

**NEW ORLEANS MUNICIPAL
YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH INDEPENDENT
AUDITORS' REPORT**

For the Years Ended December 31, 2013 and 2012

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 **MAY 28 2014**

NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Municipal Yacht Harbor Management Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of New Orleans Municipal Yacht Harbor Management Corporation, a proprietary component unit of the City of New Orleans, as of and for the years ended December 31, 2013 and 2012, and the related notes to financial statements, which collectively comprise the New Orleans Municipal Yacht Harbor Management Corporation'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Municipal Yacht Harbor Management Corporation as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net assets and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not 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 audits 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 10, 2014, on our consideration of New Orleans Municipal Yacht Harbor Management Corporation'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Orleans Municipal Yacht Harbor Management Corporation's internal control over financial reporting and compliance.

March 10, 2014

Wegmann Daxet + Company

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS

As the financial manager of New Orleans Municipal Yacht Harbor Management Corporation (NOMYHMC), we offer the readers of the attached financial statements this narrative overview and analysis of the financial activities of NOMYHMC for the years ended December 31, 2013 and 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in NOMYHMC's financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

NOMYHMC's total net assets increased by \$468,651 or 21.9%. This is the result of a net operating profit of \$489,335, and a net non-operating loss of \$20,684. In 2013, we recognized an additional \$565,000 of boathouse rental income attributable to lease extension fees in relation to extended boathouse leases. Other income increased in 2013 by \$54,835 primarily due to an increase in boathouse transfer fees. A 3% fee of the sale price is collected upon the sale of a boathouse. There were ten boathouse sales in 2013 and only one in 2012. On the expense side, professional services decreased in 2013 by \$54,686 primarily due to the fact that consultants were paid in 2012 to substantiate the Federal Emergency Management Agency ("FEMA") claims. Operation of the harbor continues to be adversely affected by the damage caused by Hurricane Katrina with only 25% of the boat slips available to lease and those at a discounted rate due to the absence of electricity and water for the tenants. As a result of Hurricane Isaac in August of 2012, the harbor sustained additional damage which reduced the number of rentable slips. In 2013, temporary repairs of \$6,720 were made to some of the existing wooden finger piers on the west side of the harbor.

Overview of the Financial Statements

NOMYHMC's financial statements are comprised of the basic financial statements and the notes to the financial statements. Since NOMYHMC consists of a single enterprise fund, no fund level financial statements are shown.

Basic Financial Statements. The basic financial statements are designed to provide readers with a broad overview of NOMYHMC's finances in a manner similar to a private-sector business.

The statements of net assets present information on all of NOMYHMC'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 NOMYHMC is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets which indicates an improved financial position.

The statements of revenues, expenses and changes in fund net assets present information showing how NOMYHMC's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event 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 fiscal periods (e.g., earned but unused vacation leave).

The cash flows statements show how NOMYHMC's changes in the statements of net assets and income affect cash and cash equivalents, and breaks the analysis down to operating, investing, and financing activities. The statements captures both the current operating results and the accompanying changes in the statements of net assets. The cash flows statements include only inflows and outflows of cash and cash equivalents.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Budgetary Highlights

NOMYHMC adopts an annual operating budget and an annual capital budget. The operating budget includes proposed expenses and the means of financing them. NOMYHMC's operating budget remains in effect for the entire year.

Financial Analysis

NOMYHMC's assets exceeded liabilities by \$2,610,371 and \$2,141,720 at the end of 2013 and 2012, respectively; this represents an increase of \$468,651 during 2013. The unrestricted net assets were \$1,943,793 and \$1,470,026 at the end of 2013 and 2012, respectively.

Total assets for 2013 increased by \$167,602 from 2012 primarily due to an increase in cash. Total liabilities decreased in 2013 by \$301,049 due to a decrease of \$340,000 in boathouse lease deposit fees, a decrease of \$3,802 in other current liabilities, an increase in accrued interest of \$36,096, and an increase of \$6,593 in accrued vacation and sick pay.

The largest part of NOMYHMC's net assets are held in cash and cash equivalents as the assets operated by NOMYHMC are owned by the City of New Orleans and leased to the corporation.

Capital Assets and Debt Administration

Capital assets, net of depreciation were \$31,658 and \$36,774 at the end of 2013 and 2012, respectively. Capital assets include furniture, fixtures, equipment, and leasehold improvements. The sole capital asset purchased in 2013 of \$6,720 consisted of safety improvements to the finger piers.

Debt consists of a revenue bond in the amount of \$637,719 including accrued interest, at the end of 2013. This bond was issued in 1982 for major harbor repairs and is held by the National Oceanic and Atmospheric Administration (NOAA). This bond is in deferment as conditions caused by Hurricane Katrina made such deferment available and a request will be filed with NOAA to forgive this debt in accordance with the terms of the bond.

