
THE FINANCE AUTHORITY OF NEW ORLEANS

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2019

WITH INDEPENDENT AUDITORS' REPORT THEREON

THE FINANCE AUTHORITY OF NEW ORLEANS

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THE FINANCE AUTHORITY OF NEW ORLEANS

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Independent Auditors' Report

The Board of Trustees of
The Finance Authority of New Orleans

Report on the Financial Statements

We have audited the accompanying financial statements of the proprietary fund and fiduciary fund of the Finance Authority of New Orleans (the Authority) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund and fiduciary fund of the Authority as of December 31, 2019, and the respective changes in their financial position and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Authority's basic financial statements. The Combining Statement of Net Position, Combining Statement of Revenues, Expenses and Changes in Net Position, and Schedule of Compensation, Benefits, and Other Payments to Agency Head on pages 20 to 22 are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion these supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
September 30, 2020

THE FINANCE AUTHORITY OF NEW ORLEANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

The Management's Discussion and Analysis of the Finance Authority of New Orleans (the Authority) presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2019. This document focuses on the current period's activities, resulting changes, and currently known facts in comparison with the prior period's information. Please read this document in conjunction with the Authority's financial statements, which begin on page 8.

The financial statements include the totals of the accounts of each of the Authority's bond programs and the Operating Fund, NOHMA Development Corporation, Unrestricted Fund Pathways to Homeownership New Orleans, Inc., and the Market Rate Program.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and supplementary information.

Government-wide Financial Statements – Enterprise Fund

The Authority's principal activities of promoting the development of residential housing (single or multi-family dwellings) in the City of New Orleans, Louisiana, primarily for persons of low and moderate incomes are accounted for in a single proprietary fund – the enterprise fund. Enterprise funds are used to report business activities. Since the enterprise fund is the Authority's single activity, its financial statements are presented as the Authority's government-wide financial statements.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

The Authority's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred in the Statements of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Authority are included in the Statement of Net Position.

The Statement of Net Position presents financial information on all of the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Fund Financial Statements – Fiduciary Fund

The fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statements because the resources of that fund is not available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

THE FINANCE AUTHORITY OF NEW ORLEANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

The Authority's assets exceeded its liabilities as of December 31, 2019 by \$14,384,000. This represents a 6% decrease from the prior year.

The Authority's mortgage-backed and other securities had net realized and unrealized gains of \$41,000 in the year ended December 31, 2019 compared to net realized and unrealized losses of \$492,000 in the prior year.

Excluding the unrealized gains/losses on securities, the Authority's expenses exceeded revenues by \$956,000 for the year ended December 31, 2019 compared to an excess of expenses over revenues of \$645,000 in the prior year. The major reason for this change is an increase in program expenses and decline in rental income during the period. Additionally, the Authority wrote off several uncollectible accounts receivable.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

The statements of net position as of December 31, 2019 and 2018 are as follows (in thousands):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash and cash equivalents	\$ 10,178	\$ 9,784
U.S. Government and agency securities	777	1,395
Mortgage-backed securities	8,249	9,513
Notes and other receivables - net	290	349
Other assets	976	1,600
	<hr/>	<hr/>
Total assets	\$ 20,470	\$ 22,641
	<hr/>	<hr/>
Other liabilities	\$ 248	\$ 322
Bonds and notes outstanding	5,838	7,021
	<hr/>	<hr/>
Total liabilities	6,086	7,343
	<hr/>	<hr/>
Net position:		
Net investment in capital assets	852	1,160
Restricted	757	701
Unrestricted	12,775	13,437
	<hr/>	<hr/>
Total net position	14,384	15,298
	<hr/>	<hr/>
Total liabilities and net position	\$ 20,470	\$ 22,641
	<hr/>	<hr/>

THE FINANCE AUTHORITY OF NEW ORLEANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

The Authority's total net position at December 31, 2019 decreased to \$14.4 million, a decrease of 6.0%, from December 31, 2018. Total assets decreased by \$2.2 million, or 9.6%, due primarily to the sale of investments to pay principal and interest on the long-term debt and to fund the Authority's operations in addition to the write-off of uncollectible receivables. Total liabilities decreased by \$1.3 million, or 17.1%, primarily due to principal payments on long-term debt.

Net investment in capital assets represents property and equipment, principally real estate held by the Pathways to Homeownership Program. Restricted net position represents those assets that are not available for general use due to the terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of the Authority's Mortgage Revenue Bond Programs less the related liabilities. Conversely, unrestricted net position represents those assets for which there are no such limitations.

