

**SUPPLEMENT TO
OFFICIAL STATEMENT DATED JULY 25, 2012**

relating to

**\$167,840,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012
CITY OF NEW ORLEANS, LOUISIANA**

PLEASE BE ADVISED that the above-referenced Official Statement has been supplemented to add the following:

Page 4: The paragraph under the caption “DESCRIPTION OF THE BONDS – Amount of Bonds Being Issued” is hereby amended as follows:

One Hundred Sixty-Seven Million Eight Hundred Forty Thousand Dollars
(\$167,840,000) of Bonds of the Issuer are being issued.

CITY OF NEW ORLEANS, LOUISIANA

The date of this Supplement is August 6, 2012.

In the opinion of Co-Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for Federal income tax purposes, and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, except that interest on the Bonds will be included in a corporate taxpayer's "adjusted current earnings" for purposes of computing its federal alternative minimum tax. See "TAX EXEMPTION" herein. Under Louisiana law, the Bonds are exempt from all taxation for state, parish, municipal, or other purposes.

\$167,840,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012
CITY OF NEW ORLEANS, LOUISIANA

Dated: Date of Delivery

Due: December 1, 2012 to December 1, 2033

The referenced General Obligation Refunding Bonds, Series 2012 (the "Bonds") of the City of New Orleans, Louisiana (the "Issuer" or the "City") are being initially issued as fully registered bonds without coupons in denominations of \$5,000 each, or any integral multiple thereof within a single maturity, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. **Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased.** Purchases of the Bonds may be made only in book-entry form in authorized denominations by credit to participating broker-dealers and other institutions on the books of DTC as described herein. Principal of and interest on the Bonds is payable by The Bank of New York Mellon Trust Company, N.A., in the City of Dallas, Texas, or any successor paying agent (the "Paying Agent") to DTC, which will remit such payments in accordance with its normal procedures, as described herein. Interest on the Bonds is payable on December 1, 2012, and semiannually thereafter on June 1 and December 1 of each year. See Appendix "J"- Book-Entry Only System.

The Bonds maturing December 1, 2023, and thereafter, are callable for redemption at the option of the Issuer, prior to their stated maturities, on or after December 1, 2022, in whole or in part at any time, and if less than a full maturity, then by lot within such maturity, at a redemption price equal to the principal net amount of the Bonds to be redeemed plus accrued interest to the redemption date.

The Bonds are general obligations of the City and are secured by and payable from a special *ad valorem* tax, unlimited as to amount, levied by the City on all property subject to taxation within the City, as described herein. The Bonds are being issued for the purpose of defeasing and refunding certain previously issued general obligation bonds of the Issuer as more specifically set forth in "PURPOSE OF ISSUE" herein and Appendix "A"-Bonds to be Refunded, and paying the costs of issuance of the Bonds.

The scheduled payment of the principal and interest on the Bonds maturing December 1, 2026 to December 1, 2029, inclusive (the "Insured Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP.



MATURITY SCHEDULE
(Base CUSIP No. 64763F)

Due Dec. 1	Amount	Interest Rate	Yield	CUSIP	Due Dec. 1	Amount	Interest Rate	Yield	CUSIP
2012	\$ 750,000	2.00%	0.65%	PQ6	2024	\$9,455,000	5.00%	3.11% ^c	PE3
2013	1,950,000	2.00	0.85	NT2	2025	9,935,000	5.00	3.20 ^c	PF0
2014	2,995,000	3.00	1.01	NU9	2026	8,770,000	5.00	3.10 ^c	PG8
2015	3,355,000	4.00	1.21	NV7	2027	6,010,000	5.00	3.18 ^c	PH6
2016	4,395,000	4.00	1.46	NW5	2028	6,310,000	5.00	3.25 ^c	PJ2
2017	4,580,000	4.00	1.67	NX3	2029	6,615,000	5.00	3.31 ^c	PK9
2018	4,315,000	5.00	2.01	NY1	2030	6,940,000	5.00	3.52 ^c	PL7
2019	19,080,000	5.00	2.23	NZ8	2031	5,810,000	5.00	3.58 ^c	PM5
2020	19,745,000	5.00	2.49	PA1	2032	4,115,000	5.00	3.63 ^c	PN3
2021	20,700,000	5.00	2.73	PB9	2033	1,000,000	4.00	3.70 ^c	PP8
2022	8,645,000	5.00	2.93	PC7	2033	3,280,000	5.00	3.70 ^c	PS2
2023	1,500,000	4.00	3.03 ^c	PD5					
2023	7,590,000	5.00	3.03 ^c	PR4					

^c Priced to the first par call date of December 1, 2022.

The Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriters, subject to prior sale, withdrawal or modification of such offer without notice, subject to the joint approving opinions of Foley & Judell, L.L.P., New Orleans, Louisiana, and The Cantrell Law Firm, New Orleans, Louisiana, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, Breazeale, Sachse & Wilson, L.L.P., Baton Rouge, Louisiana, and Davillier Law Group, LLC, New Orleans, Louisiana. Public Financial Management, Inc., Memphis, Tennessee, and CLB Porter, LLC, New Orleans, Louisiana, serve as independent Co-Financial Advisors to the Issuer. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about August 28, 2012, against payment thereof.

Citigroup

**Bank of America/Merrill Lynch
Morgan Stanley**

**Dorsey & Company, Inc.
Raymond James | Morgan Keegan**

**Loop Capital Markets
Stephens Inc.**

The date of this Official Statement is July 25, 2012. This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

CUSIP Numbers © Copyright 2012, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. The Issuer takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of the owners of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the City, the Board of Liquidation or the Underwriters to give any information or to make any representations in connection with the Bonds or the matters described herein, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Board of Liquidation or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein concerning The Depository Trust Company (“DTC”) has been furnished by DTC, and no representation is made by the City, the Board of Liquidation or the Underwriters as to the completeness or accuracy of such information. All other information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as representation by, the Underwriters. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between the City, the Board of Liquidation or the Underwriters and any one or more of the purchasers or registered owners of the Bonds.

THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF THEIR RESPONSIBILITY TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

BY ITS PURCHASE OF THE BONDS, AN INVESTOR IS ACKNOWLEDGING THAT IT HAS REVIEWED ALL THE INFORMATION IT DEEMS NECESSARY TO MAKE AN INFORMED DECISION, AND THAT IT IS NOT RELYING ON ANY REPRESENTATION OF THE UNDERWRITERS OR ANY OF ITS OFFICERS, REPRESENTATIVES, AGENTS OR DIRECTORS IN REACHING ITS DECISION TO PURCHASE BONDS.

THE INVESTOR, BY ITS PURCHASE OF THE BONDS, ACKNOWLEDGES ITS CONSENT FOR THE UNDERWRITERS TO RELY UPON THE INVESTOR’S UNDERSTANDING OF AND AGREEMENT TO THE PRECEDING PARAGRAPH AS SUCH RELATES TO THE DISCLOSURE AND FAIR DEALING OBLIGATIONS THAT MAY BE APPLICABLE TO THE UNDERWRITERS UNDER APPLICABLE SECURITIES LAWS AND REGULATIONS.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE FIRST LIEN BOND RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE STATE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES OR YIELDS LOWER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES OR YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED DOES NOT MEAN THAT EITHER THESE JURISDICTIONS OR ANY OF THEIR AGENCIES HAVE PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED, THE SECURITIES, OR THEIR OFFER OR SALE. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM (“ORIGINAL BOUND FORMAT”) OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: <http://www.munios.com> and <http://www.boardofliquidation.com>. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITES.

**Cautionary Statements Regarding Forward-Looking
Statements in this Official Statement**

This Official Statement is marked with a dated date and speaks only as of that dated date. Readers are cautioned not to assume that any information has been updated beyond the dated date except as to any portion of the Official Statement that expressly states that it constitutes an update concerning specific recent events occurring after the dated date of the Official Statement. Any information contained in the portion of the Official Statement indicated to concern recent events speaks only as of its date. The City and the Board of Liquidation expressly disclaim any duty to provide an update of any information contained in this Official Statement, except as agreed upon by said parties pursuant to the Continuing Disclosure Certificate included herein as Appendix “I.”

The information contained in this Official Statement may include forward looking statements by using forward-looking words such as “may,” “will,” “should,” “expects,” “believes,” “anticipates,” “estimates,” “budgets” or others. The reader is cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, and various other factors which are beyond the control of the City and the Board of Liquidation.

This Official Statement contains projections of revenues, expenditures and other matters. Because the City and the Board of Liquidation cannot predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is included in forward-looking statements.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and Appendix “K” Specimen Municipal Bond Insurance Policy.

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CITY OF NEW ORLEANS, LOUISIANA

MAYOR

Mitchell J. Landrieu

CITY COUNCIL

Jacquelyn B. Clarkson, *Councilmember at Large, President*

Stacy S. Head, *Councilmember at Large, Vice-President*

Susan G. Guidry, *Councilmember District "A"*

Diana Bajoie, *Councilmember District "B"*

Kristin Gisleson Palmer, *Councilmember District "C"*

Cynthia Hedge-Morrell, *Councilmember District "D"*

Freddie Charbonnet, *Councilmember District "E"*

BOARD OF LIQUIDATION, CITY DEBT

Mary K. Zervigon, President

Richard P. Wolfe, Vice President

Mitchell J. Landrieu, *ex officio*

Jacquelyn B. Clarkson, *ex officio*

Alan C. Arnold

Wanda Ackers-Brooks

Stacy S. Head, *ex officio*

W. Raymond Manning

Mark M. Moody

David W. Gernhauser, *Secretary*

City Officials

Chief Administrative Officer

Director of Finance

City Attorney

Clerk of Council

Andy Kopplin

Norman S. Foster

Richard F. Cortizas

Peggy C. Lewis

Consultants and Advisors

*Postlethwaite & Netterville, APAC
New Orleans, Louisiana*

Auditors for the City

*Paciera, Gautreau & Priest, LLC
New Orleans, Louisiana*

Auditors for the Board of Liquidation, City Debt

*Foley & Judell, L.L.P.
New Orleans, Louisiana*

Co-Bond Counsel

*The Cantrell Law Firm
New Orleans, Louisiana*

Co-Bond Counsel

*Lemle & Kelleher, L.L.P.
New Orleans, Louisiana*

*Counsel to the Board of Liquidation,
City Debt*

*Public Financial Management, Inc.
Memphis, Tennessee*

*Co-Financial Advisor to the Board of
Liquidation, City Debt*

*CLB Porter, LLC
New Orleans, Louisiana*

*Co-Financial Advisor to the Board of
Liquidation, City Debt*

The Arbitrage Group, Inc.

Verification Agent

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OFFICIAL STATEMENT

\$167,840,000

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

CITY OF NEW ORLEANS, LOUISIANA

INTRODUCTORY STATEMENT

This Official Statement of the City of New Orleans, Louisiana (either the “Issuer,” the “City” or “New Orleans”) is provided to furnish information with respect to the referenced Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Liquidation, City Debt (the “Board of Liquidation”) on July 25, 2012 (the “Bond Resolution”).

The descriptions and summaries of the City, the Board of Liquidation, the Bonds, the Bond Resolution and various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified by reference to such entity, act, resolution, ordinance, document or instrument so referred to or summarized. During the initial offering of the Bonds, copies of the Bond Resolution and the form of the Bonds are available from the Underwriters (hereinafter defined).

Additional information about the City and the Parish of Orleans (the “Parish”) is included in Appendix “B” hereto. The Annual Financial Report of the City for the year ended December 31, 2011 is included in Appendix “C” hereto. The Budget of the City for the year ending December 31, 2012 is included in Appendix “D” hereto. Audited financial statements of the Board of Liquidation for the year ended December 31, 2011, are included in Appendix “E” hereto. Maps indicating the general location of the City are included before Appendix “A” hereto.

Reference in this Official Statement to owner, holder, registered owner, Bondholder or Bond owner means the registered owner of the Bonds determined in accordance with the Bond Resolution.

This Official Statement contains information which has been furnished or obtained from the sources indicated. The factors affecting the City’s financial condition and the security for the Bonds are described throughout this Official Statement, which should be read in its entirety. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete and each such document, statute, report or instrument is qualified in its entirety by reference to each such document, statute, report or instrument, copies of which are available from the Board of Liquidation.

Authorization of Bonds

The Bonds are authorized and issued pursuant to Article VI, Section 33 of the Louisiana Constitution of 1974 (the “Constitution”); Part XIV, Chapter 4, Subtitle II, Title 39 of the Louisiana Revised Statutes of 1950, as amended; and Chapter 14-A, Title 39 of the Louisiana Revised Statutes of 1950, as amended, and other constitutional and statutory authority (collectively referred to as the “Act”).

The issuance, sale and delivery of the Bonds was approved by the City Council of New Orleans (the “City Council”), the governing authority of the Issuer, on June 7, 2012, by its adoption of Resolution No. R-12-169. The Louisiana State Bond Commission approved the issuance of the Bonds on June 21, 2012.

Board of Liquidation, City Debt; Administration of General Obligation Bonds

The Louisiana Legislature (the “Legislature”) created the Board of Liquidation pursuant to Act No. 133 of the 1880 Regular Session of the Legislature, as amended by Act 628 of the 1995 Regular Session of the Legislature, to provide security for the holders of general obligation debt of the City by having an independent body with exclusive control and direction of all matters related to general obligation bonded debt of the City. Under Louisiana law, the Board of Liquidation is responsible for separating and administering funds dedicated to the repayment of the general obligation debt from the operating budget of the City. All *ad valorem* taxes levied by the City Council in each year for the payment of general obligation bonds are transferred to the Board of Liquidation, which has responsibility for the deposit and investment of such tax receipts and the servicing of the outstanding general obligation bonds. Once the property tax dollars are received by the Board of Liquidation, they are irrevocably dedicated to repay debt service on the City’s general obligation bonds unless the obligation is otherwise discharged as provided by law.

PURPOSE OF ISSUE

The Bonds are being issued for the purpose of defeasing and refunding the following outstanding bonds of the Issuer (collectively referred to as the “Refunded Bonds”):

<u>BOND NAME</u>	<u>DATED DATE</u>	<u>MATURITIES REFUNDED</u>	<u>PRINCIPAL AMOUNT REFUNDED</u>
General Obligation Refunding Bonds, Series 1998 (the “1998 Refunded Bonds”)	12/01/98	Dec. 1, 2026	\$22,955,000
Public Improvement Bonds, Issue of 2001 (the “2001 Refunded Bonds”)	4/01/01	Dec. 1, 2012-2019, 2021, 2026, 2030	19,610,000
General Obligation Refunding Bonds, Series 2002 (the “2002 GO Refunded Bonds”)	4/01/02	Sept. 1, 2021	58,415,000
Public Improvement Bonds, Issue of 2002 (the “2002 PI Refunded Bonds”)	4/01/02	Dec. 1, 2013-2022, 2027, 2031	26,940,000
Public Improvement Bonds, Issue of 2003 (the “2003 Refunded Bonds”)	10/02/03	Dec. 1, 2014-2027 and Oct. 1, 2033	33,350,000
Public Improvement Bonds, Issue of 2004 (the “2004 Refunded Bonds”)	7/13/04	Dec. 1, 2016-2025, 2029, 2033	25,975,000

See Appendix “A”- Bonds to be Refunded.