Requests for Information

This financial report is designed to provide a general overview of NOMYHMC's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the New Orleans Municipal Yacht Harbor Management Corporation's Executive Director at 401 North Roadway, New Orleans, LA 70124.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENTS OF NET ASSETS

December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,239,946	\$ 3,069,563
Accounts receivable	5,970	1,421
Prepaid expenses	87,164	89,378
Deposits	850	850
Total current assets	3,333,930	3,161,212
Noncurrent assets		
Capital assets, net of accumulated depreciation	31,658	36,774
Total noncurrent assets	31,658	36,774
Total assets	\$ 3,365,588	\$ 3,197,986
LIABILITIES		
Current liabilities		
Accounts payable	\$ 17,840	\$ 17,521
Accrued expenses	1,221	3,636
Unearned revenues	22,305	25,308
Accrued payroll liabilities	51,132	43,178
Rental deposits	25,000	365,000
Revenue bonds payable and accrued interest	637,719	601,623
Total current liabilities	755,217	1,056,266
NET ASSETS		
Net assets		
Invested in capital assets	31,658	36,774
Restricted for revenue bond debt service	634,920	634,920
Unrestricted	1,943,793	1,470,026
Total net assets	2,610,371	2,141,720
Total liabilities and net assets	\$ 3,365,588	\$ 3,197,986

See accompanying Notes to Financial Statements.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenues		
Rental income, boathouses	\$ 415,837	\$ 399,281
Rental income, slips	110,468	120,516
Rental income, boathouse deposits	565,000	-
Other rental income	<u>93,744</u>	<u>38,909</u>
Total revenue	<u>1,185,049</u>	<u>558,706</u>
Operating expenses		
General and administrative	463,802	464,091
Professional services	218,406	273,092
Supplies and materials	1,670	1,280
Depreciation	<u>11,836</u>	<u>9,036</u>
Total operating expenses	<u>695,714</u>	<u>747,499</u>
Operating income (loss)	<u>489,335</u>	<u>(188,793)</u>
Non-operating revenues (expenses)		
Interest income	15,412	11,981
Interest expense	(36,096)	(34,054)
Insurance proceeds	-	109,500
Total non-operating (expenses) revenues	<u>(20,684)</u>	<u>87,427</u>
Change in net assets	<u>\$ 468,651</u>	<u>\$ (101,366)</u>
Net assets		
Beginning of year	\$ 2,141,720	\$ 2,243,086
Change in net assets	<u>468,651</u>	<u>(101,366)</u>
End of year	<u>\$ 2,610,371</u>	<u>\$ 2,141,720</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from tenants	\$ 833,061	\$ 539,936
Cash paid to suppliers for goods and services	(468,559)	(439,263)
Cash paid to employees for services	(202,811)	(143,456)
Interest received	15,412	11,981
Net cash provided (used) by operating activities	<u>177,103</u>	<u>(30,802)</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	<u>(6,720)</u>	-
Net cash used by capital and related financing activities	<u>(6,720)</u>	-
Cash flows from investing activities:		
Net investment activity	<u>-</u>	<u>1,998,271</u>
Net cash provided by investing activities	<u>-</u>	<u>1,998,271</u>
Net increase in cash	170,383	1,967,469
Cash and cash equivalents at beginning of year	<u>3,069,563</u>	<u>1,102,094</u>
Cash and cash equivalents at end of year	<u>\$ 3,239,946</u>	<u>\$ 3,069,563</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended December 31, 2013 and 2012

	2013	2012
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 468,651	\$ (101,366)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,836	9,036
(Increase) decrease in operating assets:		
Receivables	(4,549)	(539)
Prepaid expenses	2,214	49,975
Increase (decrease) in operating liabilities:		
Accounts payable, accrued expenses and payroll liabilities	41,954	27,161
Unearned revenue	(3,003)	(69)
Rental deposits	(340,000)	(15,000)
	\$ 177,103	\$ (30,802)
Net cash provided (used) by operating activities	\$ 177,103	\$ (30,802)

See accompanying Notes to Financial Statements.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

1) Organization

The New Orleans Municipal Yacht Harbor Management Corporation (the "Corporation") was formed in 1972 by the City of New Orleans to operate the Municipal Yacht Harbor in the manner comparable to that of a private business enterprise; to provide a safe and secure environment for recreational boating; to ensure that the cost associated with providing services to the general public are financed or recovered through user fees and charges; and to place an emphasis on generating a sufficient amount of net operating revenues to be used for maintenance and capital improvement projects. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will. The Corporation is a non-profit corporation owned by the Mayor of the City of New Orleans and administered by a Board of Directors consisting of 11 members, 9 of which are appointed by the Mayor, subject to City Council approval, and are voting members. The other two members are from the City Council and are non-voting members.