Changes in Net Position

The summary of changes in net position are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	(in thousands)	
Operating revenues, net of investment losses	\$ 764	\$ 636
Operating expenses	<u>1,678</u>	<u>1,773</u>
Deficiency in revenues over expenses	<u>\$ (914)</u>	<u>\$ (1,137)</u>

Operating revenues increased by \$129,000, or 20.1%, in 2019 compared to 2018, primarily due to investment returns and market performance. Operating expenses decreased by \$94,000, or 5.3%, in 2019 compared to 2018, due primarily to decreases in bad debt expense and depreciation expense.

Capital Assets

Capital assets decreased by \$308,000 during the year ended December 31, 2019. This decrease is related to current year depreciation on the Authority's capital assets as well as the sale of properties during the year. Note 5 to the financial statements summarizes activity in capital assets during the year.

Debt Administration

The Finance Authority of New Orleans had \$5,838,000 in bonds and notes outstanding as of December 31, 2019, compared to \$7,021,000 at the end the prior fiscal period, a decrease of 16.8%.

The decreased debt level as of December 31, 2019 resulted primarily from the retirement of \$1,183,000 of bonds in the Authority's Single Family Program Funds. The notes to the financial statements disclose the details of debt activity for the year ended December 31, 2019.

Substantially all of the Authority's single family bond issues had an AAA rating at December 31, 2019 due to the GNMA and FNMA securities pledged as collateral for the Authority's bond issues.

THE FINANCE AUTHORITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

FANO remains committed to providing safe and affordable housing options for single-family homes, multi-family housing developments, and rental assistance initiatives to address the continued housing affordability challenges and make New Orleans a better home. The following economic factors currently affect the Authority and were considered in developing the budget for 2020.

New Orleans and surrounding communities also face climate challenges unlike any city in the United States. In New Orleans, resiliency is a need in the community, not a want. With sea levels potentially rising over 10 feet within the next 100 years, the city must be proactive about ensuring a sustainable New Orleans for future generations. Inspired by these issues, the City of New Orleans established a long-term Climate Resilience Plan ("the Plan"), which includes embracing environmental change, creating new job opportunities for distressed communities and physically transforming New Orleans to increase resiliency against climate events.

One challenge preventing the City from advancing its Climate Resilience strategy is the lack of a financing platform tailored to investing in climate resilience, green infrastructure and renewable energy projects. New Orleans has experienced limited private sector investment into climate resilience since Hurricane Katrina. It is critical that the public sector assume the leadership role for financing climate resilience to stimulate more investment from the private sector.

The Authority is supporting the City of New Orleans' Climate Resilience plan by using its public financing powers to attract private capital and stimulate the development of a new industry built around solving our climate resilience challenges. The development of new jobs created by investing in climate resilience provides workforce training opportunities for our most underinvested communities. The Authority is ensuring these communities have an opportunity to participate in the physical transformation of New Orleans.

In the upcoming year, the Authority will offer green mortgage loans and incentives to homeowners and developers to install green infrastructure, energy efficiency, and renewable energy measures on their properties in addition to providing affordable solutions. Further, the Authority will be dedicated to the continued pipeline development of commercial and governmental green infrastructure and renewable energy projects in coordination with the City of New Orleans.

Market interest rates continue to remain at historically low levels as a direct result of the Federal Reserve Bank's policy of maintaining historically modest interest rates levels in response to the Great Recession of 2008. The low rate environment continues to limit the Authority's ability to offer below market financing to homeowners due to the ineffectiveness of issuing tax-exempt bonds in low interest rate environments. Management works closely with its financial partners to consider the best strategies to take maximum advantage of market conditions and remain focused on assuring the Authority is well positioned for financial challenges and opportunities.

The Authority continues to maintain a modest operating budget and develop long-term capital investment plans that utilize alternative sources of funding for housing, economic development, and climate resilience projects that meet the Authority's mission and strategic objectives.