PLAN OF REFUNDING

A portion of the proceeds of the Bonds, together with additional moneys provided by the Issuer, will be deposited in a special trust fund (the “Escrow Fund”) established pursuant to the terms of a Defeasance and Escrow Deposit Agreement (the “Agreement”) dated as of August 1, 2012, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., in the City of Dallas, Texas (the “Escrow Agent”). Copies of the Agreement will be available at the Municipal Securities Rulemaking Board (the “MSRB”), Washington, D.C., after the delivery of the Bonds. Upon delivery of the Bonds, the Bond proceeds and other moneys in the Escrow Fund will be applied by the Escrow Agent for the purpose of paying the principal of and interest on the Refunded Bonds through their respective redemption dates and to pay Costs of Issuance (as defined in the Bond Resolution), all as further described below. See also Appendix “A”- Bonds to be Refunded.

The Escrow Fund will contain a separate account for each series of the Refunded Bonds. Upon the deposit in the Escrow Fund, the Refunded Bonds will be defeased, will be deemed to have been paid and will no longer be considered outstanding. Moneys deposited in the Escrow Fund will either be held in cash or applied on the date of delivery of the Bonds to the purchase of non-callable, direct obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by of the United States of America (the “Defeasance Securities”). The Defeasance Securities, together with the interest thereon, and cash balances on deposit in the Escrow Fund will be sufficient to pay all principal of and interest on the Refunded Bonds up to and including the earliest possible redemption dates thereof. The Escrow Fund shall be held by the Escrow Agent separate and apart from all other funds or accounts held by the Escrow Agent. The Escrow Agent will have no lien whatsoever upon any moneys in the Escrow Fund for any of its fees and costs incurred in carrying out the provisions of the Escrow Deposit Agreement, which fees and costs will be paid to the Escrow Agent by the Issuer from other available funds. The accuracy of the arithmetic computations of the adequacy of the amounts of maturing principal of and interest on the Defeasance Securities on deposit in each account in the Escrow Fund to pay the redemption prices of and interest on the specific Refunded Bonds to their respective redemption dates will be independently verified by the Verification Agent (herein defined). See “VERIFICATION OF COMPUTATIONS” herein.

SOURCES AND USES OF FUNDS

<u>Sources</u>	
Bond Proceeds	\$167,840,000.00
Original Issue Premium	26,127,848.80
Contribution from Debt Service Fund	2,534,251.05
Additional Funds	<u>212,000.00</u>
Total Sources	<u>\$196,714,099.85</u>

<u>Uses</u>	
1998 Refunded Bonds Escrow Account	\$ 23,221,533.06
2001 Refunded Bonds Escrow Account	19,853,268.06
2002 PI Refunded Bonds Escrow Account	27,643,209.43
2002 GO Refunded Bonds Escrow Account	59,949,540.79
2003 Refunded Bonds Escrow Account	35,777,071.18
2004 Refunded Bonds Escrow Account	29,191,624.74
Costs of Issuance*	<u>1,077,852.59</u>
Total Uses	<u>\$196,714,099.85</u>

* Includes Underwriters' discount, financial advisory fees, bond insurance premium, legal and required fees and costs and other issuance costs.

DESCRIPTION OF THE BONDS

Amount of Bonds Being Issued

One Hundred Sixty-Seven Million Eight Hundred Forty Thousand Dollars (\$160,840,000) of the Issuer are being issued.

Date of Issue

The Bonds are dated as of their date of delivery, which is anticipated to be August 28, 2012.

Security for the Bonds

The Bonds are general obligations of the City payable from a special *ad valorem* tax, unlimited as to amount, levied by the City on all property subject to taxation within the City. The Bonds are secured by a pledge of the full faith and credit of the City. The City Council is required under the Constitution and laws of Louisiana to impose and collect annually, in excess of all other taxes, a tax, on all property subject to taxation within the City sufficient to pay the principal of and interest and redemption premiums, if any, on all of the City's general obligation bonds in each year. This special tax, when collected, is immediately segregated and paid over to the Board of Liquidation to be used for the payment of debt service on the Bonds as set forth below. See Appendix "B" for more information regarding the assessed value of property in the City and the *ad valorem* tax collection record of the City.

The Bonds are payable from the annual levy and collection of unlimited *ad valorem* taxes on all the taxable property within the boundaries of the Issuer sufficient to pay the Bonds in principal and interest as they mature.

Article VI, Section 33(B) of the Louisiana Constitution of 1974, as amended, provides as follows:

“Section 33. Political Subdivisions; General Obligation Bonds.

Section 33(B) Full Faith and Credit. The full faith and credit of a political subdivision is hereby pledged to the payment of general obligation bonds issued by it under this constitution or the statute or proceedings pursuant to which they are issued. The governing authority of the issuing political subdivision shall levy and collect or cause to be levied and collected on all taxable property in the political subdivision ad valorem taxes sufficient to pay principal and interest and redemption premiums, if any, on such bonds as they mature.”

Section 39:1034 of the Louisiana Revised Statutes of 1950, as amended, provides as follows with respect to the City:

Section 1034. Authority to issue particular type bonds

A. General obligation bonds.

(1) Authorization; election. Subject to the approval of the State Bond Commission, or its successor, general obligation bonds may be issued by the City if authorized by a majority of the electors of the City voting on the proposition(s) at an election called by ordinance or resolution adopted by affirmative vote of a majority of the members of the council and conducted substantially in accordance with the provisions of Chapter 6-A of Title 18 of the Louisiana Revised Statutes of 1950, as amended. Prior to the holding of any election to authorize the issuance of general obligation bonds, the ordinance or resolution of the council ordering and calling the election must be approved by resolution adopted by a majority of the members of the Board of Liquidation.

(2) Debt limit. No general obligation bonds shall be issued by the City in an amount which shall exceed the limit of indebtedness provided for municipalities in R.S. 39:562(B), or five hundred million dollars, whichever is greater.

(3) Security. All general obligation bonds of the City shall be payable from ad valorem taxes levied by the council on all the property subject to taxation within the City sufficient in amount to pay principal and interest and redemption premiums, if any, thereon as they respectively become due and shall be additionally secured by a pledge of the full faith and credit of the City.

(4) Obligation to impose and collect taxes. The council shall impose and collect annually in excess of all other taxes, a tax on all the property subject to taxation within the City sufficient to pay the principal and interest and redemption premiums, if any, on all general obligation bonds in each year. All ad valorem taxes levied by the council in each year for the payment of general obligation bonds shall, upon their receipt, be transferred daily to the Board of Liquidation which shall have responsibility for the deposit of such receipts and for the investment and reinvestment of such receipts and the servicing of the outstanding general obligation bonds.

(5) Failure to collect taxes; default in collection. Should the council neglect or fail for any reason to impose or collect sufficient taxes for the payment of the principal or interest or redemption premiums, if any, on any-general obligation bonds, any-person in interest may enforce-imposition and-collection thereof in any court having jurisdiction of the subject matter, and any suit, action, or proceeding brought by such person in interest for such purpose shall be a preferred cause, and shall be heard by a court of competent jurisdiction and disposed of without delay. In the event of any default in the imposition and collection of any taxes required for the payment of the principal and interest and redemption premiums, if any, on any general obligation bonds, the Board of Liquidation shall, itself, by proper resolution, have the power to levy and collect the taxes required for the payment of principal and interest and redemption premiums, if any, and shall certify the rate and necessity therefor and cause the same to be imposed and collected at the same time and in the same manner as other taxes are imposed and collected in the City.

Upon issuance of the Bonds, the City will have \$322,298,556 of general obligation bonds outstanding.

Security Interest

The Bond Resolution provides for a pledge by the Issuer of the revenues of the unlimited *ad valorem* tax referenced above as security for the Bonds. (See “DESCRIPTION OF THE BONDS - Security for the Bonds” herein.) Pursuant to the Louisiana Constitution, the proceeds of such tax may only be used to pay debt service on the Bonds. Pursuant to Section 39:1430.1 of the Louisiana Revised Statutes of 1950, as amended, the tax collections so pledged and then or thereafter received by the Issuer or paying agent shall be subject to a first priority lien, and no filing is required under Chapter 9 of the Uniform Commercial Code as enacted in the State of Louisiana for the perfection and priority of our pledge.

Section 39:1430.1 of the Louisiana Revised Statutes of 1950, as amended, states in pertinent part as follows:

Any pledge of and grant of security interest in taxes, income, revenues, monies, ... or receipts ... made by a public entity in connection with the issuance of securities shall be valid, binding, and perfected from the time when the pledge is made. The taxes, income, revenues, monies ... or receipts ... so pledged and then held or thereafter received by the public entity or any fiduciary shall immediately be subject to the lien of such pledge and security interest without any physical delivery thereof or further act, and the lien of such pledge and security interest shall be first priority and valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the public entity, whether or not such parties have notice thereof.... No filing with respect to such pledge and security interest made by a public entity need be made under Chapter 9 ... for the perfection or priority of such pledge and security interest.

Millage Rate Setting and Procedures

The Board of Liquidation annually recommends to the City Council the property tax millage to be levied for the payment of debt service on the City’s general obligation bonded indebtedness for the succeeding year. The Board of Liquidation’s millage recommendation takes into consideration the following factors: debt service requirements on outstanding and proposed bonds; assessed valuations, net of homestead exemptions; and an assumed rate of property tax collections. The property tax levied for the purpose of paying debt service on the City’s general obligation debt is separate from all other property taxes levied by the City Council and is dedicated solely for such purpose. All collections of the property tax dedicated to pay general obligation debt are required by statute to be paid over to the Board of Liquidation daily as collected by the City’s Department of Finance. The Board of Liquidation is responsible for depositing, investing and reinvesting such receipts and for paying debt service on general obligation debt. In the event tax collections dedicated to the payment of debt service are insufficient therefor, the Board of Liquidation may use its available funds on hand and not dedicated to other purposes to pay debt service and is empowered to levy an additional tax to pay such deficiency. The statutory provisions authorizing the Bonds provide that the Board of Liquidation shall be continued while any of the City’s general obligation bonds are outstanding and unpaid and its powers with respect to payment of the general obligation bonds shall not be diminished.

For more detailed information on the assessment and collection procedures, see “SOURCE OF REVENUE” herein.

Millage Required to Service the Bonds

The Issuer levied 25.50 mills on the 2012 tax roll for interest and principal payments on its outstanding general obligation bonds. The Issuer estimates that this millage will be adequate and will produce sufficient revenue to service the Issuer's outstanding general obligation bonds, the proposed Bonds and an additional \$40,000,000 of general obligation bonds authorized at the November 2, 2004 election and estimated to be issued later in calendar year 2012. For additional information, see Appendix "F."

Form and Denominations

The Bonds are initially issuable as fully registered bonds in "book-entry" only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. The Bonds are being issued in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof within a single maturity.

Average Life

The average life of the Bonds is approximately 11.132 years from their dated date.

Maturities; Interest Payment Dates

The Bonds will mature on December 1 in the years and in the principal amounts indicated on the cover page of this Official Statement. Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2012 (each an "Interest Payment Date"), at the rates per annum indicated on the cover page hereof. The Bonds shall bear interest from the date thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

Redemption Provisions

The Bonds maturing December 1, 2023, and thereafter, are callable for redemption at the option of the City, acting through the Board of Liquidation, prior to their stated maturities, on or after December 1, 2022, in whole or in part at any time, and if less than a full maturity then by lot within such maturity at a redemption price equal to the principal net amount of the Bonds to be redeemed plus accrued interest to the redemption date.

In the event a Bond to be redeemed is of a denomination larger than \$5,000, a portion of such Bond (\$5,000 or any multiple thereof) may be redeemed. Official notice of such call of any of the Bonds for redemption will be given by first class mail, postage prepaid, by notice deposited in the United States mails not less than thirty (30) days prior to the redemption date addressed to the registered owner of each bond to be redeemed at his address as shown on the registration books of the Paying Agent.

In the event of redemption of less than all the outstanding bonds of like maturity, such Bonds shall be redeemed by lot or in such other manner as shall be deemed fair and equitable by the Paying Agent for random selection.

Defeasance

Pursuant to Chapter 14 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, and the Bond Resolution, the Bonds, in whole or in part, shall be defeased and shall be deemed to be paid and shall no longer be considered to be outstanding under the Bond Resolution, and the covenants, agreements, and obligations contained in the Bond Resolution with respect to such Bonds shall be discharged if one of the following shall occur:

- (1) There is deposited in an irrevocable trust with a bank which is a member of the Federal Deposit Insurance Corporation, or its successor, or with a trust company, monies in an amount sufficient to pay in full the principal of and interest and call premiums, if any, on such Bonds to their stated maturity or to the date fixed for their redemption if irrevocable provision has been made for the call thereof.
- (2) There is deposited in an irrevocable trust with a bank which is a member of the Federal Deposit Insurance Corporation, or its successor, or with a trust company, noncallable direct general obligations of the United States of America or obligations unconditionally guaranteed in principal and interest by the United States of America, including certificates or other evidence of an ownership interest in such noncallable direct obligations, which may consist of specified portions of interest thereon, such as those securities commonly known as CATS, TIGRS, and STRPS, the principal of and interest on which, when added to other monies, if any, deposited therein, shall be sufficient to pay when due the principal of and interest and call premiums, if any, on such Bonds to their stated maturity or to the date fixed for their redemption if irrevocable provision has been made for the call thereof.

Neither the obligations or the moneys deposited in irrevocable trust nor the principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than and shall be held in trust for the payment of the principal of and premium, if any, and interest on the Bonds defeased. The owners of the Bonds which are so defeased shall have an express lien on such moneys or governmental obligations until paid out, used, and applied as set forth above.

Provisions Applicable if Book-Entry Only System is Terminated

General. Purchasers of Bonds will receive principal and interest payments, and may transfer and exchange Bonds, pursuant to the following provisions only if the book-entry only system is terminated. Otherwise, payments and transfers will be made only as described in Appendix “J”-Book-Entry Only System.

Place of Payment. Principal of the Bonds will be payable at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor paying agent (the “Paying Agent”).

Payment of Interest. Upon discontinuation of the book-entry only system, interest on the Bonds will be payable by check mailed on or before the Interest Payment Date by the Paying Agent to the registered owner, determined as of the close of business on the 15th calendar day of the month next preceding an Interest Payment Date (the “Record Date”), whether or not such day is a Business Day (as defined in the Bond Resolution), at the address of such registered owner as it appears on the registration books of the Paying Agent.

The person in whose name any Bond then outstanding is registered at the close of business on the Record Date with respect to an Interest Payment Date shall be entitled to receive the interest payable with respect to such Interest Payment Date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date.

Provisions for Transfer, Registration and Assignment. Except as provided under DTC's book-entry only system, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent, and such registration shall be at the expense of the Issuer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent. A new Bond or Bonds will be delivered by the Paying Agent to the last assignee (the new registered owner) in exchange for such transferred and assigned Bonds after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds must be in the denomination of \$5,000 or any integral multiple thereof within a single maturity. Neither the Issuer nor the Paying Agent shall be required to issue, register, transfer or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding an interest payment date and ending at the close of business on the interest payment date.

BOND INSURANCE

The following information has been provided by Assured Guaranty Municipal Corp.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds maturing December 1, 2026 through December 1, 2029, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix "K" in this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation

of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the Issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012.