2) Summary of significant accounting principles

The financial statements of the Corporation have been prepared on the accrual basis of accounting. Significant accounting policies are summarized below.

a) Measurement focus and basis of accounting and financial statement presentation

The term measurement focus is used to denote what is being measured and reported in the Corporation's statement of revenues, expenses, and changes in net assets. The Corporation is accounted for on the flow of *economic resources measurement focus*. The fundamental objective of this focus is to measure whether the Corporation is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Corporation's statement of revenues, expenses, and changes in net assets. The Corporation used the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Corporation follows the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments.*" Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components-invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

2) Summary of significant accounting principles (continued)

a) Measurement focus and basis of accounting and financial statement presentation (continued)

- *Restricted net assets* – This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

b) Reporting entity

As governing authority of the Orleans Parish, for reporting purposes, the City of New Orleans (City) is the financial reporting entity. The financial reporting entity consists of the primary government (the City of New Orleans), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part of the City of New Orleans for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

- (1) Appointing a voting majority of an organization’s governing body, and
 - (a) the ability of the primary government to impose its will on that organization and/or;
 - (b) the potential to provide specific financial benefits to or impose specific financial burdens on that organization.
- (2) Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
- (3) Organizations for which the reporting entity’s financial statements would be misleading if data of the organization was not included.

Based on the above criteria, the Corporation is considered to be a component unit of the City of New Orleans, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Corporation and do not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
 (A Proprietary Component Unit of the City of New Orleans)
 NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

2) Summary of significant accounting principles (continued)

c) Cash and cash equivalents

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

d) Restricted assets

The Corporation, because of certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt.

e) Accounts receivable

It is the practice of management to provide an allowance for any account in which management's opinion may not be collected based upon a review of the current status of existing receivables. Accounts receivable are shown net of an allowance for uncollectible accounts of \$21,851 and \$17,415 for the years ended December 31, 2013 and 2012, respectively.

f) Use of estimates

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

g) Capital assets

Capital assets are carried at cost, if purchased or at fair market value at the date of the gift, if donated. Depreciation of capital assets is provided over the estimated useful lives of the assets using the straight-line method. Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When capital assets are retired, sold, or otherwise disposed of, the assets carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. The estimated useful lives of depreciable assets are:

	<u>Useful Lives</u>
Leasehold improvements	2 years
Vehicle	5 years
Safety equipment	7 years
Furniture and fixtures	7 years

h) Annual and sick leave

Employees may 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 leave to additional days of service.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

2) Summary of significant accounting principles (continued)

i) Income taxes

The Corporation is owned by the Mayor of the City of New Orleans, and as such, no federal or state income taxes are assessed.

3) Cash and cash equivalents

Cash and cash equivalents are included in the Statement of Net Assets as of December 31, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Interest-bearing demand deposits	<u>\$3,239,946</u>	<u>\$3,069,563</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

The market values of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2013 and 2012, the Corporation had \$3,038,444 and \$3,082,166, respectively, in deposits (collected bank balances). Of the December 31, 2013 bank balance, \$3,038,444 was covered by collateral held by the pledging banks' trust department or agent in the Corporation's name and \$201,502 was covered under federal depository insurance. Of the December 31, 2012 bank balance, \$3,082,166 was covered by collateral held by the pledging banks' trust department or agent in the Corporation's name.

Custodial credit risk is the risk that in the event of a failure of financial institution or counterparty, the Corporation would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party.

4) Risk management

The Corporation is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which the Corporation carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Management believes the Corporation has adequate insurance coverage.

5) Unrestricted net assets

Unrestricted net assets consisted of the following at December 31, 2013 and 2012:

<u>Purpose</u>	<u>2013</u>	<u>2012</u>
Undesignated	<u>\$1,943,793</u>	<u>\$1,470,026</u>

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

6) Capital assets

Capital assets are summarized as follows:

	<u>2012</u>	Additions	<u>2013</u>
Vehicle	\$ 18,169	\$ -	\$ 18,169
Safety equipment	17,084	-	17,084
Furniture and fixtures	20,729	-	20,729
Leasehold improvements	-	6,720	6,720
Less: accumulated depreciation	19,208	11,836	31,044
Total capital assets	<u>\$ 36,774</u>	<u>\$ (5,116)</u>	<u>\$ 31,658</u>

	<u>2011</u>	Additions	<u>2012</u>
Vehicle	\$ 18,169	\$ -	\$ 18,169
Safety equipment	17,084	-	17,084
Furniture and fixtures	20,729	-	20,729
Less: accumulated depreciation	10,172	9,036	19,208
Total capital assets	<u>\$ 45,810</u>	<u>\$ (9,036)</u>	<u>\$ 36,774</u>

7) Minimum future rentals

The Corporation has entered into rental agreements which require the tenants to pay the Corporation monthly rental payments. These operating leases expire in various years through the year 2077.