THE FINANCE AUTHORITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2019

CONTACTING THE FINANCE AUTHORITY OF NEW ORLEANS' MANAGEMENT

This financial report is designed to provide New Orleans citizens and taxpayers, as well as the Authority's customers and creditors with a general overview of The Finance Authority of New Orleans finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

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FINANCE AUTHORITY OF NEW ORLEANS

STATEMENT OF NET POSITION

PROPRIETARY FUND

DECEMBER 31, 2019

(in thousands)

Assets

Current assets:	
Cash and cash equivalents	\$ 9,711
Investments:	
U.S. government and agency securities	777
Mortgage-backed securities	2,035
Receivables:	
Accrued interest	36
Due from other governments	250
Other loans and assets	4
Total receivables	<u>290</u>
Prepaid expenses and other assets	<u>124</u>
Total current assets	<u>12,937</u>
Noncurrent assets:	
Cash and cash equivalents, restricted	467
Mortgage-backed securities, restricted	6,214
Capital assets, net	852
Total noncurrent assets	<u>7,533</u>
Total assets	<u>\$ 20,470</u>

Liabilities and Net Position

Current liabilities:	
Accrued interest and other	\$ 200
Due to other governments	48
Total current liabilities	<u>248</u>
Long-term liabilities:	
Bonds and notes payable	<u>5,838</u>
Total liabilities	<u>6,086</u>
Net position:	
Net investment in capital assets	852
Restricted	757
Unrestricted	12,775
Total net position	<u>14,384</u>
Total liabilities and net position	<u>\$ 20,470</u>

See accompanying notes to financial statements.

FINANCE AUTHORITY OF NEW ORLEANS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands)

Revenues:	
Interest on mortgage loans and mortgage-backed securities	\$ 453
Interest on other investments	92
Net increase in fair value of mortgage-backed securities	41
Other	178
Total revenues	<u>764</u>
Expenses:	
Interest expense on revenue bonds and notes	142
Program expenses	1,362
Depreciation expense	40
Bad debt expense	134
Total expenses	<u>1,678</u>
Deficiency in revenues over expenses	(914)
Net Position - Beginning of year	<u>15,298</u>
Net Position - End of year	<u>\$ 14,384</u>

See accompanying notes to financial statements.

FINANCE AUTHORITY OF NEW ORLEANS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands)

Cash flows from operating activities:	
Collection of interest income	\$ 542
Collection of mortgage and other loans	10
Payments of interest and program expense	(599)
Payments to employees and other suppliers of services	(969)
Other operating receipts	5
Net cash used in operating activities	<u>(1,011)</u>
Cash flows from noncapital and related financing activities:	
Principal payments on bonds	<u>(1,183)</u>
Net cash used in noncapital financing activities	<u>(1,183)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(11)
Proceeds from sales of property	676
Net cash provided in capital financing activities	<u>665</u>
Cash flows from investing activities:	
Maturities of investments	<u>1,923</u>
Net cash provided by investing activities	<u>1,923</u>
Net increase in cash and cash equivalents	394
Cash and cash equivalents at beginning of the year	<u>9,784</u>
Cash and cash equivalents at end of the year	<u>\$ 10,178</u>
Reconciliation of cash and equivalents to the Statement of Net Position:	
Current assets - cash and cash equivalents	\$ 9,711
Noncurrent assets - cash and cash equivalents, restricted	467
Total cash and cash equivalents	<u>\$ 10,178</u>
Reconciliation of net operating loss to net cash used in operating activities are as follows:	
(Deficiency in) excess of revenue over expenses before operating transfers	\$ (914)
Unrealized gain on investments	(41)
Bad debt expense	134
Depreciation expense	40
Gain on sale of property	(78)
Adjustments to reconcile deficiency in revenues over expense to net cash used in operating activities:	
(Increase) decrease in receivables	7
(Increase) decrease in prepaid expenses and other assets	(85)
Increase (decrease) in accrued liabilities	<u>(74)</u>
Net cash used in operating activities	<u>\$ (1,011)</u>

See accompanying notes to financial statements.

FINANCE AUTHORITY OF NEW ORLEANS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

DECEMBER 31, 2019

(in thousands)

Assets

Current assets:

Cash and cash equivalents \$ 57

Total assets \$ 57

Liabilities

Current liabilities:

Deposits due to others \$ 57

Total liabilities \$ 57

See accompanying notes to financial statements.

THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

(1) Organization and Summary of Significant Accounting Policies

Organization

The Finance Authority of New Orleans (the Authority) is a public trust originally created by a trust indenture dated October 11, 1978, pursuant to Chapter 2A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. The Authority was created to provide funds, through the issuance of bonds, to promote the development of residential housing (single or multi-family dwellings) in the City of New Orleans, Louisiana, primarily for persons of low and moderate incomes. In 1995, the powers of the Authority were expanded to include all those provided to a public trust under Revised Statutes 9:2341 et seq. In accordance with the respective indentures, the proceeds from the Authority's bond issues are used to acquire mortgage-backed securities.