Capitalization of AGM

At March 31, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,123,869,658 and its total net unearned premium reserve was approximately \$2,275,867,231, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, and for the quarterly period ended March 31, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured bonds offered under this Official Statement and may hold such Insured Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

BOARD OF LIQUIDATION

The Board of Liquidation was created by the Louisiana Legislature in 1880, and made a "body corporate," separate and distinct from the City, in 1890. The Board of Liquidation has exclusive control and direction of all matters related to the issuance and repayment of the City's general obligation bonds. Because the Board of Liquidation exists, the repayment of New Orleans' general obligation bonds is separated and excluded from the City's operating budget, and a dedicated source and security for the payment of the City's general obligation bonds is maintained. All *ad valorem* taxes levied by the City for the payment of its general obligation bonds are transferred to

the Board of Liquidation. These property tax receipts must be applied exclusively to the payment of debt service on the City's outstanding general obligation bonds and cannot be applied to pay the City's operating expenses or for any other purpose.

The Board of Liquidation is composed of nine members: the Mayor and the two City Council members-at-large, who serve *ex officio*, and six appointed members. All members of the Board of Liquidation serve without pay.

Sections 5-101 and 5-102 of the City's Home Rule Charter of 1954, as amended, read as follows:

"Section 5-101. Composition.

(1) The Board of Liquidation, City Debt, shall be composed of six members and of three ex-officio members, who shall be the Mayor and the two councilmembers-at-large.

(2) Effective on January 1, 1996, the terms of the six citizens serving on the Board shall change from terms for life to fixed terms. The members shall conduct a drawing to determine who shall serve for terms of two, four, six, eight, ten, and twelve years. Upon the expiration of a term, a Board member who is domiciled in and an elector of the City shall be appointed by the Mayor with the approval of the Council from a list of three names submitted jointly by a committee consisting of the President of the Board of Liquidation, who shall chair the committee, and the Presidents or Chancellors of Dillard University, Loyola University, Southern University of New Orleans, Tulane University, the University of New Orleans, and Xavier University. Members so appointed shall serve for terms of twelve years. Any vacancy on the Board shall be filled in accordance with the provisions of Section 9-105 of this Charter."

"Section 5-102. Functions.

Except as otherwise provided in this Chapter, the Board of Liquidation, City Debt shall continue to exercise and have the powers, duties, and functions which it exercised on the effective date of this Charter. It shall have the power to issue bonds in any manner permitted by state or municipal law and this Charter and to manage its affairs, under this Charter on behalf of the City of New Orleans, in accordance with the provisions of applicable state or municipal law."

The incumbent members of the Board of Liquidation, who serve until their successors are appointed, their terms of office, and their principal occupations are:

Mitchell J. Landrieu, *ex officio* --

Mayor, City of New Orleans
(Term: 5/03/2010-5/04/2014)

Jacquelyn B. Clarkson, *ex officio* --

Councilmember-at-large, City of New Orleans
(Term: 5/03/2010-5/04/2014)

Stacy S. Head, *ex officio* --

Councilmember-at-large, City of New Orleans
(Term: 5/02/2012-5/04/2014)

Mary K. Zervigon, *President* --

Attorney. Former Chairman of the Louisiana Tax
Commission
(Term: 6/10/92-12/31/2013)

Richard P. Wolfe, *Vice President*

Attorney
(Term: 1/20/05-12/31/2015)

Alan C. Arnold --

President, MidSouth Realty Management, Inc.
(Term: 12/18/2008-12/31/2019)

W. Raymond Manning --

Architect, Manning Architects
(Term: 1/20/2011-12/31/2021)

Mark M. Moody --

NASA Stennis Space Center
(Term: 1/20/2011-12/31/2017)

Wanda Ackers-Brooks--

CPA, Finance Dept., Dillard University
(Term: 12/18/2008-12/31/2011)

THE CITY

City Government

The City was founded in 1718, incorporated in 1805, and is the largest populated city in the State of Louisiana (the “State”). The City’s system of government is established in its Home Rule Charter. The Constitution prohibits the Louisiana Legislature from enacting any law affecting the structure, organization or distribution of the power and function of any local political subdivision which operates under a home rule charter. The Charter may be amended only by the affirmative vote of a majority of the qualified voters in the City voting at an election called by the City Council on its own initiative or upon receipt by it of a petition of not less than ten thousand registered voters.

A number of important local governmental functions in the City are performed by entities which, in varying degrees, operate independently of City government. These entities include the Sewerage and Water Board of New Orleans, which is responsible for water, sewer and drainage service for the City, the Orleans Parish School Board, which is responsible for elementary and secondary education in the City, the New Orleans Aviation Board, which operates the Louis Armstrong International Airport, and the Orleans Levee Board, which has primary responsibility for levees, sea walls and breakwaters surrounding the City. These and other similar entities have their own budgets and revenue sources, and are not included in the City’s budget. (See Appendix “F”-Debt Statement).

The City has a Mayor-Council plan of government. The Mayor, as the chief executive officer, is elected for a four-year term. The Charter provides that the Mayor may not serve more than two consecutive terms. The Mayor appoints the Chief Administrative Officer, who is his principal assistant and the budget officer for the City. The Chief Administrative Officer appoints all department heads, subject to the Mayor’s approval, except the City Attorney, who is appointed by the Mayor, and the Director of the Civil Service Department, who is appointed by the Civil Service Commission. There are numerous executive departments and affiliated boards and commissions.

Mayor Mitchell J. Landrieu began his first term as Mayor of New Orleans in May, 2010. Born in 1960, Mayor Landrieu graduated from Jesuit High School, Catholic University, and Loyola College School of Law. Prior to being elected Mayor, Mr. Landrieu served as Lieutenant Governor of the State of Louisiana for six years and a State Legislator for 16 years. He and his wife and five children are native New Orleanians.

The City Council is the legislative body of City government, consisting of five members elected from districts and two members elected at-large, all for four-year terms. Members of the City Council may not serve more than two consecutive terms. The City Council has authority to levy taxes, subject to State law, and to adopt the City’s annual capital and operating budgets. Ordinances of the City Council may be vetoed by the Mayor. Vetoes may be overridden by a two-thirds vote of the City Council.

City Financial Management, Budgeting and Control

The City’s finances are overseen by the First Deputy Mayor and Chief Administrative Officer and the Director of Finance. The First Deputy Mayor and Chief Administrative Officer prepares the annual operating and capital budgets and supervises the execution of budget ordinances. After the budget is adopted by the City Council, the First Deputy Mayor and Chief Administrative

Officer provides a schedule of expenditure allotments by which the timing of expenditures and the nature of expenditures within a department are controlled. All changes to allotments, other than amendments that transfer an appropriation from one classification to another, must be approved by the First Deputy Mayor and Chief Administrative Officer. The Charter provides that the Mayor shall direct appropriate revisions in allotments to keep expenditures within the revenues received or anticipated.

The Department of Finance maintains the treasury of the City and is responsible for the collection, recordation, deposit and disbursement of all taxes; licenses and permit fees; the maintenance of the City's equipment inventory; disposition of City property declared surplus; the purchasing of materials, supplies and equipment; preparation of City employee payrolls and pension rolls; preparation, validation and distribution of tax bills and rolls; and recommendation of action on claims against the City. In addition, the Department of Finance maintains documentation of financial transactions of the City and prepares its financial reports.

Brief biographies of the First Deputy Mayor and Chief Administrative Officer and the Director of Finance follow:

Andy Kopplin serves as Deputy Mayor and Chief Administrative Officer. In this capacity, he oversees the day-to-day operational functions of City Hall. Kopplin comes from Teach For America, where he most recently served as senior advisor to the Founder & CEO. Prior to Teach For America, Mr. Kopplin served for more than two years as Founding Executive Director of the Louisiana Recovery Authority (LRA), the agency charged with leading the State's recovery efforts after Hurricanes Katrina and Rita, where he developed the strategy that more than doubled congressional appropriations for Louisiana's rebuilding, from \$13 billion to \$28 billion. Before heading the LRA, Kopplin was Chief of Staff to two consecutive Louisiana governors, Democrat Kathleen Babineaux Blanco and Republican M.J. "Mike" Foster, Jr. He joined Foster's staff in 1996 as Policy Director, and in that role led the pioneering effort to create the state's community college system. Mr. Kopplin holds a bachelor's degree from Rice University; a master's in Public Policy from Harvard University's Kennedy School of Government, and is a 1986 Harry S. Truman Scholarship winner.

Norman S. Foster is Director of Finance and Chief Financial Officer for the City of New Orleans, where he oversees all financial, accounting, sales and property tax collection, and procurement activities. Prior to joining the city in May 2010, Mr. Foster was the interim Chief Financial Officer at the Minnesota Department of Transportation and held a series of budgeting and financial positions at the Minnesota Departments of Finance and Transportation from 1995 to 2010. Mr. Foster has a Bachelor's degree in Engineering, Economics and Management from the University of Oxford in the U.K., and a Master's degree in Public Policy from the Kennedy School of Government at Harvard University.

Budgets

The Capital Budget and Program

Pursuant to the Charter, in accordance with a schedule prescribed by the Chief Administrative Officer, each office, department and board presents to the City Planning Commission a list of proposed capital improvements to be made in conjunction with its work over the next five years. The City Planning Commission then prepares and submits to the Mayor a five-year capital improvement program.

The Mayor annually recommends to the City Council, on or before November 1, a capital program for the next five years and a capital budget for the first year of the program. The City Council is obligated to approve a capital program and adopt a capital budget before it adopts the annual operating budget. The City Council may not amend the capital program as submitted to it until it has requested and received through the Mayor the recommendations of the City Planning Commission with respect thereto. The capital program and budget must show the amount and sources of money for each separate project. The amounts budgeted constitute appropriations from the funds indicated when they become available. Expenditures for capital projects are made through the Capital Projects Fund.

The City's five-year Capital Improvement Program anticipates general obligation bond issues of the following amounts in the years indicated; however, the City is not held to this schedule and may adjust the timing and amounts of proposed bond issues as necessary or desired:

<u>Year</u>	<u>Proposed Bonds</u>
2012	\$40,000,000
2013	50,000,000
2014	55,000,000
2015	0
2016	0

The City issued \$75,000,000 of general obligation bonds in 2007 and \$40,000,000 of general obligation bonds in 2010, being the first and second emissions of the total \$260,000,000 authorized to be issued in an election held on November 2, 2004. The general obligation bonds issued in 2010 were designated as Direct Pay Build America Bonds, and the Issuer has by resolution dictated that any subsidy payments be made directly to the respective paying agent to be used to pay principal and interest on such bonds.

The Operating Budget

The Charter requires the annual preparation and adoption of a balanced operating budget for the City. Not later than August 1 of each year, the First Deputy Mayor and Chief Administrative Officer is required to make available sufficient data relating to the current and preceding year's appropriations and expenditures for the City Council and for each office, department or board or other entity that (i) is receiving or seeks to receive an appropriation from the City Council payable from any operating fund of the City or (ii) which expends City funds. Any entity which seeks an appropriation from any operating fund of the City shall submit detailed data, in a format which adheres to generally accepted accounting principles, to the First Deputy Mayor and

Chief Administrative Officer in accordance with a schedule prescribed by the First Deputy Mayor and Chief Administrative Officer for compilation and recommendations for review by the Mayor prior to the Mayor's submission of the proposed budget to the City Council.

The First Deputy Mayor and Chief Administrative Officer, after consulting with the City Council and the heads of offices, departments and boards, is required by the Charter to prepare a preliminary budget for the consideration of the Mayor. The preliminary budget must include all budget requests, and the recommendations of the First Deputy Mayor and Chief Administrative Officer with respect to each request, an estimate of the receipts from each source of revenue and a statement of the total estimated income and total recommended expenditures for each operating fund.

The City's Charter further provides that the City Council may amend the budget during the year by means of ordinances. In 2012, as in prior years, these amendments have primarily affected appropriations for grants which are adjusted as grant awards are confirmed. Adjustments to the budget are made from time to time to prevent deficits occurring in certain expenditure accounts and to recognize differences in anticipated revenues.

A summary of the initially adopted City General Fund Budget for the year ending December 31, 2012 follows:

Revenues	Amount	% of Total
Taxes	\$289,714,748	58.33%
Licenses & Permits	57,858,460	11.65%
Intergovernmental	9,467,549	1.91%
Service Charges	74,258,050	14.95%
Other Financing Sources	17,996,204	3.62%
Miscellaneous	9,462,193	1.91%
Fines and Forfeitures	<u>37,921,500</u>	<u>7.64%</u>
Total Revenues	<u>\$496,678,704</u>	100.00%
Expenditures	Amount	% of Total
Personal Services	\$293,572,816	59.11%
Other Operating	164,481,239	33.12%
Debt Service	<u>38,624,649</u>	<u>7.78%</u>
Total Expenditures	<u>\$496,678,704</u>	100.00%

Source: Chief Administrative Office, City of New Orleans.
Total may not add due to rounding.

The City Council has made minor amendments to the expense budget; however, those amendments are largely revenue neutral. The City's revenue estimating conference received revised estimates in June 2012 that adjusted some revenue categories, such as tax collections and traffic fines, downward and other revenue categories, such as miscellaneous revenue and other financing sources, upward. The net effect is a decrease in anticipated revenue to the City for fiscal year 2012, to approximately \$484,500,000 from \$496,678,704. The revised estimates have not been adopted by the City Council and are not part of the City's budget; however, City officials are currently using the revised estimates for planning and expenditure purposes.

Revenues and Expenditures

There follows a five-year history of the revenues, expenditures and other financing sources and expenditures and other financing uses and changes in fund balance of the City's various funds.

CITY OF NEW ORLEANS, LOUISIANA
SUMMARY STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

(All Dollars in Thousands)

GENERAL FUND	2007	2008	2009	2010	2011
REVENUES					
Taxes	231,529	239,207	244,864	264,326	288,739
Licenses and permits	55,490	60,335	54,136	58,117	57,219
Intergovernmental	27,584	20,126	19,379	22,792	25,801
Charges for services	35,080	44,105	48,189	50,417	72,171
Fines and forfeits	11,766	16,300	24,796	31,578	34,685
Interest income	13,949	9,488	2,072	721	399
Miscellaneous	13,400	10,733	16,276	33,784	20,272
Contributions, Gifts & Donations	<u>558</u>	<u>851</u>	<u>1,185</u>	<u>2,043</u>	<u>395</u>
Total revenues	389,356	401,145	410,897	436,778	499,681
EXPENDITURES					
Current:					
General government	143,704	144,397	175,310	139,472	147,738
Public safety	154,205	158,456	161,623	215,720	224,641
Public works	61,610	71,427	74,262	63,289	64,811
Health and human services	10,714	13,510	14,391	13,689	17,885
Culture and recreation	12,128	17,385	19,787	20,239	16,633
Urban development and housing	2	--	2,012	10	--
Capital Outlay	--	9,618	4,620	6,352	293
Debt service:					
Principal retirement	23,860	25,318	26,738	31,706	35,040
Interest and fiscal charges	19,692	22,362	22,039	21,285	16,817
Bond issuance costs	--	--	--	--	113
Total expenditures	425,915	462,473	500,782	511,762	523,971
Excess (deficiency) of revenues over expenditures	<u>(36,559)</u>	<u>(61,328)</u>	<u>(89,885)</u>	<u>(47,984)</u>	<u>(24,290)</u>
Other financing sources (uses):					
Operating transfers in	12,700	13,938	24,648	30,064	18,302
Operating transfers out	(1,351)	(1,387)	(2,198)	(1,977)	(2,596)
Debt service assistance loan	21,345	12,345	8,458	--	--
Proceeds from bond issuance	--	--	7,000	--	15,995
Other, net	(769)	(173)	334	485	(67)
Total other financing sources (uses)	<u>31,925</u>	<u>24,723</u>	<u>38,242</u>	<u>28,572</u>	<u>31,634</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(4,634)</u>	<u>(36,605)</u>	<u>(51,643)</u>	<u>(19,412)</u>	<u>7,344</u>
Fund Balance					
Beginning of year	99,828	97,620	59,579	8,351	(11,061)
End of Year	95,194	61,015	7,936	(11,061)	(3,717)

Source: City of New Orleans Annual Financial Reports.