Minimum future rental to be received under the various operating leases as of December 31, 2013 for each of the next five years:

2014	\$ 494,900
2015	505,300
2016	505,800
2017	505,800
2018	505,800
	<u>\$ 2,517,600</u>

8) Revenue bond payable

On February 8, 1982, the Corporation issued the United States Department of Commerce, National Oceanic and Atmospheric Administration (NOAA), Revenue Bonds, 1981 Series, of the Corporation in the amount of \$3,580,134, bearing interest at a rate of 6% per annum and maturing over a period of thirty (30) years. The bond was issued to construct and acquire extensions, renovations and improvements to the New Orleans Municipal Yacht Harbor, in the City of New Orleans, all to the benefit of the citizens of the City. Principal and interest on the bonds are payable semi-annually on January 25 and July 25.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

8) Revenue bond payable (continued)

The Corporation defaulted on the bonds in 2009 and was granted forbearance on the remaining principal and interest payments in early 2010. The Corporation is currently waiting on Congress to rule on the issue of forgiveness. At December 31, 2013 and 2012, the Corporation was not in compliance with requirements of the revenue bond covenants.

The NOAA bond obligation requires the Corporation to maintain a variety of escrow funds to support the loan, \$1,272,639 and \$1,236,543, including the revenue bond payable, at December 31, 2013 and 2012, respectively. The amount reserved as of December 31, 2013 and 2012 for debt service was \$858,903 and \$1,245,892, respectively.

9) Operating lease

The Corporation leases certain immovable property on the shores of Lake Pontchartrain in the Seventh District of the City of New Orleans, together with all of the buildings, improvements and component parts thereof and all rights, ways, privileges, servitudes, prescriptive rights and advantages. The lease expires in 2105. Minimum future rental payments under this lease as of December 31, 2013 are:

<u>Years ending</u>	<u>Amount</u>
2014	\$ 1
2015	1
2016	1
2017	1
2018	1
Thereafter	<u>86</u>
	<u>\$ 91</u>

10) Related party payables

The Corporation owes the City of New Orleans \$11,560 and \$11,228 as of December 31, 2013 and 2012, respectively. This balance is included in accounts payable at year end.

11) Commitments and contingencies

The Corporation is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Corporation.

On August 16, 2013, the Corporation entered into a Cooperative Endeavor Agreement with the City of New Orleans to reimburse the City 25% for any non-Federal Emergency Management Agency ("FEMA") funded repair costs to the public facilities and infrastructure damage caused by Hurricane Isaac. Management estimates the reimbursement will exceed \$300,000.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

12) Subsequent events

Management has evaluated subsequent events through March 10, 2014, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

CLIFTON W. NEWLIN
ROBERT D. WATKINS
EDWARD G. BERBUESSE, JR.
JON S. FOLSE



WEGMANN DAZET & COMPANY

MARK D. BOHNET
LISA D. ENGLADE
KERNEY F. CRAFT, JR.
JONATHAN P. KOENIG
JOHN D. WHITE

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

To the Board of Directors
New Orleans Municipal Yacht Harbor Management Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

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 New Orleans Municipal Yacht Harbor Management Corporation (a proprietary component unit of the City of New Orleans) as of and for the year ended December 31, 2013, and the related notes to the financial statements which, collectively comprise New Orleans Municipal Yacht Harbor Management Corporation's (a proprietary component unit of the City of New Orleans) basic financial statements and have issued our report thereon dated March 10, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered New Orleans Municipal Yacht Harbor Management Corporation's (a proprietary component unit of the City of New Orleans) 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 New Orleans Municipal Yacht Harbor Management Corporation's (a proprietary component unit of the City of New Orleans) internal control. Accordingly, we do not express an opinion on the effectiveness of New Orleans Municipal Yacht Harbor Management Corporation's (a proprietary component unit of the City of New Orleans) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether New Orleans Municipal Yacht Harbor Management Corporation's (a proprietary component unit of the City of New Orleans) 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*.

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 entity'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.

This report is intended solely for the information and use of management, others within the Corporation, the City of New Orleans, and the Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 10, 2014
Metairie, Louisiana

Wegmann Dayet + Company

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
 (A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
 SCHEDULE OF FINDINGS AND RESPONSES
 For the Year Ended December 31, 2013 and 2012

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS			
Audit Findings	Proposed Corrective Action	Anticipated Completion Date	Contact Person
No findings.			
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS			
Not applicable.			
SECTION III MANAGEMENT LETTER			
None issued.			

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2013 and 2012

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS
No findings
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS
Not applicable
SECTION III MANAGEMENT LETTER
None issued.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT.