:** 2001

**Page Number:** 3

**Federal Grantor Agency/CFDA Number/Title:**

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

**Status of Comment (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

The City of New Orleans is continually striving to ensure that all sub-recipient contracts include appropriate contractual requirements regarding matching, as applicable.

Preparer's Signature: Reba French Phone Number: 565-0414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Comment Title:** Code of Ethics for Public Officials and for Public Employees

**Reference Number:** Management Letter Comment #5

**Amount of Questioned Cost in Comment:** \$ -0-

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

**Initial Year of Comment:** 2001

**Page Number:** 4

**Federal Grantor Agency/CFDA Number/Title:** N/A

**Status of Comment (check one):** Fully Corrected \_\_\_\_\_; Partially Corrected \_\_\_\_\_; Not Corrected  X ; Change in Corrective Action \_\_\_\_\_, No Further Action Needed \_\_\_\_\_.

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

Administrator of a City of New Orleans Health Clinic is still receiving payments from sub-recipients to prepare and submit Medicare, Medicaid and other third party claims.

Preparer's Signature: Reha Marsh Phone Number: 505-6414

**CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

**For the Year Ended:** December 31, 2002

**Comment Title:** Financial Reporting

**Reference Number:** Management Letter Comment #6

**Amount of Questioned Cost in Comment:** \$ -0-

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

**Initial Year of Comment:** 2001

**Page Number:** 4

**Federal Grantor Agency/CFDA Number/Title:**

U.S. Department of Health and Human Services  
HIV Emergency Relief

**Status of Comment (check one):** Fully Corrected ; Partially Corrected ; Not Corrected ; Change in Corrective Action , No Further Action Needed .

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

Established procedures are being adhered to with regard to timely filing of federal financial reports.

Preparer's Signature: Debra French Phone Number: 565-6414

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December 31, 2002

Finding Title: Monitoring

Reference Number: 2000-01

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1998

Page Number: 38

Program Name(s): CDBG, UDAG, HOME, Brownsfield, Section 108, Domestic Violence, Welfare to Work, Health Center Grants, HIV Emergency Relief

Federal Grantor Agency: Labor, HHS, HUD Justice

CFDA Number(s): 14.218, 14.221, 14.239, 14.246, 14.248, 16.588, 17.253, 93.151, 93.919

Status of Finding (check one)

Fully Corrected	<u>          </u>	Not Corrected	<u>          </u>
Partially Corrected	<u>  X  </u>	No Further Action Needed	<u>          </u>
Change of Corrective Action	<u>          </u>		

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

The City of New Orleans has improved its monitoring of sub-recipient activities and has implemented a fully compliant monitoring system during 2003.

Preparer's Signature: *Theresa A. French*

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December 31, 2002

Finding Title: Monitoring

Reference Number: 2000-03

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1998

Page Number: 42

Program Name(s): CDBG, UDAG, HOME, Brownsfield, Section 108, Welfare-to-Work, Health Center, HIV Relief

Federal Grantor Agency: Labor, HHS, HUD, Justice

CFDA Number(s): 14.218, 14.221, 14.239, 14.246, 14.248, 17.253, 93.151, 93.914

Status of Finding (check one)

Fully Corrected	<u>  X  </u>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____		

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

The City of New Orleans has improved its monitoring of sub-recipient activities and has implemented a fully compliant monitoring system during 2003.

Preparer's Signature: *Richard French*

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December 31,  
2002

Finding Title: Internal Control - Departmental Programmatic Activities

Reference Number: 2000-04

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1999

Page Number: 51

Program Name(s): WIC, Commodity Food, Economic Development, UDAG, Shelter Plus, Brownsfield, Section 108, CDBG, Bynne Formula, Local Law, State and Community Highway, Emergency Management, Empowerment Zone, EPSDT

Federal Grantor Agency: HUD, HHS, Justice, FEMA, Transportation, Agriculture

CFDA Number(s): 10.557, 10.565, 11.300, 14.221, 14.238, 14.246, 14.248, 14.218, 16.579, 16.590, 20.205, 83.534, 93.585, 93.141

Status of Finding (check one)

Fully Corrected	<u>    </u>	Not Corrected	<u>    </u>
Partially Corrected	<u>  xx  </u>	No Further Action Needed	<u>    </u>
Change of Corrective Action	<u>    </u>		

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

The management of the City of New Orleans has increased the scope of its monitoring procedures to include Departmental Programmatic Activities and have implemented such procedures during 2003.