CITY OF NEW ORLEANS, LOUISIANA
SUMMARY STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

(All Dollars in Thousands)

<u>SPECIAL REVENUE FUNDS</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES					
Taxes	4,913	5,984	4,394	6,099	5,640
Intergovernmental	105,900	115,142	113,203	136,469	115,808
Program Income	66	68	1,182	145	4,898
Fines and forfeits	559	932	1,823	1,987	4,139
Interest income	665	198	1,422	72	72
Miscellaneous	30,763	18,126	17,830	33,449	21,185
Contributions, Gifts & Donations	<u>2606</u>	<u>2,261</u>	<u>2,064</u>	<u>1,817</u>	<u>2,347</u>
Total revenues	145,472	142,711	141,918	167,629	154,089
EXPENDITURES					
Current:					
General government	41,856	59,551	56,044	105,479	77,096
Public safety	53,195	41,913	48,577	5,014	5,705
Public works	16,939	4,319	3,589	2,441	--
Health and human services	7,130	6,448	6,291	5,395	3,793
Culture and recreation	1,297	1,825	3,997	1,808	3,415
Urban development and housing	22,527	49,507	45,532	40,104	32,682
Economic development and assistance	9,673	17,102	24,321	10,329	8,680
Debt Service:					
Principal	681	726	762	808	280
Interest and fiscal charges	914	879	843	802	74
Capital outlays	<u>--</u>	<u>--</u>	<u>1,951</u>	<u>3,496</u>	<u>1,933</u>
Total expenditures	154,212	182,270	191,907	175,676	133,658
Excess (deficiency) of revenue over expenditures	<u>(8,740)</u>	<u>(39,559)</u>	<u>(49,989)</u>	<u>2,147</u>	<u>20,431</u>
Other financing sources (uses):					
Operating transfers in	1,350	1,387	2,196	1,977	2,746
Operating transfers out	(17,454)	(13,938)	(22,392)	26,472	(16,250)
Proceeds from bond issuance	32,748	34,373	35,269	--	--
Total other financing sources (uses)	16,644	21,822	15,073	(24,495)	(13,504)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>7,904</u>	<u>(17,737)</u>	<u>(34,916)</u>	<u>(22,348)</u>	<u>6,927</u>
Fund Balance					
Beginning of year	36,509	46,144	20,291	(14,625)	(42,790)
End of year	44,413	28,407	(14,625)	(36,973)	(35,863)

Source: City of New Orleans Annual Financial Reports.

CITY OF NEW ORLEANS, LOUISIANA
SUMMARY STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

(All Dollars in Thousands)

<u>DEBT SERVICE FUND</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES					
Taxes	62,178	50,451	55,982	63,424	66,565
Interest income	4,415	3,083	1,412	410	213
Miscellaneous	--	--	400	--	--
Total revenues	66,593	53,534	57,794	63,834	66,778
EXPENDITURES					
Current:					
General government	465	430	484	500	490
Debt Service:					
Principal retirement	16,410	16,124	17,572	20,505	21,455
Interest and fiscal charges	39,320	43,350	43,613	46,334	46,532
Bond issuance costs	923	--	--	953	--
Total expenditures	57,118	59,904	61,669	68,292	68,477
Excess (deficiency) of revenues over expenditures	<u>9,475</u>	<u>(6,370)</u>	<u>(3,875)</u>	<u>(4,458)</u>	<u>(1,699)</u>
Other financing sources (uses)					
Operating transfers out	(75,151)	--	--	(40,000)	--
Proceeds from bond issuance	75,147	--	--	40,726	--
Debt service assistance loan	2,204	--	--	--	--
Federal subsidy-Build America Bonds	--	--	--	975	--
Total other financing sources (uses)	<u>2,200</u>	<u>--</u>	<u>--</u>	<u>1,701</u>	<u>--</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>11,675</u>	<u>(6,370)</u>	<u>(3,875)</u>	<u>(2,757)</u>	<u>(1,699)</u>
Fund Balance					
Beginning of year	61,592	73,267	67,871	63,596	60,839
End of year	73,267	66,897	63,996	60,839	59,140

Source: City of New Orleans Annual Financial Reports.

CITY OF NEW ORLEANS, LOUISIANA
SUMMARY STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

(All Dollars in Thousands)

<u>CAPITAL PROJECTS FUND</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES					
Intergovernmental	43,421	26,661	104,888	108,226	71,075
Interest income	551	--	--	--	--
Miscellaneous	4,066	222	295	2,215	351
Total revenues	48,038	26,883	105,183	110,441	71,426
EXPENDITURES					
General Government	1,978	6,170	--	--	1,194
Capital outlays	57,154	119,375	145,307	131,080	133,231
Public Safety	2,023	61	163	--	--
Public Works	848	88	--	--	--
Health and human services	--	15	--	--	--
Culture and recreation	--	868	--	--	--
Total expenditures	62,003	126,577	145,470	131,080	134,425
Excess (deficiency) of revenues over expenditures	(13,965)	(99,694)	(40,287)	(20,639)	(62,999)
Other financing sources (uses)					
Operating transfers in	79,906	--	--	40,278	--
Operating transfers out	--	--	(2,254)	(3,870)	(2,202)
Insurance proceeds	4,925	5,866	--	--	--
Total other financing sources (uses)	84,831	5,866	(2,254)	36,408	(2,202)
Excess (deficiency) of revenues and other sources over expenditures and other uses	70,866	(93,828)	(42,541)	15,769	(65,201)
Fund Balance					
Beginning of year	172,938	237,275	156,460	113,919	129,688
End of year	243,804	143,447	113,919	129,688	64,487

Source: City of New Orleans Annual Financial Reports.

Financial Controls

Internal accounting controls have been developed by the City to provide reasonable, but not absolute, assurance that assets are properly safeguarded against loss from unauthorized use or disposition and the financial records used in the preparation of financial statements and accountability of assets are reliable.

The Charter requires that the City Council execute an agreement with a certified public accountant or firm of certified public accountants for the purpose of securing an audit of the accounts of the City and may execute such an agreement for the purpose of securing an audit of the accounts of any office or public body that receives or expends City funds, including non-municipal offices and public bodies. As soon as practicable, and in no event later than six months after the close of the fiscal year, the accountant or accountants shall submit to the City Council a report upon the transactions of the year just completed.

The Department of Finance annually prepares the City's Annual Financial Report in conformance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

Employee Relations

Under State law, the City and its employees, may enter into collective bargaining agreements, subject to the rules and regulations of the New Orleans Civil Service Commission. State and local laws do not expressly prohibit strikes by City employees although Civil Service Commission rules permit discipline and discharge of classified employees who fail to discharge their duties in a satisfactory manner.

The compensation of classified City employees is set by a comprehensive pay plan prepared by the Civil Service Commission and submitted for approval or rejection to the City Council. The Civil Service Commission is composed of five members appointed by the City Council and must be selected from nominees submitted by the presidents of several local universities and are prohibited from engaging in political activities. Once a pay plan has been adopted, the City Administration implements that plan through its adoption of a pay policy. The pay plan and the pay policy combined determines the actual compensation of City employees. The compensation of unclassified employees is set by a pay plan and pay policy recommended by the Mayor and adopted by ordinance of the City Council.

Certain employees of the Police Department, Fire Department and Department of Parks and Parkways belong to employee organizations which have agreements with the City.

Retirement Systems and Post-Employment Benefits

The City has four separate pension systems: (1) Fire Fighter's Pension and Relief Fund--Old System ("Old Fire System"); (2) Fire Fighter's Pension and Relief Fund--New System ("New Fire System"); (3) Police Pension Fund--Old System ("Old Police System"); and (4) the Employees' Retirement System of the City of New Orleans ("Employees' System"). In addition, the State administers the Municipal Police Employees' Retirement System (redesignated as the Municipal and State Police Retirement System of Louisiana, effective January 1, 1987, "MPERS") and the Fire Fighter's Retirement System ("FRS"). The Old Fire System covers firemen who were employed prior to December 31, 1967. The New Fire System covers firemen hired since that date. Currently, there are no old firefighters who are members of FRS, however, Act 715 of 1991 of the Regular Session of the Louisiana Legislature permits firemen employed by the City to become members of FRS after July 1, 1992, and in accordance with certain other conditions. Effective March 6, 1983, all members of the Old Police System, active and retired, except for approximately 250 participants who did not meet the eligibility requirements, became members of MPERS. The Old Police System remains responsible for the payment of certain benefits due to differences in length of service and age requirements for the participants who were not transferred to MPERS. The Employees' System covers all City employees other than firemen and policemen. All systems are funded on an actuarial basis except the Old Police System and the Old Fire System which are funded on a pay-as-you-go basis.

The City offers medical benefits to eligible retirees upon actual retirement. Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving such benefits. The City does not fund its Annual Required Contribution (as defined in GASB Statement 45) except to the extent of the current year’s retiree funding costs.

Note 7 to the City’s Annual Financial Report for fiscal year 2011 contains further information regarding the City Pension and other post-employment benefit obligations. See Appendix “C”- 2011 Annual Financial Report of the City, Note 7-Pension Plans and Postretirement Healthcare, pages 54-63 therein. The information contained therein is current as of the date stated, and there has been no material adverse change in the financial information contained therein from the date stated.

SOURCE OF REVENUE

The following information with respect to certain property tax and related matters is included in this Official Statement to provide background information relating to the tax revenues securing the payment of the Bonds.

Assessment Procedure

All taxable property in the State is required by law to be assessed annually at a percentage of its fair market value or use value by assessors elected for four year terms, except that public service property is assessed directly by the Louisiana Tax Commission (the “Tax Commission”). Property tax assessments are required to be equal and uniform throughout the State.

The Constitution provides that the classifications of property subject to *ad valorem* taxation and the percentage of fair market value applicable to each classification for the purpose of determining assessed valuation are as follows:

<u>Classifications</u>	<u>Percentages</u>
1. Land	10%
2. Improvements for residential purposes	10%
3. Electric cooperative properties, excluding land	15%
4. Public service properties, excluding land	25%
5. Other Property	15%

The Constitution also provides that agricultural, horticultural, marsh lands, timber lands and certain historic buildings are to be assessed at 10% of “use” value. Fair market values are determined by the assessors, subject to review and final certification by the Tax Commission.

Under the Constitution, the assessor is required to determine the fair market value of all property subject to taxation within the City, except public service properties that are valued by the Tax Commission. The Tax Commission is required by statute to measure annually the level of appraisals or assessments and the degree of uniformity of assessments for each major class and type of property in each parish throughout the State and to hold a public hearing to hear any complaints. If the appraisal or assessment level of a parish deviates by more than 10% from the percentage of fair

market or use valuation, the Tax Commission is to order the assessor, within a period of one year, to reappraise all property within the parish or district or within one or more property classifications, certify the assessment lists for the year in which the order is issued, and in the following year again measure the level of appraisals or assessments for each major class and type of property in the parish. If the appraisal or assessment levels of a parish deviate again by more than 10% from the required percentage of fair market or use value, the Tax Commission may not certify the assessment rolls.

Real property subject to taxation is required to be reappraised and valued at intervals of not more than four years and personal property subject to taxation is required to be reappraised and valued on an annual basis. The revised “Real/Personal Property Rules and Regulations” of the Tax Commission provide that the assessors may use the cost, income and market approaches in making appraisals of residential, commercial and industrial land and improvements. An assessor may reappraise real property based on property transfers more often than every four years if the trends established by the transfers indicate that property value fluctuations are creating inequities within the assessing district by property classifications, however, the reappraisal shall not be applied on a parcel by parcel basis, but rather to all parcels in a particular geographical area. Improvements are added to the tax rolls on the August 1 following the year the improvements are completed. A general reappraisal of property was made by the assessor for the 2012 tax roll, at which time the assessed valuations had a slight increase over prior years. There can be no guaranty that the assessed valuation of the City will increase in future years. For additional information, see Appendix “B” herein.

Prior to January 1, 2011, there were seven assessors in the Parish, each representing a separate district; however, on that date the Parish switched to the single assessor system utilized in the other parishes in the State. The current Orleans Parish Assessor is Erroll G. Williams.

By law, assessment lists shall be open for public inspection from August 1 through August 15 of each year in the Parish, and the Orleans Parish Assessor must finish the preparation and listing on the assessment lists of all real and personal property and certify his roll to the Board of Review. The Board of Review is required to certify the roll to the Tax Commission on or before October 20 of each year. The roll is then filed with the tax collector (City’s Director of Finance). The City Council, as the governing authority of the City, annually adopts by December 1 an ordinance levying the *ad valorem* taxes (other than the *ad valorem* taxes levied by the Orleans Law Enforcement District, Orleans Parish School Board and the Orleans Levee District) on taxable real and personal property for the following calendar year. Taxes on real property are payable on January 1 and are delinquent February 1. Taxes on personal property are payable on May 1 and are delinquent on June 1.

The Tax Commission may change or correct any and all assessments of property for the purposes of taxation during the year. Such changes may be made at any time before the taxes levied have actually been paid.

Taxpayers may pay their *ad valorem* taxes under protest by paying the full amount due and giving notice at the time of payment of their intention to file suit. The amount paid under protest is held in escrow (a) for 30 days pending initiation of a suit after which period such amount is surrendered and considered paid in full or (b) if a suit is timely filed, until final judicial determination.

Constitutional Amendments

At an election held on September 30, 2006, the voters of the State approved an amendment to the Constitution generally providing that owners of homes damaged in a disaster are permitted to retain their homestead exemption if they are unable to reoccupy the destroyed or uninhabitable home, if they file an annual affidavit with the assessor stating their intention to reoccupy the home by December 31 of the fifth year after the initial affidavit filed in the calendar year after the disaster. Homeowners entitled to the special assessment level, hereinafter described, are permitted to retain the pre-disaster assessment on their repaired or rebuilt homestead, provided they reoccupy the home by December 31 of the fifth year after the initial affidavit to retain the special assessment. The special assessment level is the artificial freeze in assessed value for owners over age 65 with an income of under approximately \$58,000.

At various other elections, the voters of the State have approved amendments to the Constitution that affect the assessed value of the Issuer and the levy and collection of *ad valorem* taxes in the territory of the Issuer. These amendments include a property tax assessment freeze for certain military and disabled persons, a property tax exemption for leased medical equipment, a municipal property tax exemption for motor vehicles, a property tax exemption for consigned art and an increase in the homestead exemption (from \$7,500 to \$15,000 of assessed valuation) for 100% disabled veterans and their surviving spouses, if approved by majority vote in the Parish. The Issuer cannot guarantee whether future amendments to the Constitution will be proposed or approved by voters.

Homestead Exemptions

Under the Constitution, \$7,500 of the assessed value of property applicable to owner-occupied residences is exempt from property tax in the Parish (except for certain millage levied for police and fire protection). In all other parishes in the State, taxes for municipal purposes are applied to the total assessed valuation of the property being taxed.

Approximately 11.55% of the total assessed valuation of the Issuer for 2012 represents homestead exempt property. The special *ad valorem* tax is subject to homestead exemption.