The Authority is managed by a Board of Trustees appointed by the Council of the City of New Orleans. The Bank of New York Trust Company, N.A. serves as the trustee of the single family program funds. The Authority's staff serves as the mortgage loan administrator of the various whole loan portfolios. Various local financial institutions originate and service the Authority's single family program mortgage loans.

The financial statements of the Authority include the following subsidiaries that are 100% owned by the Authority. These entities share the same governance and management from the Authority, and as a result, are considered part of the Authority and not component units.

- *NOHMA Development Corporation*

NOHMA Development Corporation (the NOHMA Corporation) was formed in the fiscal year 1994. The NOHMA Corporation's mission is to provide increased home ownership among "primarily" low income families via a joint operating agreement with the Authority through a variety of services.

- *Pathways to Homeownership New Orleans, Inc.*

Pathways to Homeownership New Orleans, Inc. (the Pathways Corporation) was formed on March 31, 2005, and was funded in the year ended March 31, 2007. The Pathways Corporation's mission is to provide increased homeownership among low and moderate income families through a variety of services. The Pathways Corporation's accounts are included under the column captioned "Pathways to Home Ownership Program," within the basic financial statements.

The financial statements of each of these entities is included in the proprietary fund of the Authority. All significant inter-entity accounts and transactions have been eliminated in the basic financials statements.

THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

(1) Organization and Summary of Significant Accounting Policies (continued)

Market Rate Program

During 2015, the Authority introduced a market rate mortgage program that provides mortgages and down payment assistance grants to borrowers with incomes up to 140% of the New Orleans Area Median Income. This program serves as a complement to our traditional tax-exempt bond mortgage program. The first mortgages offered in this program are FHA, VA or Freddie Mac sponsored with down payment assistance provided through a second mortgage funded with proceeds from premiums priced into the previously mentioned first mortgages. Down payment assistance ranges from 3-5% of the value of the first mortgage. The Authority collects an issuer fee for each origination and also has the option to purchase the mortgage backed securities created from the individual mortgages originated through the program.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's basic financial statements consist of the government-wide statements which include the proprietary fund (the enterprise fund) and the fund financial statements which includes the fiduciary fund (City of New Orleans Fiduciary Fund).

The operations of the Authority are accounted for in the following fund types:

Proprietary Fund Type

The proprietary fund is used to account for the Authority's ongoing operations and activities, which are similar to those found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus under which all assets and deferred outflows and all liabilities and deferred inflows associated with the operation of these funds are included in the statements of net position.

The Authority uses fund accounting to report its financial position and results of operations. The accounts of the Authority are organized on the basis of individual programs. The programs provide for a separate set of self-balancing accounts which account for bonds issued, debt service and bond redemption requirements, investments, and related revenues and operating expenses. These individual programs are aggregated in the financial statements to comprise the proprietary fund of the Authority.

The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Operating revenues include all charges for services, investment income or loss, and other miscellaneous charges. The Authority's principal operating revenues are interest and appreciation (depreciation) related to investment and mortgages/mortgage-backed securities. Operating expenses include the costs associated with providing services to promote the development of residential housing. The Authority did not have non-operating revenues or expenses in 2019.

THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

(1) Organization and Summary of Significant Accounting Policies (continued)

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position should be displayed in three components - net investment in capital assets, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets; restricted distinguishing between major categories of restrictions and consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets; and unrestricted consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Authority first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Fiduciary Fund Type

The Fiduciary Fund is an agency fund used to account for assets held by the Authority in a trustee or agency capacity. The Authority's only agency fund is the City of New Orleans Fiduciary Fund, which is used to account for assets held by the Authority as an agent for the City of New Orleans. This fund is recorded on the accrual basis of accounting. Agency Funds are custodial in nature and do not involve the measurement of results of operations.

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses and changes in net position.

The sale of certain investments by the Authority is subject to certain restrictions as described in the individual bond indentures.

Capital Assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated lives (buildings - 40 years; equipment - 5 to 10 years; building improvements - 15 years) of the related assets.

THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

(1) Organization and Summary of Significant Accounting Policies (continued)

Grant Revenues

Revenues from federal and state grants are recorded when the Authority has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the Authority, or when otherwise earned under the terms of the grants. The Authority did not have grant revenues in 2019.

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 deferred outflows and liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents

In compliance with state laws, those deposits not covered by depository insurance are required to be secured by bank owned securities specifically pledged to the Authority and held in joint custody by an independent custodian bank. Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. As of December 31, 2019, the Authority had approximately \$2,545,000 in demand deposits that were covered by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The remaining amount of the Authority's cash balances were comprised of cash equivalents that were invested in money market funds, of which the underlying assets are guaranteed investments in securities issued by the U.S. Government.

(3) Investments

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Authority's U.S. government & agency and mortgage backed securities are valued using quoted prices for similar securities in active markets (Level 2 inputs).

The Authority's measurements of fair value are made on a recurring basis and their valuation techniques for assets and liabilities recorded at fair value on December 31, 2019 are as follows:

	Fair Value Measurements – December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mortgage backed securities	\$ -	\$ 8,249,000	\$ -	\$ 8,249,000
U.S. government and agency securities	-	777,000	-	777,000
Total	\$ -	\$ 9,026,000	\$ -	\$ 9,026,000

THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

(3) Investments (continued)

Credit Risk

Louisiana State statutes authorize the Authority to invest in the following types of investment securities:

- 1) Fully-collateralized certificates of deposit issued by qualified commercial banks, federal credit unions, and savings and loan associations located within the State of Louisiana.
- 2) Direct obligations of the U.S. government, including such instruments as treasury bills, treasury notes, treasury bonds and obligations of U.S. government agencies that are deliverable on the Federal Reserve System.
- 3) Repurchase agreements in U.S. government securities made with the primary dealers that report to and are regulated by the Federal Reserve Bank of New York.
- 4) Guaranteed investment contracts with companies having good credit ratings.

The Authority has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State of Louisiana. At December 31, 2019, substantially all of the Authority's investments in Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) securities are at least rated AAA by Standard and Poor's or AAA by Moody's Investors Services. The Authority has no limit on the amount it may invest in any one issuer so long as the State of Louisiana's restrictions are followed.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's policies generally restrict investments to terms that are no longer than the terms of the related bonds.

The Authority's bond programs have investments in guaranteed investment contracts, mortgage backed securities and other investments which have maturities which approximate the terms of the related debt. Therefore, the Authority balances its interest rate risk against the related debt. By using this method, the Authority believes that it will mitigate its interest rate risk.

The Authority's unrestricted fund has investments in U.S. agency securities with a weighted average maturity of approximately five years and in mortgage-backed securities with a weighted average maturity of approximately fifteen years.

THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

(3) Investments (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are held by the custodial bank as an agent for the Authority, in the Authority's name, and are thereby not exposed to custodial credit risk.

At December 31, 2019, the Authority's total investments of approximately \$9,026,000 included approximately \$777,000 of FFILB and US Treasury securities yielding interest at rates ranging from 0.25% to 0.625% due within 3 years, approximately \$2,035,000 of GNMA and FNMA mortgage-backed securities bearing interest from 0.25% to 8.45% maturing through the year 2032, and additional \$6,214,000 of mortgage-backed securities, described below.

Several of the single-family bond issues were structured to provide funds to purchase 30 year fixed rate mortgages which would then be immediately sold and assigned to a master servicer and exchanged for mortgage-backed securities. The securities are backed by the mortgage loans and guaranteed as to timely payment of principal and interest by GNMA or FNMA. Interest on the GNMA and FNMA securities is stated at 1/2% and 5/8%, respectively, which is less than the interest rate on the respective mortgage loans with final maturity dates ranging from 2023 through 2041.

The individual single family issues structured in this manner and the values of the mortgage-backed securities held as of December 31, 2019, are as follows (in thousands):

<u>Single Family Program Fund</u>	<u>Interest Rate</u>	<u>Carrying Amount of Securities</u>
GSE Series of 2009	3.9-7.1%	<u>\$ 6,214</u>

(4) Loans and Other Receivables

The Authority issues certain loans which provide the borrower with funds to pay their closing costs and are subordinate to the first mortgages. The loans generally do not accrue interest if paid within ten years. During 2019, the Authority wrote off an uncollectible mortgage loan of approximately \$68,000 which was collateralized by first mortgage on the related property.

The Authority has established an allowance for doubtful receivables for the NOHMA Development Corporation and the Unrestricted Fund's loans. During 2019, the allowance balance of \$56,000 was utilized for the write off of the uncollectible mortgage loan. The determination of the allowance was based on, among other things, an analysis of the unpaid balance of loans in default as compared to the estimated value of the related real estate and anticipated costs of disposal.

THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

(5) Capital Assets

Capital asset activity for the year ended December 31, 2019 is as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 152	\$ -	\$ -	\$ 152
Building	1,449	-	(418)	1,031
Equipment	279	11	-	290
Total acquisition cost	<u>1,880</u>	<u>11</u>	<u>(418)</u>	<u>1,473</u>
Less: accumulated depreciation				
Building	447	35	(139)	343
Equipment	273	5	-	278
Total accumulated depreciation	<u>720</u>	<u>40</u>	<u>(139)</u>	<u>621</u>
Capital assets, net	<u>\$ 1,160</u>	<u>\$ (29)</u>	<u>\$ (279)</u>	<u>\$ 852</u>

(6) Bonds Payable

The outstanding bonds payable and transactions of the Authority as of and for the year ended December 31, 2019, are as follows (in thousands):

	<u>Issued</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Outstanding December 31, 2018</u>	<u>Bonds Issued</u>	<u>Payments on Principal</u>	<u>Outstanding December 31, 2019</u>
Single Family 2009 GSE Revenue Bonds	\$ 25,000	2.32	12/1/2041	\$ 7,021	\$ -	\$ 1,183	\$ 5,838

During 2009, the Authority issued \$25,000,000 of GSE Revenue Bonds. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA. The initial proceeds were invested in an investment agreement with US Bank. The initial interest rate was equal to the rate of interest earned on the fund's investments. Effective, February 22, 2012 the rate converted to a permanent rate of 2.32% through December 1, 2041. The bonds are subject to redemption on or prior to December 1, 2041.

THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

(6) Bonds Payable (continued)

Following is a schedule of the future principal and interest payments of the Authority's debt based on the stated maturity dates of the debt. Actual repayment dates will likely occur earlier since substantially all of the debt is subject to early redemption provisions. These early redemption provisions relate to payments received on the mortgage-backed securities and mortgage loans receivable and certain other factors. These early redemptions will also reduce future interest payments. Scheduled principal and interest payments for the years ending December 31, are as follows, assuming that all bonds are held to maturity (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 197	\$ 197
2021	-	197	197
2022	-	197	197
2023	-	197	197
2024	-	197	197
2025-2030	-	985	985
2031-2036	-	985	985
2037-2041	5,838	788	6,626
	<u>\$ 5,838</u>	<u>\$ 3,546</u>	<u>\$ 9,384</u>

(7) Board Member Per Diem

For the year ended December 31, 2019, the Authority's Board members did not receive any per diem for all committee and board meetings attended.

(8) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 30, 2020, and determined that the following matter required additional disclosure in the financial statements. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 outbreak, if any, on the Authority cannot be reasonably estimated.

In May 2020, the Authority announced a partnership with the Louisiana Housing Corporation (LHC) to provide more affordable housing in the City of New Orleans. The Cooperative Endeavor Agreement (CEA) between the City, the Authority, and LHC is designed to build public agency coordination that will increase affordable housing development in New Orleans. The CEA will allow the Authority to offer affordable financial products including tax-exempt bonds, payments in lieu of taxes (PILOTs), and green infrastructure loans to developers building affordable, and climate resilient housing.

SUPPLEMENTAL
INFORMATION

FINANCE AUTHORITY OF NEW ORLEANS
COMBINING STATEMENT OF NET POSITION

DECEMBER 31, 2019

(in thousands)