Preparer's Signature:

John A. Heresh

Phone Number:

565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December 31, 2002

Finding Title: Allowable Costs

Reference Number: 2000-05

Amount of Questioned Costs in Findings: \$ 11,989

Status of Questioned Costs (check one)      Resolved   X        Unresolved:       

Initial Year of Finding:            2000

Page Number:            54

Program Name(s):    CDBG, Home Investment

Federal Grantor Agency:    HUD

CFDA Number(s):    14.218, 14.239

Status of Finding (check one)

Fully Corrected	<u>  X  </u>	Not Corrected	<u>      </u>
Partially Corrected	<u>      </u>	No Further Action Needed	<u>      </u>
Change of Corrective Action	<u>      </u>		

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

The City of New Orleans has received repayment of the \$1,781 in payroll overpayments. Desk review status reports have been provided for the subrecipient in question.

Preparer's Signature: Reha A. French

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December  
31, 2002

Finding Title: Program Income

Reference Number: 2000-06

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1998

Page Number: 57

Program Name(s): Home Investment

Federal Grantor Agency: HUD

CFDA Number(s): 14.239

Status of Finding (check one)

Fully Corrected       
Partially Corrected       
Change of Corrective Action     

Not Corrected       
No Further Action Needed xx

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

The management of the City of New Orleans will take appropriate steps to ensure program income is properly accounted for.

Preparer's Signature:

Debra A. French

Phone Number:

565-6413

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

For the Year Ended: December  
31, 2002

Finding Title: Davis-Bacon Act

Reference Number: 2000-07

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1998

Page Number: 59

Program Name(s): CDBG, Home Investment

Federal Grantor Agency: HUD

CFDA Number(s): 14.218, 14.239

Status of Finding (check one)

Fully Corrected	<u>    </u>	Not Corrected	<u>xx</u>
Partially Corrected	<u>    </u>	No Further Action Needed	<u>    </u>
Change of Corrective Action	<u>    </u>		

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

The management of the City of New Orleans has not yet fully implemented Davis-Bacon monitored.

Preparer's Signature: Theresa A. Steneh

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December  
31, 2002

Finding Title: Suspended and Deferred Certifications

Reference Number: 2000-08

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 2000

Page Number: 61

Program Name(s): CDBG, Home Investment, Welfare to Work, Health Center  
Grants, HIV Emergency Relief

Federal Grantor Agency: HUD, Labor, HHS

CFDA Number(s): 14.218, 14.239, 17.253, 93.151, 93.914

Status of Finding (check one)

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

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

The management of the City of New Orleans has not obtained all suspended and debarred certifications.

Preparer's Signature:

Robert A. French

Phone Number:

565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December  
31, 2002

Finding Title: Matching

Reference Number: 2000-09

Amount of Questioned Costs in Findings: \$ 1,778,492

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

Initial Year of Finding: 1998

Page Number: 64

Program Name(s): Home Investments

Federal Grantor Agency: HUD

CFDA Number(s): 14.239

Status of Finding (check one)

Fully Corrected   
Partially Corrected  xx  
Change of Corrective Action

Not Corrected   
No Further Action Needed

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

The Department of Housing and Neighborhood Development of the City of New Orleans has compiled information to document the match of Home funds for the year ended December 31, 2000. However, the cognizant agency has not either reviewed or provided a final determination on such information.

Preparer's Signature:

Richard A. French

Phone Number:

565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December  
31, 2002

Finding Title: Allowable Activities

Reference Number: 2000-10

Amount of Questioned Costs in Findings: \$ 2,922,000

Status of Questioned Costs (check one) Resolved  Unresolved:

Initial Year of Finding: 2000

Page Number: 66

Program Name(s): CDBG

Federal Grantor Agency: HUD

CFDA Number(s): 14.218

Status of Finding (check one)

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

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

The management of the City of New Orleans has provided programmatic accomplishments for two out the three departments questioned, resulting in questioned costs being reduced to \$1,668,000. The management of the City of New Orleans has increased the scope of its internal monitoring to include departmental activities.

Preparer's Signature:

Theresa A. French

Phone Number:

505-6443

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December  
31, 2002

Finding Title: Special Tests and Provisions - On-Site Inspections

Reference Number: 2000-11

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1999

Page Number: 68

Program Name(s): Home Investment

Federal Grantor Agency: HUD

CFDA Number(s): 14.239

Status of Finding (check one)

Fully Corrected	<u>X</u>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____		

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

The management of the City of New Orleans has performed all of the required site-inspections.

Preparer's Signature: \_\_\_\_\_

*Robert A. French*

Phone Number: \_\_\_\_\_

505-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December  
31, 2002

Finding Title: Financial Reporting

Reference Number: 2000-12

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1999

Page Number: 70

Program Name(s): CDBG, Home Investment, Emergency Shelter, HOPWA

Federal Grantor Agency: HUD

CFDA Number(s): 14.218, 14.239, 14.231, 14.241

Status of Finding (check one)

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<u>X</u>	No Further Action Needed	_____
Change of Corrective Action	_____		

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

The management of the City of New Orleans is continuing to update the financial information in the Integrated Disbursement and Information System.