Tax Rate Adjustment

The Constitution, and other statutory authority supplemental thereto, provide that the total amount of *ad valorem* taxes collected (*except for general obligation bond millage*) by any taxing authority in a reassessment year (which occurs at least every four years), shall not be more or less than the total amount collected in the preceding year, solely because of reassessment, and millage rates must be increased or decreased to achieve this result. In case the millage rate is reduced, Louisiana Revised Statutes 47:1705 provides a procedure by which such millage may be readjusted upward to the prior authorized millage rate.

Penalty for Nonpayment of Taxes

Effective January 1, 2009, and thereafter, *ad valorem* taxes assessed are due in that calendar year as soon as the tax roll is delivered to the tax collector, and shall be paid on or before December 31 in each respective year. (See Act 819 of the 2008 Regular Session of the Louisiana Legislature and La. R.S. 47:2127.)

A delinquent tax incurs a penalty of ten percent of the amount of the tax on the day such tax become delinquent (normally February 1). A delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid in accordance with Title 47, Section 2127(B) of the Louisiana Revised Statutes of 1950, as amended. Each April 1, all current year's delinquent *ad valorem* taxes incur an additional penalty of 9½% of the total tax, statutory interest and 10% delinquent penalty to defray costs of collection by an outside collection agent. The additional 9½% represents payment to a private collection enterprise now contracted by the City.

Property Tax Collections

The property taxes for the calendar year 2012 are currently being collected by the City Finance Department. Section 47:1997.1 of the Louisiana Revised Statutes of 1950, as amended, provides that in Orleans Parish, each tax recipient body that receives a portion of *ad valorem* taxes must reimburse the City's Finance Director for the cost of collection, not to exceed two percent (2%). The cost of collection is deducted from each tax recipient governing bodies' proportionate share of the taxes with the proceeds received from the collection charge to be deposited in the City's General Fund. In addition, the Assessor receives two percent 2% of the amount of taxes levied pursuant to La. R. S. 47:1925.8, which provides that the Orleans Parish Assessor's Office shall be funded annually no later than March 1 by the City with no less than two percent of the *ad valorem* taxes levied on property in the City and Orleans Parish. The total amount of revenue received by the Assessor's Office shall never be less than that received by said Board in the initial year.

See Appendix "B" for more information regarding the assessed value of property in the City and the *ad valorem* tax collection record of the City.

DEBT STATEMENT

Short Term Debt

The City has no outstanding short term indebtedness other than normal accounts payable or as otherwise stated in this Official Statement, according to the City's Director of Finance.

Long Term Debt

The details of the long term debt of the City are presented in the Debt Statement included as Appendix "F" and under the caption "Trend of Indebtedness" below.

General Obligation Bonds of the City

The total principal amount of general obligation bonds of the City that may be at any time outstanding is limited by Part XIV, Chapter 4, Subtitle II, Title 39 of the Louisiana Revised Statutes of 1950, as amended, to the sum of \$500,000,000, or 35% of the total assessed valuation of the City, whichever is greater. The limited tax bonds, revenue bonds and the paving certificates of the City are not included in or subject to this limitation and refunded general obligation bonds are not considered outstanding for this purpose. As of July 2, 2012, the City had \$509,543,556 aggregate principal amount of its general obligation bonds outstanding. In calculating the amount of general obligation bonds outstanding, there is deducted the amount on deposit in debt service and reserve funds dedicated to the payment of general obligation bonds. The issuance of general obligation bonds subject to this limitation must be approved by the City's voters at an election.

Overlapping Bonded Debt of Other Entities Secured by *Ad Valorem* Taxation

As of July 2, 2012, the Law Enforcement District of the Parish of Orleans, State of Louisiana had a total of \$39,035,000 of general obligation bonds outstanding which are secured by and payable from unlimited *ad valorem* taxes.

As of July 2, 2012, the Parishwide School District of the Parish of Orleans, State of Louisiana had a total of \$89,005,000 of general obligation bonds for public school purposes outstanding which are secured by and payable from unlimited *ad valorem* taxes, and the Orleans Parish School Board had a total of \$94,791,529 of revenue bonds outstanding which are payable from (i) a constitutional millage of 27.65 mills and (ii) the net revenues from a one-half of one percent ($\frac{1}{2}\%$) sales and use tax authorized in an election held on November 4, 1980.

Limited Tax Bonds of the City and its Agencies

As of July 2, 2012, the City had outstanding \$21,500,000 of Limited Tax Bonds, Series 2005 (“2005 Tax Bonds”), dated July 6, 2005, and maturing March 1, 2013 to March 1, 2019, inclusive, and March 1, 2021, inclusive, secured by the net proceeds of a 2.50 mills *ad valorem* tax authorized in an election held on July 15, 1995, to finance repairs, renovations and improvements to parks, playgrounds and recreation facilities and for the acquisition of fire fighting, sanitation, and mosquito control equipment.

As of July 2, 2012, the City had outstanding \$25,605,000 of Taxable Limited Tax Certificates of Indebtedness, Series 2004B (the “Series 2004B Certificates”), issued for the purpose of financing a portion of the cost of refunding and extending the City’s outstanding Certificates of Indebtedness and paying certain judgements against the City. Said Certificates are payable from proceeds derived from the levy and collection of a special *ad valorem* tax of 14.91 mills (13.91 mills adjusted due to reassessment) which the City is authorized to levy for general purposes pursuant to the Louisiana Constitution of 1974, as amended (the “Constitutional Tax”).

The City is authorized to issue limited tax bonds for the Audubon Commission payable solely from the proceeds of special *ad valorem* taxes. The maximum principal and interest payable in any year on Audubon Commission limited tax bonds at any time outstanding may not exceed seventy-five percent (75%) of the revenues of the respective tax dedicated therefor in the calendar year next preceding the date of the adoption by the Audubon Commission of the resolution authorizing the issuance of said bonds. As of July 2, 2012, the Audubon Commission had \$1,635,000 aggregate principal amount of its limited tax bonds outstanding for the purpose of improving the Audubon Park Zoo, payable solely from the proceeds of the equivalent of a four-tenths (.40) mills *ad valorem* tax (.32 mills adjusted due to reassessment), and had \$30,260,000 aggregate principal amount of its limited tax bonds outstanding, payable solely from the proceeds of the equivalent of a four and eleven hundredths (4.11) mills *ad valorem* tax (2.99 mills adjusted due to reassessment).

The City is authorized to issue limited tax bonds for the Downtown Development District (which includes the area within the boundaries of the Mississippi River, the upper line of the Mississippi River Bridge and Pontchartrain Expressway, the lake side right-of-way line of Claiborne Avenue, and the lower right-of-way line of Iberville Street) payable solely from the proceeds of a special *ad valorem* tax. The total principal amount of any of these bonds at any time outstanding may not exceed \$50,000,000, and the maximum amount of bonds authorized by the voters is \$10,000,000.

On July 2, 2012, the City had outstanding \$5,485,000 of limited tax bonds for the Downtown Development District, maturing December 1, 2012 to December 1, 2026, inclusive, secured by and payable from an irrevocable pledge and dedication of the funds to be derived from the levy and collection of a special *ad valorem* tax not exceeding Twenty-Two and Ninety-Seven Hundredths (22.97) mills (subject to adjustment from time to time due to reassessment) upon all the taxable real property located in the Downtown Development District of the City of New Orleans, authorized in elections held on December 8, 1979, and April 7, 2001. Said tax is currently being levied at a rate of 14.76 mills.

The City is authorized to issue limited tax bonds for the Drainage System of the City administered by the Sewerage and Water Board, payable solely from separate *ad valorem* taxes not to exceed 6.40 mills, 6.48 mills, and 9.71 mills, respectively. As of July 2, 2012, the City had \$18,990,000 aggregate principal amount of its limited tax bonds outstanding for the Drainage System and is levying an *ad valorem* tax of 7.06 mills for the payment thereof.

Certificates of Indebtedness

As of July 2, 2012, the City had outstanding certificates of indebtedness, secured by and payable solely from a pledge and dedication of the excess of annual revenues of the City above statutory, necessary and usual charges in each of the fiscal years during which such certificates are outstanding, comprised of (a) \$115,760,000 of its Taxable Pension Revenue Bonds, Series 2000 (the "Series 2000 Revenue Bonds"), (b) \$615,000 of its Certificates of Indebtedness, Series 2005 (the "Series 2005 Certificates") and (c) \$15,995,000 of its Taxable Bonds, Series 2011 (the "Series 2011 Taxable Bonds"). The Series 2000 Revenue Bonds were issued for the purposes of funding a portion of the current projected unfunded accrued liability of the Old Fire System and reimbursing the City for a portion of the appropriations made in fiscal year 2000 to said fund. The Series 2005 Certificates were issued for the purpose of repairing trackage for rail car storage and reworking certain railroad trackage and making infrastructure improvements or enlargements thereon in connection with the CG Rail Project. The Series 2011 Taxable Bonds were issued to refund certificates issued by the City in 1998, which were issued for the purpose of refunding the City's debt obligation incurred in 1983 under a merger agreement dated March 5, 1983, as amended on September 15, 1983, among the MPERS, the Board of Trustees of the Police Pension Fund of the City of New Orleans and the City.

On June 7, 2012, the City Council adopted a resolution giving its preliminary approval to the issuance of bonds in an amount not exceeding \$200,000,000 to, among other things, refund all or a portion of the Series 2000 Revenue Bonds and the Series 2011 Taxable Bonds. The proposed refunding bonds will be secured, on a parity with the outstanding Series 2004B Certificates, by a pledge of the Constitutional Tax. The proposed refunding was approved by the Louisiana State Bond Commission at its meeting on July 19, 2012; however, there is no guaranty that the proposed refunding bonds will actually be sold and delivered.

The City entered into an interest rate swap agreement in connection with the Series 2000 Revenue Bonds. More information regarding this swap agreement is available in Appendix "C"-2011 Annual Financial Report of the City, Note 6-Long-Term Debt. See page 50 therein.

Revenue Bonds - Sewerage and Water Board

The City, acting by and through the Board, is authorized to issue water revenue bonds and sewerage service revenue bonds secured by and payable solely from revenues received from the imposition of water charges and sewerage charges, respectively, and from the amounts held on

deposit in the funds and accounts established under the resolutions pursuant to which such bonds were issued. The net revenues are required by statute and by such resolutions to be at least 130% of the maximum annual debt service on bonds payable therefrom.

As of July 2, 2012, there were outstanding \$32,415,000 of water revenue bonds and \$157,585,000 of sewerage service revenue bonds issued by the City for the Sewerage and Water Board.

Other Revenue Bonds of Related Entities

The City is authorized through the New Orleans Aviation Board (the “Aviation Board”) to issue taxable and tax-exempt revenue bonds which are secured by and payable solely from the revenues derived from the operation of New Orleans International Airport. As of July 2, 2012, there were \$120,225,000 of outstanding airport revenue bonds of the Aviation Board. The Aviation Board has also issued revenue bonds secured solely from funds derived from an approved passenger facility charge. As of July 2, 2012, there were \$132,130,000 of outstanding passenger facility charge revenue bonds of the Aviation Board.

On September 29, 2004, the City issued \$11,500,000 of Revenue Bonds (Canal Street Improvements Project) which are payable from payments made by Canal Street Development Corporation and Downtown Development District pursuant to a Cooperative Endeavor Agreement and from payments made by the City from the General Fund. \$8,620,000 is the principal amount currently outstanding.

As of July 2, 2012, the Orleans Parish Communication District had \$6,180,000 of its Revenue Bonds, Series 2004 outstanding, which are payable from a dedication of the proceeds of the emergency telephone tax and the excess of annual revenues of the District.

Sales Tax Bonds

The City is authorized to issue bonds secured by and payable from sales tax revenues pursuant to Sub-Part F, Part III, Chapter 4 of Title 39 of the Louisiana Revised Statutes of 1950, as amended, except as otherwise provided in Act 674 of 1985 of the Louisiana Legislature. The City does not presently have any outstanding sales tax bonds; however, the City does have outstanding \$19,575,000 of Sales Tax Increment Bonds which are payable from the City’s 2.5¢ share of the sales tax collected each year solely from the Wal-Mart or any replacement or successor national retailer within the St. Thomas Economic Development District.

Hurricane-Related Borrowing

As part of the recovery efforts following Hurricanes Katrina and Rita (See “INVESTOR CONSIDERATIONS-Hurricanes Katrina and Rita” herein), the City and its component entities and independent boards received special authorization to borrow funds from various sources for various purposes. The State issued \$200,000,000 of General Obligation Gulf Tax Credit Bonds, Series 2006-A and \$200,000,000 of General Obligation Match Bonds, Series 2006-B (the “State Bonds”) and loaned the proceeds to various entities to assist in the payment of debt service coming due on the respective obligations of each entity. In addition, the Federal Government acting through the Federal Emergency Management Agency (“FEMA”) pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (the “Stafford Act”), as amended, loaned the City and its component entities funds for current operations related to essential services, evidenced by one or more notes of such entities.

The following table lists the various borrowings by the City and its component entities and independent boards relating to the State Bonds, including the original principal amount of the borrowing, final maturity date(s) and security therefore:

<u>Borrower</u>	<u>Principal Amount</u>	<u>Final Maturity Date</u>	<u>Security</u>
City of New Orleans	\$ 52,268,594	7/15/2026	All available revenues of the City after payment of all outstanding debt
Board of Liquidation	27,617,209	7/15/2026	All available revenues of the Board of Liquidation after payment of all outstanding debt
Sewerage and Water Board	77,465,247	7/15/2026	All available revenues of the Sewerage and Water Board after payment of all outstanding debt
Audubon Commission	4,907,500	7/15/2026	All available revenues of the Audubon Commission after payment of all outstanding debt
Audubon Commission	11,851,066	7/15/2026	All available revenues of the Audubon Commission after payment of all outstanding debt
New Orleans Aviation Board	35,371,990	7/15/2026	All available revenues of the Aviation Board after payment of all outstanding debt
Downtown Development District	1,600,153	7/15/2026	All available revenues of the Downtown Development District after payment of all outstanding debt

The following table lists the various borrowings by the City and its component entities and independent boards relating to the Stafford Act, including the original principal amount of the borrowing, original maturity date(s) and security therefore:

<u>Borrower</u>	<u>Principal Amount</u>	<u>Original Maturity Date</u>	<u>Security</u>
City of New Orleans	\$120,000,000	11/14/2010	All available revenues of the City after payment of debt heretofore issued
City of New Orleans	120,000,000	8/22/2011	All available revenues of the City after payment of debt heretofore issued
Sewerage and Water Board	22,298,689	1/23/2011	All available revenues of the Sewerage and Water Board after payment of debt heretofore issued
Sewerage and Water Board	6,013,905	6/21/2011	All available revenues of the Sewerage and Water Board after payment of debt heretofore issued
Sewerage and Water Board	33,644,153	8/27/2011	All available revenues of the Sewerage and Water Board after payment of debt heretofore issued
New Orleans Aviation Bd.	8,112,103	6/13/2011	All available revenues of the Aviation Board after payment of debt heretofore issued
New Orleans Aviation Bd.	2,187,816	8/22/2011	All available revenues of the Aviation Board after payment of debt heretofore issued
New Orleans Aviation Bd.	582,722	10/02/2011	All available revenues of the Aviation Board after payment of debt heretofore issued

Orleans Parish Comm. District	799,416	1/17/2011	All available revenues of the Communications District after payment of debt heretofore issued
Orleans Parish Comm. District	471,154	8/27/2011	All available revenues of the Communications District after payment of debt heretofore issued

Pursuant to Section 4502 of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007, FEMA may forgive Stafford Act loans relating to Hurricane Katrina under certain circumstances. FEMA has, to date, forgiven the Stafford Act loans made to the City and the New Orleans Aviation Board, and \$36,790,000 of such loans made to the Sewerage and Water Board, with the remainder now due January of 2016. FEMA has extended the maturity date of the Orleans Parish Communication District loans to January 17, 2016 and August 27, 2016, respectively.

Loan and Lease Agreements

The City Council has authorized the Mayor to sign loan agreements under the HUD Section 108 loan program and lease agreements on behalf of the City to stimulate business development and acquire certain immovable equipment.

In addition, the City has received multiple Section 108 loans from HUD for economic development projects. As of December 31, 2011, the outstanding Section 108 loans included: \$4,259,000 for the development of the American Can Factory into apartments; \$8,814,000 of obligations for the development of the Jazzland Theme Park; \$3,731,000 for the development of the Palace of the East; and \$7,047,000 for LA Artworks.

From time to time the, City enters into lease agreements pursuant to state law for the purpose of financing the acquisition of immovable property. Such leases are subject to annual appropriations but otherwise have various terms and purposes. The City has appropriated funds to make such lease payments in past years.

Trend of Indebtedness

The following table sets forth a ten year trend in the amounts of general obligation bonds, limited tax bonds administered by the Board of Liquidation, and general fund indebtedness of the City outstanding as of the end of each of the following calendar years:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Limited Tax Bonds</u>	<u>General Fund Indebtedness</u>	<u>Total</u>
2001	\$464,495,829	\$ 77,338,572	\$272,635,000	\$814,646,436
2002	473,385,829	92,308,572	254,695,000	820,389,401
2003	470,687,183	86,283,572	296,890,000	853,860,755
2004	499,852,183	81,288,572	295,005,000	876,145,755
2005	493,683,176	107,108,572	290,485,000	891,276,748
2006	478,419,936	102,183,572	280,505,000	861,108,508
2007	538,514,462	94,383,572	249,934,000	882,832,034
2008	523,955,533	91,693,572	224,850,000	840,499,105
2009	548,018,709	86,093,572	201,715,000	835,827,281
2010	529,218,992	80,258,572	177,035,000	786,512,564
2011	509,543,556	79,695,000	156,630,000	742,868,556

Sources: Board of Liquidation, City Debt; City of New Orleans.

INVESTOR CONSIDERATIONS

Hurricanes Katrina and Rita

Hurricane Katrina struck the Central Gulf Coast near New Orleans as a Category 4 hurricane on August 29, 2005. Failure of several sections of the levee system surrounding the City resulted in flooding that inundated approximately 80 percent of the City with water up to 20 feet deep in some places. Hurricane Rita struck near the Texas-Louisiana border on September 24, 2005 as a Category 3 hurricane. Storm surge associated with Hurricane Rita reopened some of the levee breaches that originally resulted from Hurricane Katrina and reflooded parts of New Orleans.

Nearly seven years after the storms, the City is showing signs of economic recovery. The estimated 2011 population of the City is 360,740, reflecting a 3.7% growth over the 2010 Census. The pre-Katrina population of the City was approximately 435,000. City sales tax revenues in fiscal year 2011 were 99.34% of those in fiscal year 2004. Tourism continues to show steady growth with over 8.75 million tourists visiting the City in 2011, the second consecutive year since Katrina that the number of visitors has topped 8 million. By contrast, an estimated 10.1 million tourists visited the City in 2004, the last full year prior to the storm. Visitors spent an estimated \$5.47 billion in the City in 2011, the highest total in the City's history. While not all economic indicators have reached pre-Katrina levels, the City is recovering at a steady pace.

The Board of Liquidation continued to make the required debt service payments on all then-outstanding bonds issued by the Board of Liquidation following Hurricane Katrina, due in part to loans from the State. To assist local political subdivisions, including the City and its component entities and independent boards (such as the Sewerage and Water Board) with current operating expenses and the payment of debt service on various obligations, the State and the federal government put in place borrowing programs designed to provide immediately available revenues to such political subdivisions. For more information on the amounts borrowed by the Board of Liquidation and the City and its component entities and independent boards pursuant to these programs, see "DEBT STATEMENT – Hurricane-Related Borrowing."

Levees and Flood Protection

Coastal Louisiana, including the City, is susceptible to hurricanes wherein winds and flooding have from time to time caused significant damage, particularly in the case of Hurricane Katrina.

Subsequent to Hurricane Katrina, the U.S. Army Corps of Engineers has undertaken a project consisting of the planning, design and construction of a flood protection system for the Metropolitan New Orleans Area. The flood protection system includes improved levees and floodwalls and temporary and permanent floodgates. Construction has been completed on several portions of the flood protection system improvements, and construction has commenced on others. It is anticipated that all proposed flood protection system improvements will be completed in 2016, at a total cost of \$12 billion; however, most of the work has been completed as of the date of this Official Statement. No assurance can be given that the proposed flood protection system improvements will prevent wind damage and flooding resulting from future significant weather events.

Gulf Oil Spill

On April 20, 2010, the Deepwater Horizon drilling rig, located in the Gulf of Mexico caught fire and exploded, killing eleven workers and resulting in the blowout of the Macondo well on the ocean floor. The rig sank on April 22, 2010, and these events resulted in the unauthorized discharge of oil, gas and other pollutants from the wellhead into the Gulf of Mexico and ultimately into and upon the waters and coastline of the State (the “Spill”). The well was capped July 12, 2010, but the Spill and its aftermath caused damage to the natural resources of the State and the City and impacted the regional economy. Multiple reports of federal government investigations into the causes of the Spill have been published.

BP has created a \$20 billion Gulf of Mexico Oil Spill Fund that is being administered by a third-party claims administrator. BP has represented that it will deposit \$5 billion a year into such fund. BP has represented that funds on deposit therein will be made available for damages to property, lost wages and commercial losses resulting from the Spill. There can be no guarantees how many claims or what amounts will be paid within the jurisdiction of the Issuer.

The trial in a class action lawsuit against BP was set to begin March 5, 2012, in the City. Plaintiffs included, but were not limited to, individuals and companies such as fisherman, hoteliers and restaurateurs who claim their livelihoods were significantly damaged by the Spill. Shortly before trial, the litigants reached a settlement that is reportedly estimated at \$7.8 billion. In addition to monetary compensation, adjustments are being made to the claims process referenced above, including replacing the prior claims administrator, Kenneth Feinberg, with Patrick Juneau, a lawyer from Lafayette, Louisiana.

Economic impacts of the Spill on the City have partially been addressed by advanced funding for or reimbursement of response and remediation costs, natural resource damages assessment costs, and other agency costs. The City will continue to pursue any costs or lost revenues it would not have incurred but for the Spill. The City is continuing to measure these impacts and will seek recovery from BP and the responsible parties.

TAX EXEMPTION

Interest on Bonds

The delivery of the Bonds is subject to the opinion of Foley & Judell, L.L.P., New Orleans, Louisiana, and The Cantrell Law Firm, Co-Bond Counsel, New Orleans, Louisiana (collectively, “Co-Bond Counsel”), to the effect that interest on the Bonds is excluded from gross income for federal income tax purposes under existing law. (See Appendix “H”).

Louisiana Taxes

The opinion of Co-Bond Counsel will state that under the Act, the Bonds are exempt from all taxation for state, parish, municipal, or other purposes. Each prospective purchaser of the Bonds should consult his or her own tax advisor as to the status of interest on the Bonds under the tax laws of any state other than Louisiana.

Alternative Minimum Tax Consideration

Except as hereinafter described, interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Code imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, a corporation’s “alternative minimum taxable income” includes 75% of the amount by which a corporation’s “adjusted current earnings” exceeds a corporation’s alternative minimum taxable income. Interest on the Bonds will be included in a corporation’s “adjusted current earnings.”

Bonds Not Qualified Tax-Exempt Obligations (Non-Bank Deductibility)

The Tax Reform Act of 1986 revised Section 265 of the Code so as to generally deny financial institutions 100% of the interest deductions that are allocable to tax-exempt obligations acquired after August 7, 1986. However, an exception is permitted under the Tax Reform Act of 1986 for certain qualified tax-exempt obligations which allows financial institutions to continue to treat the interest on such obligations as being subject to the 20% disallowance provision under prior law if the issuer, together with certain subordinate entities, reasonably expects that it will not issue more than \$10,000,000 of governmental purpose bonds in a calendar year and designates such bonds as “qualified tax-exempt obligations” pursuant to the provisions of Section 265(b)(3)(B) of the Code. The Bonds are **not** designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3)(B) of the Code.

Special Considerations with Respect the Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations to be excluded from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of certain bond proceeds be paid periodically to the United States, except under certain circumstances, and a requirement that information reports be filed with the Internal Revenue Service.

The opinion of Co-Bond Counsel will assume continuing compliance with the covenants in the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City with respect to matters solely within the knowledge of the City, which Co-Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become included in gross income from the date of original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Owners of the Bonds should be aware that (i) the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers and (ii) certain other federal, state and/or local tax consequences may also arise from the ownership and disposition of the Bonds or the receipt of interest on the Bonds. Furthermore, future laws and/or regulations enacted by federal, state or local authorities may affect certain owners of the Bonds. All prospective purchasers of the Bonds should consult their legal and tax advisors regarding the applicability of such laws and regulations and the effect that the purchase and ownership of the

Bonds may have on their particular financial situation. Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on or acquisition, ownership or disposition of the Bonds.

Tax Treatment of Original Issue Premium. The Bonds maturing December 1, 2012 to December 1, 2033, inclusive (the “Premium Bonds”), are being offered and sold to the public at prices in excess of their stated principal amounts.

Such excess is characterized as a “bond premium” and must be amortized by an investor purchasing Premium Bonds on a constant yield basis over the remaining term of the Premium Bonds in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium related to a tax-exempt bond for federal income tax purposes. However, as bond premium is amortized, it reduces the investor’s basis in the Premium Bonds. Investors who purchase Premium Bonds should consult their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bonds’ basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Premium Bonds.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

FINANCIAL ADVISORS

This Official Statement has been prepared under the direction of the Board of Liquidation and with the assistance of Public Financial Management, Inc., Memphis, Tennessee, and CLB Porter, LLC, New Orleans, Louisiana, employed by the Board of Liquidation to perform professional services in the capacity of financial advisor (the “Co-Financial Advisors”). The Co-Financial Advisors have reviewed and commented on certain legal documentation, including the Official Statement. The Co-Financial Advisors have not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other information available to the Board of Liquidation, with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information, and no guaranty, warranty or other representation is made by the Co-Financial Advisors respecting such accuracy and completeness of information or any other matter related to such information and the Official Statement.

VERIFICATION OF COMPUTATIONS

The Arbitrage Group, Inc. (the “Verification Agent”), will independently verify the arithmetical accuracy of the computations included in schedules provided to them by the Co-Financial Advisors on behalf of the Issuer and issue a report thereon indicating: (1) the sufficiency of the anticipated receipts from the cash and Defeasance Securities on deposit in the various escrow accounts, to pay the principal of and interest on the Refunded Bonds to and including their respective redemption dates and (2) the “yields” considered by Co-Bond Counsel in its determination that the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code. Such verification will be based solely on assumptions and information supplied by the Co-Financial Advisors on behalf of the Issuer. Furthermore, the Verification Agent will have restricted its procedures to verifying the arithmetical accuracy of such computations and will not have made any study or evaluation of the assumptions and information on which the computations were based and, accordingly, will not express an opinion on such assumptions and information, the reasonableness of such assumptions, or the achievability of future events.

LITIGATION AFFECTING THE CITY

Like all political subdivisions in Louisiana, the City may sue and be sued in its official capacity for a variety of causes. The following narrative summarizes the major litigation affecting the City at this time:

New Orleans Firefighters Local No. 632, et al v. The City of New Orleans, et al.: This original suit, filed on July 14, 1981 as a class action by the New Orleans Firefighters Union and individual employees of the New Orleans Fire Department (“NOFD”), asserted a claim that the City’s implementation of the New Orleans Civil Service Commission’s annual leave policy, which limited the amount of unused annual leave that could be accrued and carried over into subsequent years, was an unconstitutional “taking of property” in violation of Article 1, Sections 2 and 4 of the 1974 Louisiana Constitution. Plaintiffs sought back pay and “all other damages” arising from the alleged unconstitutional “taking” of excess unused annual leave days and injunctive relief enjoining the City from denying the plaintiffs the use of accrued annual leave beyond the City-imposed limit (then 90 days).

The plaintiffs amended their petition on April 24, 1985, adding the Director of Personnel and the Civil Service Commission as defendants and asserting a second cause of action by claiming that the limitation on accumulation of unused leave by the City and the Civil Service Commission also violated La. Rev. Stat. 33:1996. Specifically, plaintiffs alleged that the City’s cap on accrued annual leave resulted in a prohibited “forfeiture” of the vacation benefits provided by the statute.

On March 2, 1993, some twelve years after the original suit was filed, the plaintiffs filed a second amended petition to add two new causes of action alleged to be “materially related” to the original claim; specifically, that (1) the City policy establishing a lesser accrual rate for annual leave privileges and the forfeiture of accumulated annual leave benefits violated La. R.S. 33:1996 by providing less “vacation and annual leave privileges” than that mandated by the statute, and (2) the City’s Civil Service Commission Rules, which provided for a different schedule of longevity pay increases than that mandated by La. R.S. 33:1992(B), violated that statute. *See* CSC Rule IV (8).

This case has been litigated for over 20 years. There are a number of issues remaining, all concerning the amount of damages that are owed. The issues concern how much annual leave is owed to active and retired members, how much in longevity is owed on millage

collected and paid to the firefighters, how much in back pay is owed to active and retired firefighters and how much in DROP and PLOP benefits are owed to retirees. The City is in earnest settlement negotiations presently to try and resolve this matter with liability approximated between \$56 million to \$150 million.

John Johnson, et al v. Orleans Parish School Board, et al Civil District Court No: 1993-1433, C/W 1994-5446, C/W 1994-12996, C/W 1995-13271: Residents of houses built on Agriculture Street landfill brought class action against the City, its housing authority (HANO), school board (Orleans Parish School Board), and liability insurers to recover for negligence in converting municipal landfill into residential area. The class included current and former business owners and employees and students and employees of elementary schools estimated at over 7,000 claimants.

The City was in litigation with the United States with respect to certain clean-up costs associated with the Agriculture Street Landfill. Following Hurricane Katrina, the United States dropped their demand for monetary damages, and settlement negotiations resulted in operational commitments only. A consent decree was entered into on September 9, 2009 on terms that require no financial obligations of the City.

The first trial of nine (9) plaintiffs involving the Agriculture Street Landfill occurred in 2005. The court held the City 50% liable and in solido and in virile share with the HANO and HANO's former insurers: National Union Fire Insurance Company of Pittsburg, PA, Republic Insurance Company, Louisiana Insurance Guaranty Association as successor in interest to Southern American Insurance Company, and United States Fire Insurance Company. The 4th Circuit Court of Appeals affirmed the percentage of fault, but reduced all emotional distress awards and ranges by one-half. On April 8, 2010 the co-defendants obtained a judgment in the amount of \$529,935.41 plus interests against the City for its virile share of the January 12, 2006 class-action Judgment¹. This judgment has been placed on the City's Unpaid Settlement Judgment List.

In 2011 the trial court scheduled trials for the next 76 plaintiffs. The 76 Plaintiffs First Flight trials were continued without date pending pre-trial motions, writs and appeals to the Fourth Circuit and Supreme Court. Recently, in 2012 the Supreme Court remanded the insurance coverage issues back to trial court.

In 2011 plaintiffs made a demand on the defendants for approximately \$96,000,000.00, not including judicial interest. It is estimated that the financial impact to the City of New Orleans could range from \$38,000,000.00 upwards plus interest.

Doretha Walker, et al. v. Amid/Metro, et al., CDC No. 07-14795 Div. H, Class Action: This matter relates to the taking of private citizens' land over the course of several decades to operate the Gentilly Landfill. On March 21-22, 2011, a hearing on plaintiffs' Motion for Class Certification and Appointment of Class Representatives and Counsel ("Motion") was held in the above-referenced matter. On August 24, 2011, Judge Bagneris granted plaintiffs' Motion. Since that time, defendants have appealed the Court's certification of the class, and said appeal is still pending in the 4th Circuit. The City's liability varies greatly depending on whether the 4th Circuit upholds the class and the scope of said class. Regardless, the potential exposure to the City could range between \$2,326,281.90 and \$11,419,979.60.

¹ National Union Fire Insurance Company of Pittsburgh, PA, Et AL. versus the City of New Orleans, USDC # 09-6598.

Bartholomew/Holmes/Madison, USDC 2006-5695: These consolidated cases involve the three cases brought by the above families seeking compensation for the deaths and injuries that occurred on the Danziger Bridge in the aftermath of Hurricane Katrina. The Madison family seeks to recover for the alleged wrongful death of Ronald Madison. The Holmes/Bartholomew families seek to recover for the injuries allegedly sustained as a result of gunshot wounds. Potential liability is difficult to predict, but could be upwards of \$10 million or above.

Succession of Henry Glover, et. al. v. City of New Orleans, et. al, USDC 2010-1719: These three cases (which have yet to be consolidated, but likely will be) arise out of the death of Mr. Glover in Algiers after Hurricane Katrina. Potential liability could exceed \$50,000,000.

FOP v. CNO CDC 80-7924: Class-Action lawsuit by police officers for millage payments that alleged to have been paid to them rather than the millage going into the general fund, for the years 1980-2003. There is a prior judgment for \$3,376,740.00 for failure to pay a portion of the 1928 millage dedicated to a supplemental pay for police officers from 1979 to 1994, which has been placed on the City's Unpaid Settlement/Judgment List. Currently, litigation is pending for other years and is in discovery mode. Potential liability could exceed \$5 million.

The litigation information relating to the City is provided for general information purposes. The above litigation does not affect the security for the Bonds.

LEGAL MATTERS

No litigation has been filed questioning the validity of the Bonds or the security thereof and a certificate to that effect will be delivered by the Issuer to the Underwriters upon the issuance of the Bonds.

The approving opinion of Co-Bond Counsel will be printed on the Bonds. The opinion of Co-Bond Counsel is limited to the matters set forth therein, and Co-Bond Counsel are not passing upon the accuracy or completeness of this Official Statement. Co-Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Co-Bond Counsel as of the date thereof. Co-Bond Counsel assume no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinion is not a guarantee of a particular result and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Co-Bond Counsel's professional judgment based on a review of existing law and in reliance on the representations and covenants that each deems relevant to such opinion.

A manually executed original of such opinion will be delivered to the Underwriters on the date of payment for and delivery of the Bonds. The form of said legal opinion appears in Appendix "H" to this Official Statement. For additional information regarding the opinion of Co-Bond Counsel, see the section titled "TAX EXEMPTION." The compensation of Co-Bond Counsel is contingent upon the sale and delivery of the Bonds.

Breazeale, Sachse & Wilson, L.L.P., Baton Rouge, Louisiana, and Davillier Law Group, LLC, New Orleans, Louisiana, will pass upon certain matters as Co-Counsel to the Underwriters.

FINANCIAL STATEMENTS

The audited financial statements of the City for the year ended December 31, 2011, are included in Appendix “C” to this Official Statement and have been audited by Postlethwaite & Netterville, APAC, as stated in their report dated as of June 29, 2012. The audited financial statements pertaining to the City which are included in this Official Statement have been included in reliance upon said report; however, since the date of its report, said auditors have not performed any procedures on the financial statements, consented to inclusion of the financial statements herein, and have not performed any additional review procedures related hereto.

Included in Appendix “E” to this Official Statement are the audited financial statements of the Board of Liquidation for the year ended December 31, 2011, which have been examined by Paciera, Gautreau & Priest, LLC, Certified Public Accountants, to the extent and for the period indicated in their report thereon, dated as of March 8, 2012. The audited financial statements pertaining to the Board of Liquidation which are included in this Official Statement have been included in reliance upon said report; however, since the date of its report, said auditors have not consented to inclusion of the financial statements herein, and have not performed any additional review procedures related hereto.

The audited financial statements included in this Official Statement have been included in reliance upon said reports.

UNDERWRITING

The Bonds are being purchased by Citigroup Global Markets Inc., Bank of America/Merrill Lynch, Dorsey & Company, Inc., Loop Capital Markets, LLC, Morgan Keegan & Company, Inc., acting on behalf of itself and representative of Raymond James & Associates, Inc., Morgan Stanley & Co. LLC, and Stephens Inc. (collectively, the “Underwriters”), at a purchase price of \$193,663,236.07 (representing the principal amount of the Bonds, less Underwriters’ discount of \$304,612.73, and plus an original issue premium of \$26,127,848.80). The Bond Purchase Agreement (the “Purchase Agreement”) between the Underwriters and the City, acting through the Board of Liquidation, provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions contained in the Purchase Agreement.

The yields and prices shown on the cover page of this Official Statement were furnished by the Underwriters, and all other information concerning the nature and terms of any reoffering of the Bonds should be obtained from the Underwriters and not the City. The Underwriters intend to offer the Bonds to the general public initially at the offering prices set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriters may offer and sell the Bonds to certain dealers at prices lower than the public offering price. In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the Bonds, have entered into a retail brokerage joint venture. As part of the joint venture, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Bonds.

Loop Capital Markets, LLC, one of the underwriters of the Bonds, has entered into an agreement (the “Distribution Agreement”) with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement, Loop Capital Markets, LLC will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

On April 2, 2012, Raymond James Financial, Inc. (“RFJ”), the parent company of Raymond James & Associates, Inc. (“Raymond James”), acquired all of the stock of Morgan Keegan & Company, Inc. (“Morgan Keegan”) from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RFJ and, as such, are affiliated broker-dealer companies under the common control of RFJ, utilizing the trade name “Raymond James | Morgan Keegan” that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

GOVERNING AUTHORITY

The City is governed by the Mayor and the Council. The Council consists of seven members. The names of the members of the Council, as well as the Mayor and other City officials, appear at the beginning of this Official Statement.

CONTINUING DISCLOSURE

The Issuer will, pursuant to a Continuing Disclosure Certificate, covenant for the benefit of Bond owners to provide certain financial information and operating data relating to the Issuer in each year no later than August 31 of such year, with the first such report due not later than

August 31, 2012 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, as set forth in the Continuing Disclosure Certificate. The Annual Report will be filed by the Issuer with the MSRB (and with any future Louisiana officially designated State Information Depository). Any notices of listed events will be filed in a timely manner, not in excess of ten (10) business days after the occurrence of any listed event, by the Issuer with the MSRB (and with any future Louisiana officially designated State Information Depository). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth herein under the caption “APPENDIX I - Form of Continuing Disclosure Certificate.” These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

The City’s designated Dissemination Agent for the above information is the Secretary of the Board of Liquidation, Room 8E17, City Hall, 1300 Perdido Street, New Orleans, Louisiana 70112 (telephone 504-565-6280).

Except as provided in the Continuing Disclosure Certificate, the Issuer has not undertaken to provide all information investors may desire to have in making decisions to hold, sell or buy the Bonds.

The City failed to file its audited financial statements for the fiscal year ended December 31, 2005 and December 31, 2006 in a timely matter as required by its outstanding Continuing Disclosure Certificates. The audited financial statements for fiscal year 2005 were accepted by the City’s Budget Committee on July 27, 2007 and filed on July 31, 2007. The Continuing Disclosure Report for fiscal year 2006 was filed on September 6, 2007. The City’s failure to file audited financial statements on a timely basis in fiscal years 2005 and 2006 was a direct result of Hurricane Katrina.

The City complied with substantially all of its prior undertakings for fiscal years 2007 to 2010; however, the City’s Annual Report for the fiscal year ended December 31, 2010 was filed with the MSRB on August 31, 2011 but did not include the Annual Financial Report for the City required as part of certain undertakings of the City. The Annual Financial Report was filed on September 30, 2011.

The City has taken certain measures to ensure the timely filing of the City’s Annual Report in connection with the requirements of the Continuing Disclosure Certificate and all prior undertakings and has covenanted in the Bond Resolution to provide the City’s Annual Report not later than August 31 of each year.

The Official Statement will serve as the 2011 Annual Report.

BOND RATINGS

Standard & Poor’s Public Finance Ratings, a division of The McGraw-Hill Companies, Inc. (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”), have assigned their ratings of “AA-” (stable) and “Aa3” (on review for possible downgrade), respectively, to the Insured Bonds, with the understanding that the Policy of AGM will be issued concurrently with the delivery of the Insured Bonds. Such ratings reflect only the views of such organizations and are not a recommendation to buy, sell or hold the Bonds. S&P, Moody’s and Fitch Ratings initially rated the Bonds “BBB”(stable), “A3”(negative), and “A-“ (stable), respectively. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at

the following addresses: Standard & Poor's Public Finance Ratings, Lincoln Plaza, Suite 3200, 500 N. Akard, Dallas, TX 75201, telephone 214-871-1400; Moody's Investors Service, Plaza of the Americas, Suite 2165, 600 N. Pearl Street, Dallas, TX, telephone 214-220-4350; or Fitch Ratings, 111 Congress Avenue, Suite 2010, Austin, TX 78701, telephone 888-262-4820. The Board of Liquidation and the City may have furnished to such rating agencies information relating to the Bonds and the City, certain of which information and materials have not been included in this Official Statement. Generally, a rating agency bases its rating on the information and materials so furnished and on its own investigations, studies and assumptions. A rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information. There is no assurance that a rating will not be changed or withdrawn entirely if, in the judgment of the rating agency issuing the rating, circumstances so warrant. Any such changes or withdrawals of any rating could have an adverse effect on the market price for the Bonds.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds.

ADDITIONAL INFORMATION

This Official Statement was prepared in conjunction with Fiscal Services, Inc., Suite 2600, One Canal Place, 365 Canal Street, New Orleans, Louisiana 70130-1138, telephone 504-568-1249.

For any additional information concerning the City, please address Mr. David W. Gernhauser, Secretary, Board of Liquidation, City Debt, Room 8E17, City Hall, 1300 Perdido Street, New Orleans, Louisiana 70112-2197, telephone 504-658-1410. For additional information concerning the Bonds, please address Ms. Lisa Daniel, Public Financial Management, 530 Oak Court Drive, Suite 160, Memphis, Tennessee 38117, telephone 901-682-8356, or Mr. Shawn M. Barney, CLB Porter, LLC, 650 Poydras Street, Suite 1400, New Orleans, Louisiana 70130, telephone 504-299-3433.

CERTIFICATION AS TO OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish the Underwriters (1) a certificate signed by the Secretary of the Board of Liquidation to the effect that on the date of the Preliminary Official Statement, on the date of the Official Statement, on the date of sale of the Bonds and on the date of the delivery thereof (a) the descriptions and statements of or pertaining to the Board of Liquidation and the City's bonds contained in the Official Statement were and are true and complete in all material respects; (b) insofar as such matters are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to governmental and non-governmental entities other than the City, and their activities, contained in the Official Statement are concerned, such descriptions, statements and data have been obtained from sources which the Board of Liquidation believes to be reliable and the Board of Liquidation has no reason to believe that they are untrue or incomplete in any material

respect; and (2) a certificate signed by the Director of Finance of the City to the effect that on the date of the Preliminary Official Statement, on the date of the Official Statement, on the date of sale of the Bonds, and on the date of the delivery thereof (a) the descriptions and statements, including financial statements, of or pertaining to the City contained in the Official Statement (other than the matters covered by the certificate of the Secretary of the Board of Liquidation) were and are true and correct in all material respects, (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading, and (c) other than as set forth herein, there has been no material adverse change in the financial condition of the City since December 31, 2011, the date of the last audited financial statements of the City appearing in the Official Statement.

MISCELLANEOUS

This Official Statement has been prepared in connection with the initial offering and sale of the Bonds to the Underwriters on the date hereof and is not intended for use in connection with any subsequent sale, reoffering or remarketing of the Bonds. Subsequent purchasers must therefore rely on their own examination of the offering, including the merits and the risks involved.

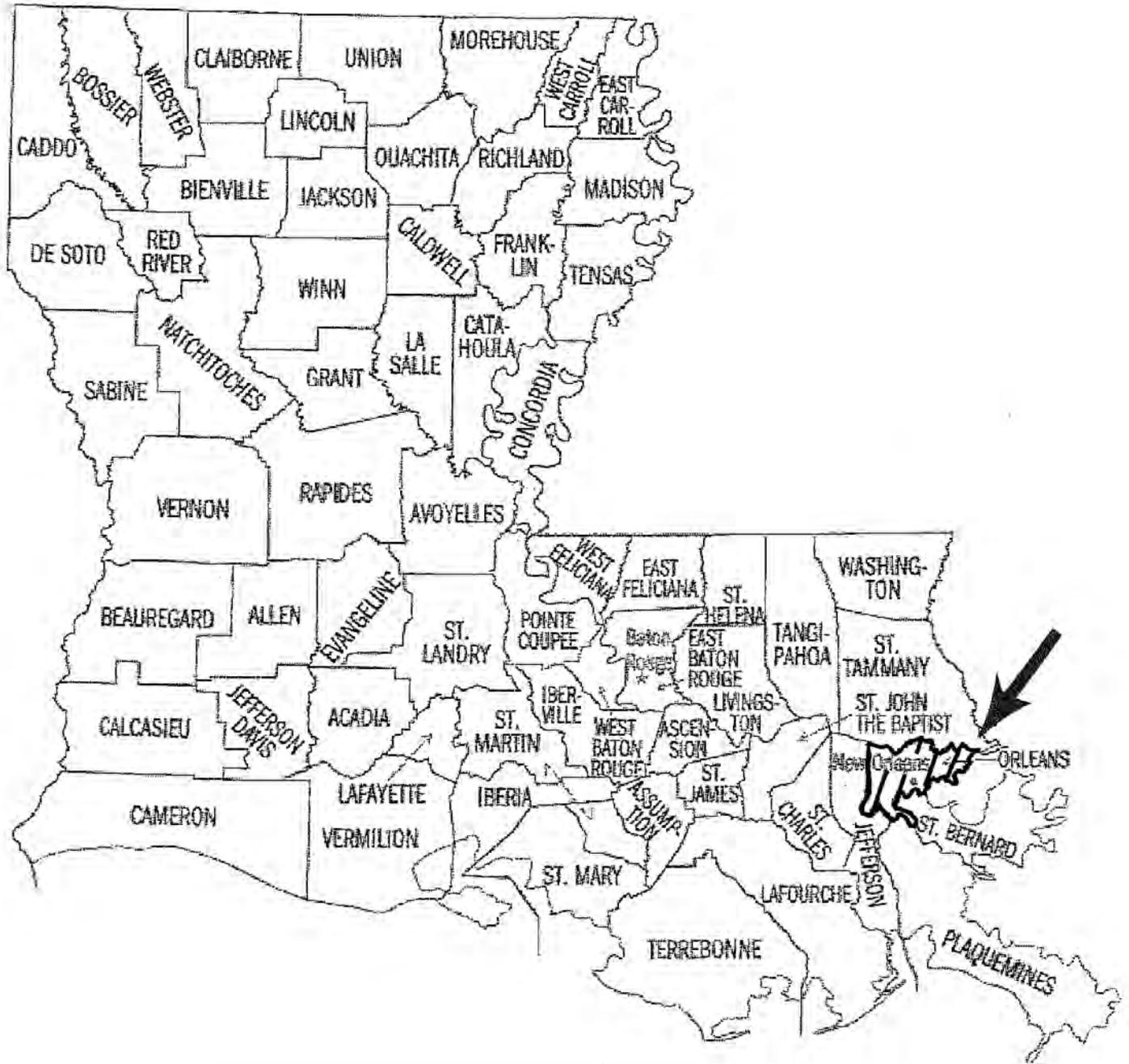
The Issuer has authorized the delivery of this Official Statement to the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Potential purchasers of the Bonds should consult their own tax advisors as to the consequences of investing in the Bonds. Also, see "TAX EXEMPTION" herein.