	<u>Operating Fund</u>	<u>NOHMA Development Corporation</u>	<u>Unrestricted Fund</u>	<u>Pathways to Homeownership Program</u>	<u>Market Rate Program</u>	<u>Single Family Program Fund</u>	<u>Eliminatives</u>	<u>Combined</u>
	<u>Assets</u>							
Current assets:								
Cash and cash equivalents	\$ 813	\$ 63	\$ 6,718	\$ 1,389	\$ 728	\$ -	\$ -	\$ 9,711
Investments:								
U.S. Government and agency securities	-	-	777	-	-	-	-	777
Mortgage backed securities	-	-	2,035	-	-	-	-	2,035
Receivables:								
Accrued interest	4	-	11	-	-	21	-	36
Due from other funds	833	60	29	5	-	22	(949)	-
Due from other governments	250	-	-	-	-	-	-	250
Other loans and assets	-	-	-	4	-	-	-	4
Total receivables	1,087	60	40	9	-	43	(949)	290
Prepaid expenses and other assets	10	-	-	114	-	-	-	124
Total current assets	1,910	123	9,570	1,512	728	43	(949)	12,937
Noncurrent assets:								
Cash and cash equivalents, restricted	-	-	-	-	-	467	-	467
Mortgage-backed securities, restricted	-	-	-	-	-	6,214	-	6,214
Capital assets, net	110	-	158	584	-	-	-	852
Total assets	\$ 2,020	\$ 123	\$ 9,728	\$ 2,096	\$ 728	\$ 6,724	\$ (949)	\$ 20,470
	Liabilities and Net Position							
Current liabilities:								
Accrued interest and other	\$ 169	\$ -	\$ 10	\$ 7	\$ 2	\$ 12	\$ -	\$ 200
Due to other funds	118	-	648	38	28	117	(949)	-
Due to other governments	20	-	28	-	-	-	-	48
Total current liabilities	307	-	686	45	30	129	(949)	248
Long-term liabilities:								
Bonds and notes payable	-	-	-	-	-	5,838	-	5,838
Total Liabilities	307	-	686	45	30	5,967	(949)	6,086
Net position:								
Net investment in capital assets	110	-	158	584	-	-	-	852
Restricted	-	-	-	-	-	757	-	757
Unrestricted	1,603	123	8,884	1,467	698	-	-	12,775
Total net position	1,713	123	9,042	2,051	698	757	-	14,384
Total liabilities and net position	\$ 2,020	\$ 123	\$ 9,728	\$ 2,096	\$ 728	\$ 6,724	\$ (949)	\$ 20,470

See accompanying independent auditors' report.

FINANCE AUTHORITY OF NEW ORLEANS**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION****DECEMBER 31, 2019****(in thousands)**

	<u>Operating Fund</u>	<u>NOHMA Development Corporation</u>	<u>Unrestricted Fund</u>	<u>Pathways to Homeownership Program</u>	<u>Market Rate Program</u>	<u>Single Family Program Fund</u>	<u>Combined</u>
Revenues:							
Interest on mortgage loans and mortgage-backed securities	\$ -	\$ -	\$ 222	\$ -	\$ -	\$ 231	\$ 453
Interest on other investments	39	-	36	3	14	-	92
Realized and unrealized gain (loss) on mortgage-backed securities	-	-	23	-	-	18	41
Other	73	-	-	100	5	-	178
Total revenues	112	-	281	103	19	249	764
Expenses:							
Interest expense on revenue bonds and notes	-	-	-	-	-	142	142
Program expenses	1,282	-	2	74	2	2	1,362
Depreciation expense	12	-	-	28	-	-	40
Bad debt expense	-	-	92	6	36	-	134
Total expenses	1,294	-	94	108	38	144	1,678
Deficiency in revenues over expenses before operating transfers	(1,182)	-	187	(5)	(19)	105	(914)
Operating transfers in (out)	855	-	(806)	-	-	(49)	-
Deficiency in revenues over expenses	(327)	-	(619)	(5)	(19)	56	(914)
Net Position - Beginning of year	2,040	123	9,661	2,056	717	701	15,298
Net Position - End of year	\$ 1,713	\$ 123	\$ 9,042	\$ 2,051	\$ 698	\$ 757	\$ 14,384

See accompanying independent auditors' report.

FINANCE AUTHORITY OF NEW ORLEANS
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
YEAR ENDED DECEMBER 31, 2019

Agency Head Name: Damon Burns, Chief Executive Officer

<u>Purpose</u>	<u>Amount (\$)</u>
Salary	\$ 132,927
Benefits-health insurance	4,597
Benefits-retirement	3,323
Benefits-life insurance	19
Benefits-FICA & Medicare	10,215
Cell phone	1,246
Dues	3,450
Per diem	1,406
Reimbursements	579
Travel	7,341
Registration fees	1,225
Conference travel	874
	<u>\$ 167,202</u>

See accompanying independent auditors' report.

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

The Board of Trustees of
The Finance Authority of New Orleans

We have audited, in accordance with the 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, the financial statements of the proprietary fund and fiduciary fund of the Finance Authority of New Orleans (the Authority), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

The Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
September 30, 2020

THE FINANCE AUTHORITY OF NEW ORLEANS

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2019

Summary of Auditor's Results:

1. Opinion

The opinion issued on the financial statements of the Finance Authority of New Orleans for the year ended December 31, 2019 was unmodified.