Preparer's Signature:

Richard A. French

Phone Number:

505-6413

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

For the Year Ended: December  
31, 2002

Finding Title: Reporting

Reference Number: 2000-13

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1999

Page Number: 72

Program Name(s): HIV Emergency Relief, CDBG, Home Investment, Emergency Shelter, HOPWA

Federal Grantor Agency: HHS, HUD

CFDA Number(s): 93.914, 14.218, 14.239, 14.231, 14.241

Status of Finding (check one)

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<u>x</u>	No Further Action Needed	_____
Change of Corrective Action	_____		

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

The management of the City of New Orleans is continuing to update the financial information in the related federal reports.

Preparer's Signature: Richard A. French

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December  
31, 2002

Finding Title: Reporting

Reference Number: 2000-15

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 2000

Page Number: 77

Program Name(s): CDBG-Section 108

Federal Grantor Agency: HUD

CFDA Number(s): 14.248

Status of Finding (check one)

Fully Corrected	<u>X</u>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____		

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

The management of the City of New Orleans has ensured that the monthly financial reports have been provided to HUD.

Preparer's Signature: *Reba A. French*

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

---

For the Year Ended: December  
31, 2002

Finding Title: Earmarking

Reference Number: 2000-16

Amount of Questioned Costs in Findings: \$ 271,709

Status of Questioned Costs (check one) Resolved  Unresolved:

Initial Year of Finding: 2000

Page Number: 79

Program Name(s): Home Investment

Federal Grantor Agency: HUD

CFDA Number(s): 14.239

Status of Finding (check one)

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

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

The management of the City of New Orleans has reallocated the noted costs. However, such reallocation has not been provided to the independent auditors for review.

Preparer's Signature:

John A. French

Phone Number:

505-643

## **SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

---

For the Year Ended: December 31, 2002

Finding Title: *Encumbrances*

Reference Number: Management Letter Comment #1 - 12/31/00

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding:            1996

Page Number:    2 - Management Letter

Program Name(s):    All Federal Programs

Federal Grantor Agency:    All Federal Programs

CFDA Number(s):    All Federal Programs

Status of Finding (check one)

Fully Corrected	<u>      </u>	Not Corrected	<u>      </u>
Partially Corrected	<u>  X  </u>	No Further Action Needed	<u>      </u>
Change of Corrective Action	<u>      </u>		

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

The management of the City of New Orleans is continuing to evaluate encumbrances relative to grants.

Preparer's Signature: *Reba D. Steneh*

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Programmatic Data Base

Reference Number: Management Letter Comment #3 - 12/31/00

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1999

Page Number: 3-Management Letter

Program Name(s): Home Investment

Federal Grantor Agency: HUD

CFDA Number(s): 14.239

Status of Finding (check one)

Fully Corrected	<u>    </u>	Not Corrected	<u>  X  </u>
Partially Corrected	<u>    </u>	No Further Action Needed	<u>    </u>
Change of Corrective Action	<u>    </u>		

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

The management of the City of New Orleans has not completed the establishment of a programmatic database.

Preparer's Signature: *Debra A. Zerech*

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Monitoring

Reference Number: 99-02

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1996

Page Number: 36

Program Name(s): CDBG, HOME, Special Purpose, Emergency Shelter, Shelter Plus, Hopwa, Employment Training Assist, JTPA, Welfare to Work, Pregnant Women, Health Center Grants, Ryan White

Federal Grantor Agency: Labor, HHS, HUD

CFDA Number(s): 14.218, 14.339, 14.277, 14.231, 14.238, 14.241, 17.246, 17.250, 17.253, 93.101, 93.151, 93.914, 93.915

Status of Finding (check one)

Fully Corrected	<u>  X  </u>	Not Corrected	<u>      </u>
Partially Corrected	<u>      </u>	No Further Action Needed	<u>      </u>
Change of Corrective Action	<u>      </u>		

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

The City of New Orleans has improved its monitoring of sub-recipient activities and has implemented a fully compliant monitoring system during 2003.

Preparer's Signature: *Debra A. French*

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Internal Control - Departmental Programmatic Activities

Reference Number: 99-04

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding:

Page Number: 43

Program Name(s): WIC, Comm. Supplemental Food, Econ. Dev. Grants, UDAG, CDBG,  
Byane Formula Local Law, State Community Highway Safety,  
Emergency Mgmt, Empowerment Zones

Federal Grantor Agency: HUD, HHS, Justice, Federal Emergency Management

CFDA Number(s): 10.557, 10.565, 11.300, 14.221, 14.218, 16.579, 16.592, 20.600,  
83.534, 93.585

Status of Finding (check one)

Fully Corrected	<u>      </u>	Not Corrected	<u>      </u>
Partially Corrected	<u>  X  </u>	No Further Action Needed	<u>      </u>
Change of Corrective Action	<u>      </u>		

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

The management of the City of New Orleans has increased the scope of its monitoring procedures to include Departmental programmatic Activities and have implemented such procedures during 2003.