2. Current Year Findings and Responses:

2019-001 Accounting and Financial Reporting

Criteria: The Authority should have systems of internal accounting control which ensures the financial statements are presented in accordance with U.S. generally accepted accounting principles ("US GAAP") on a timely basis.

Condition: The Authority did not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis.

Context/Cause: During our audit, we noted that the Authority did not prepare certain account reconciliations and analysis of certain accounts on an on-going basis throughout the year. Certain reconciliations and analyses on significant accounts were not prepared until well after year-end. The resulting reconciliations and analyses when completed resulted in significant adjustments to its accounting records.

Effect: In order to present the financial statements in accordance with US GAAP, a number of material adjustments were required and recorded significantly after year-end. The major accounts that required material adjustments included cash; investments and related investment income; accounts payable; due to and from funds; interfund transfers; and accounts receivable.

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

- Develop and implement policies, procedures, and related controls over account reconciliations and preparation of the financial statements to ensure that accounts are reconciled timely. This process should include timely review of account reconciliations and analyses by someone other than the preparer to verify that there are no errors or significant unidentified variances.

THE FINANCE AUTHORITY OF NEW ORLEANS

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2019

2. Current Year Findings and Responses (continued):

2019-001 Accounting and Financial Reporting (continued)

- Major accounts should be reconciled to supporting documentation with minimal or no variances or unresolved differences at least monthly. All remaining accounts should be reconciled to supporting documentation with minimal or no variances or unresolved differences at least quarterly. This includes reviewing asset and liability accounts that did not change since the prior period to determine if adjustments are required.
- Adjustments identified as a result of these account reconciliations should be recorded on a timely basis.

Views of responsible
officials and planned
corrective actions:

We agree with the auditors' comments. In January 2020, we began the process of implementing a new accounting software platform and chart of accounts structure to enhance our reporting capabilities, reconciliation process, and provide a timely monthly close of all funds. Further, the new software will close technology gaps, enhance processes for automation, and improve the quality of data captured. We are concurrently making updates to our policies, procedures, and related control processes as well.

THE FINANCE AUTHORITY OF NEW ORLEANS

REPORT ON STATEWIDE
AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL
AREAS

FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To Board of Directors of the Finance Authority of New Orleans
and the Louisiana Legislative Auditor

We have performed the procedures enumerated in Schedule A, which were agreed to by Finance Authority of New Orleans (the Authority) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the period January 1, 2019 through December 31, 2019. The Authority's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule A either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
September 30, 2020

FINANCE AUTHORITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exception noted*”. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, “procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity” is indicated.

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

No exception noted.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No exception noted.

c) ***Disbursements***, including processing, reviewing, and approving

No exception noted.

d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exception noted.

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exception noted.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exception noted.

FINANCE AUTHORITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

No exception noted.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

No exception noted.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

No exception noted.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Authority has written policies for Debt Service; however, the policy does not specifically address: (1) debt issuance approval, (3) debt reserve requirements, or (4) debt service requirements.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Authority does not have policies and procedures in place related to disaster recovery or business continuity.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exception noted.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special

FINANCE AUTHORITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

The Authority did not discuss budget-to-actual comparisons based on inspection of the minutes for the January, February, March, April and October meetings.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exception noted.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

FINANCE AUTHORITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included one deposit site. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the deposit site and performed the procedures below.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for each deposit site selected in procedure #4 was provided and included the one collection location. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

FINANCE AUTHORITY OF NEW ORLEANS
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2019

Schedule A

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Management stated that all employees who have access to cash are bonded and/or covered under the Authority's insurance policy.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We selected two deposit dates for each of the 5 bank accounts. We obtained supporting documentation for each of the 10 deposits and performed the procedures below.

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) At least two employees are involved in processing and approving payments to vendors.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) Observe that the disbursement matched the related original invoice/billing statement.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

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Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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Corrective Action

Management will update the debt policy to address the current debt service requirements. However, the Authority currently follows Louisiana Revised Statutes 39:1410.60 to 39:1410.65 for all debt service requirements.

Management will develop policies and procedures to address disaster recovery and preventive plans. However, the Authority does have a robust outsourced IT infrastructure with redundant daily data backups, firewalls, anti-virus, and spyware solutions in place currently.

Management will ensure the Board of Trustees meeting minutes reflect the discussion of the budget-to-actual comparisons for every Board meeting. The Board of Trustees are provided the monthly financial statements to include budget-to-actual comparisons via email in an event a quorum is not present, and the scheduled monthly Board Meeting is cancelled.