Preparer's Signature: *John A French*

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Program Income

Reference Number: 99-06

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1998

Page Number: 49

Program Name(s):

Federal Grantor Agency: HUD, HHS

CFDA Number(s): 14.239, 14.241

Status of Finding (check one)

Fully Corrected	_____	Not Corrected	<u>X</u>
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____		

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

The management of the City of New Orleans will review and enhance the system of accounting for program income.

Preparer's Signature: John A. Steneh

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Davis-Bacon Act

Reference Number: 99-07

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1996

Page Number: 51

Program Name(s): CDBG, HOME, Special Purpose

Federal Grantor Agency: HUD

CFDA Number(s): 14.218, 14.239, 14.227

Status of Finding (check one)

Fully Corrected	<u>      </u>	Not Corrected	<u>  X  </u>
Partially Corrected	<u>      </u>	No Further Action Needed	<u>      </u>
Change of Corrective Action	<u>      </u>		

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

The management of the City of New Orleans has not fully implemented Davis-Bacon monitoring procedures.

Preparer's Signature: *Richard D. French*

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Matching

Reference Number: 99-09

Amount of Questioned Costs in Findings: \$ 944,933

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

Initial Year of Finding: 1998

Page Number: 56

Program Name(s): Home Investment Partnership

Federal Grantor Agency: HUD

CFDA Number(s): 14.239

Status of Finding (check one)

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<u>X</u>	No Further Action Needed	_____
Change of Corrective Action	_____		

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

The Department of Housing and Neighborhood Development of the City of New Orleans has compiled information to document the match of Home funds for the year ended December 31, 1999. However, the cognizant agency has not either reviewed or provided a final determination on such documentation.

Preparer's Signature: John A. Trend

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Allowable Activities and Costs

Reference Number: 99-10

Amount of Questioned Costs in Findings: \$ 44,490

Status of Questioned Costs (check one)      Resolved   x        Unresolved:       

Initial Year of Finding:            1999

Page Number:                    58

Program Name(s):    HIV Emergency Relief

Federal Grantor Agency:    HHS

CFDA Number(s):    93.914, 93.915

Status of Finding (check one)

Fully Corrected	<u>  X  </u>	Not Corrected	<u>      </u>
Partially Corrected	<u>      </u>	No Further Action Needed	<u>      </u>
Change of Corrective Action	<u>      </u>		

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

The matter has been resolved by action of the criminal court. The City of New Orleans has received a repayment agreement as a result of the criminal court action.

Preparer's Signature: Reba A. French

Phone Number: 565-6443

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Special Tests and Provisions - on Site Inspections

Reference Number: 99-11

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1999

Page Number: 60

Program Name(s): Home Investment Partnership

Federal Grantor Agency: HUD

CFDA Number(s): 14.239

Status of Finding (check one)

Fully Corrected	<u>      </u>	Not Corrected	<u>      </u>
Partially Corrected	<u>X</u>	No Further Action Needed	<u>      </u>
Change of Corrective Action	<u>      </u>		

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

The management of the City of New Orleans has not performed all of the required inspections.

Preparer's Signature: John A. French

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Financial Reporting

Reference Number: 99-12

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1999

Page Number: 62

Program Name(s): CDBG, HOME, Emergency Shelter

Federal Grantor Agency: HUD

CFDA Number(s): 14.218, 14.239, 14.231

Status of Finding (check one)

Fully Corrected	<u>  X  </u>	Not Corrected	<u>      </u>
Partially Corrected	<u>      </u>	No Further Action Needed	<u>      </u>
Change of Corrective Action	<u>      </u>		

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

The management of the City of New Orleans is update the financial information in the IDIS system for this period.

Preparer's Signature: *Rehna D. Stenel*

Phone Number: 565-6413

## SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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For the Year Ended: December 31, 2002

Finding Title: Reporting

Reference Number: 99-14

Amount of Questioned Costs in Findings: \$ 0

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

Initial Year of Finding: 1999

Page Number: 66

Program Name(s): HIV Emergency Relief, Healthy Start

Federal Grantor Agency: HHS

CFDA Number(s): 93.914, 93.926

Status of Finding (check one)

Fully Corrected	<u>  X  </u>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____		

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

The management of the City of New Orleans updated the financial information for the related federal reports.

Preparer's Signature: \_\_\_\_\_

Phone Number: \_\_\_\_\_