/s/ David W. Gernhauser
David W. Gernhauser
Secretary
Board of Liquidation, City Debt

/s/ Norman S. Foster
Norman S. Foster
Director of Finance
City of New Orleans, Louisiana

MAPS



MAP INDICATING THE APPROXIMATE LOCATION OF ORLEANS PARISH AND THE CITY OF NEW ORLEANS WITHIN THE STATE OF LOUISIANA



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APPENDIX "A"

BONDS TO BE REFUNDED

OUTSTANDING BONDS TO BE REFUNDED

\$22,955,000

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 1998
CITY OF NEW ORLEANS, LOUISIANA**

<u>YEAR</u> <u>(DEC. 1)</u>	<u>PRINCIPAL</u> <u>PAYMENT</u>	<u>INTEREST</u> <u>RATE</u>	<u>CUSIP</u>
2026	\$22,955,000	4.75%	6476345F7

The bonds maturing on December 1, 2026 shall be called for redemption on August 29, 2012, at a price equal to the principal amount thereof and accrued interest to the call date.

\$19,610,000

**PUBLIC IMPROVEMENT BONDS, ISSUE OF 2001
CITY OF NEW ORLEANS, LOUISIANA**

<u>YEAR</u> <u>(DEC. 1)</u>	<u>PRINCIPAL</u> <u>PAYMENT</u>	<u>INTEREST</u> <u>RATE</u>	<u>CUSIPs</u>
2012	\$610,000	5.000%	64763FAM1
2013	645,000	5.000	64763FAN9
2014	680,000	5.000	64763FAP4
2015	715,000	5.000	64763FAQ2
2016	755,000	5.000	64763FAR0
2017	800,000	5.000	64763FAS8
2018	840,000	5.000	64763FAT6
2019	890,000	5.000	64763FAU3
2021	1,925,000	5.000	64763FAV1
2026	5,825,000	5.125	64763FAW9
2030	5,925,000	5.125	64763FAX7

The bonds maturing on and after December 1, 2012 shall be called for redemption on August 29, 2012, at a price equal to the principal amount thereof and accrued interest to the call date.

\$58,415,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2002
CITY OF NEW ORLEANS, LOUISIANA

<u>YEAR</u> <u>(SEPT. 1)</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>	<u>CUSIPs</u>
2021	\$48,415,000	5.125%	64763FDF3
2021	10,000,000	5.375	64763FDG1

The bonds maturing on September 1, 2021 shall be called for redemption on September 4, 2012, at a price equal to the principal amount thereof and accrued interest to the call date.

\$26,940,000
PUBLIC IMPROVEMENT BONDS, ISSUE OF 2002
CITY OF NEW ORLEANS, LOUISIANA

<u>YEAR</u> <u>(DEC. 1)</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>	<u>CUSIPs</u>
2013	\$ 860,000	5.125%	64763FCL1
2014	905,000	5.125	64763FCM9
2015	955,000	5.125	64763FCN7
2016	1,005,000	5.125	64763FCP2
2017	1,055,000	5.125	64763FCQ0
2018	1,110,000	5.150	64763FCR8
2019	1,170,000	5.200	64763FCS6
2020	1,230,000	5.250	64763FCT4
2021	1,295,000	5.250	64763FCU1
2022	1,365,000	5.300	64763FCV9
2027	7,970,000	5.300	64763FDA4
2031	8,020,000	5.350	64763FDE6

The bonds maturing on and after December 1, 2013 shall be called for redemption on December 1, 2012, at a price equal to the principal amount thereof and accrued interest to the call date.

\$33,350,000
PUBLIC IMPROVEMENT BONDS, ISSUE OF 2003
CITY OF NEW ORLEANS, LOUISIANA

YEAR (DEC. 1)	PRINCIPAL AMOUNT	INTEREST RATE	CUSIPs
2014	\$ 1,080,000	5.00%	64763FFE4
2015	1,120,000	5.00	64763FFF1
2016	1,160,000	5.00	64763FFG9
2017	1,210,000	5.00	64763FFH7
2018	1,260,000	5.00	64763FFJ3
2019	1,315,000	5.00	64763FFK0
2020	1,370,000	5.00	64763FFL8
2021	1,430,000	5.00	64763FFM6
2022	1,495,000	5.00	64763FFN4
2023	1,565,000	5.00	64763FFP9
2024	1,640,000	5.00	64763FFQ7
2025	1,715,000	5.00	64763FFR5
2026	1,795,000	5.00	64763FFS3
2027	1,880,000	5.00	64763FFT1
2033 (October 1)	13,315,000	5.00	64763FFZ7

The bonds maturing on and after December 1, 2014 shall be called for redemption on December 1, 2013, at a price equal to the principal amount thereof and accrued interest to the call date.

\$25,975,000
PUBLIC IMPROVEMENT BONDS, ISSUE OF 2004
CITY OF NEW ORLEANS, LOUISIANA

YEAR (DEC. 1)	PRINCIPAL AMOUNT	INTEREST RATE	CUSIPs
2016	\$ 920,000	4.375%	64763FGT0
2017	970,000	4.500	64763FGU7
2018	1,020,000	5.000	64763FGV5
2019	1,070,000	5.000	64763FGW3
2020	1,120,000	5.000	64763FGX1
2021	1,180,000	5.000	64763FGY9
2022	1,235,000	5.000	64763FGZ6
2023	1,300,000	5.000	64763FHA0
2024	1,365,000	5.000	64763FHB8
2025	1,430,000	5.000	64763FHC6
2029	6,485,000	5.250	64763FHG7
2033	7,880,000	5.500	64763FHL6

The bonds maturing on and after December 1, 2016 shall be called for redemption on December 1, 2014, at a price equal to the principal amount thereof and accrued interest to the call date.

APPENDIX "B"

**FINANCIAL AND STATISTICAL DATA
PERTAINING TO THE CITY OF NEW ORLEANS**

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**FINANCIAL AND STATISTICAL DATA
RELATIVE TO THE CITY OF NEW ORLEANS
AND THE PARISH OF ORLEANS, STATE OF LOUISIANA**

The City of New Orleans (the “City”) and the Parish of Orleans (the “Parish”) have the same boundaries and are located in southeastern Louisiana approximately 110 miles from the mouth of the Mississippi River. The City does not have the power of annexation; however, its boundaries contain a relatively large amount of undeveloped open lands, much of which is reclaimed wetlands. The City occupies an area of approximately 363.5 square miles, of which approximately 199.4 square miles are land and approximately 164.1 square miles are water. The developed area of the City consists of approximately 75 square miles.

The City is one of the largest seaports in the United States, a major trade and service market, and a world-wide tourist and convention center. The manufacturing base is relatively small. The oil and gas industry plays an important role in the City’s economy. Several major oil companies, financial institutions, law firms, utilities, government agencies, universities, and hospitals have office buildings in the central business district and are among the largest employers within the City.

Population

The actual population of the City, from time to time, may be larger than its basic resident population as a result of an influx of commuters, tourists, visitors and convention attendees. The population of the New Orleans Metropolitan Statistical Area (the “MSA”) (which, as now defined by the U.S. Office of Management and Budget, includes Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist and St. Tammany Parishes) grew from approximately 754,856 in 1950 to approximately 1,316,510 in 2000, an increase of approximately 57.34%. Despite Hurricane Katrina, MSA population only fell by 148,746 between 2000 and 2010. The Parish’s population comprised approximately 29.4% of the MSA’s population in 2010.

**Population of New Orleans and the New Orleans
Metropolitan Statistical Area**

	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2011</u>
New Orleans	570,445	627,525	593,471	557,927	496,938	484,674	343,829	360,740
MSA*	754,856	969,326	1,125,058	1,282,717	1,264,391	1,316,510	1,167,764	1,191,089

(* Restated to reflect inclusion of Plaquemines Parish in 1993.)

Sources: Bureau of the Census, U.S. Department of Commerce.

Assessed Valuations

The following tables set forth the assessed value of taxable property in the Parish, homestead exemptions for the years 2000-2012, and the assessed value of various categories of property for the years 2008-2012.

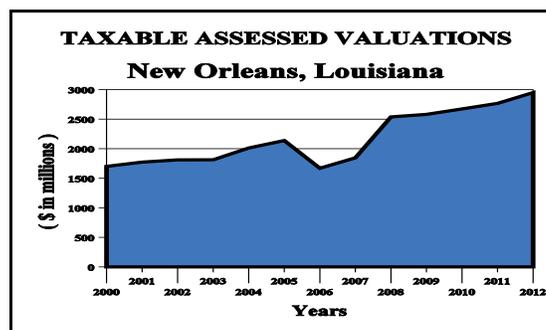
Assessed Value of Property in the City

<u>Tax Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Property</u>	<u>Total Assessed Valuation</u>	<u>Less: Homestead Exemptions</u>	<u>Taxable Assessed Valuation</u>
2000	\$1,566,349,584	\$417,866,288	\$189,071,230	\$2,173,287,102	\$472,736,617	\$1,700,550,485
2001	1,622,017,999	437,217,247	188,786,950	2,248,022,196	474,795,273	1,773,226,923
2002	1,668,593,521	445,690,366	172,736,160	2,287,020,047	475,530,514	1,811,489,533
2003	1,668,593,521	448,788,841	173,844,970	2,291,227,332	478,666,076	1,812,561,256
2004	1,852,618,536	484,006,473	164,249,110	2,500,874,119	489,517,102	2,011,357,017
2005	1,967,375,676	465,782,621	171,451,660	2,604,609,957	465,989,854	2,138,620,103
2006	1,432,380,307	394,823,507	170,463,560	1,997,667,374	328,776,640	1,668,890,734
2007	1,650,948,720	344,397,546	139,643,310	2,134,989,576	288,851,693	1,846,137,883
2008	2,295,689,798	393,879,207	145,035,610	2,834,604,615	297,101,026	2,537,503,589
2009	2,353,204,380	405,715,110	152,439,600	2,911,363,090	330,225,920	2,581,137,170
2010	2,489,812,690	387,333,971	163,911,580	3,041,058,241	369,086,386	2,671,971,855
2011	2,586,081,540	385,699,970	167,557,410	3,139,338,920	372,613,310	2,766,725,610
2012	2,760,973,210	390,952,232	183,003,600	3,334,929,042	385,256,805	2,949,672,237

Sources: Tax Commission (2000-2007); City of New Orleans Department of Finance (2008-2012).

(Note: Hurricane Katrina occurred August 29, 2005 and impacted the 2006 tax rolls.)

Unlike other municipalities in Louisiana, homestead exemptions are applicable to most taxes levied in the City, pursuant to the provisions of the Louisiana Constitution. For additional information, see Tax Rates and Tax Rate Adjustments in this Appendix.



Tax Rates and Tax Rate Adjustments

The Louisiana Constitution and statutory authority supplemental thereto provide (*for millage other than general obligation bond millage*) that the total amount of *ad valorem* taxes collected by any taxing authority in a reappraisal year (which occurs at least every four years) shall not be more or less than the total amount collected in the preceding year, solely because of reappraisal, and the *ad valorem* taxes or millages are to be increased or decreased to achieve this result. There is a statutory procedure by which a millage, if reduced, may be readjusted upward to the prior authorized millage rate.

The following table shows, in summary, the millages levied in the City and Parish for the years 2008 through 2012.

<u>Purpose</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	(\$ per \$1,000 of Taxable Assessed Value)				
City:					
General Purposes	10.85	10.85	10.85	13.91	13.91
City Services	--	0.87	0.87	1.19	1.19
Debt Service on General Obligation Bonds	23.80	23.80	25.50	25.50	25.50
Fire and Police	4.66	4.66	4.66	6.40	6.40
Police (1)	3.98	3.98	3.98	5.26	5.26
Fire (1)	3.94	3.94	5.21	5.21	5.21
Audubon Park Zoo	0.32	0.32	0.32	0.32	0.32
Aquarium	2.99	2.99	2.99	2.99	2.99
Library	3.14	3.14	3.14	3.14	3.14
Capital Improvements & Infrastructure Trust Fund	1.82	1.82	1.82	1.82	1.82
Economic Development & Housing	1.82	1.82	1.82	1.82	1.82
Parkway & Recreation	2.18	2.18	2.18	3.00	3.00
Streets (Traffic Control Devices)	1.38	1.38	1.38	1.90	1.90
Sewerage and Water Board:					
Drainage System (Act 617 of 1977)	4.71	4.54	4.71	4.71	4.71
Drainage System (Ord. 6289, M.C.S.)	4.66	4.60	4.66	4.66	4.66
Drainage System (R-81-29)	<u>7.06</u>	<u>6.89</u>	<u>7.06</u>	<u>7.06</u>	<u>7.06</u>
Total City Tax Rates	77.31	77.78	81.15	88.89	88.89
Assessors	0.87	--	--	--	--
Orleans Law Enforcement District	2.90	2.90	2.90	2.90	2.90
Orleans Parish School Board	<u>38.47</u>	<u>38.47</u>	<u>44.12</u>	<u>44.12</u>	<u>44.12</u>
Total Parishwide Tax Rates	119.55	119.15	128.17	135.91	135.91
Orleans Levee District (Eastbank)	9.65	10.95	11.67	11.67	11.67
Algiers Levee District (Westbank)	9.28	9.28	12.76	12.76	12.76
Downtown Development District (2)	14.76	14.76	14.76	14.76	14.76
New Orleans Regional Business Park (3)	20.85	20.85	20.85	20.85	20.85
Garden District Security	11.62	12.00	11.62	16.00	16.00
Touro Bouligny	7.80	7.80	7.80	7.80	7.80

(1) No homestead exemption. (2) Tax levied only on certain real property in the central business area of the City. (3) Tax levied on certain real property within the District, excluding residential real property.

Neighborhood based special taxing districts have been created by the Louisiana Legislature in portions of Orleans Parish. These special taxing districts have been authorized, upon voter approval, to impose parcel fees on the real property located within the boundaries of the respective district to be used for various purposes solely within such district.

Property Taxpayers

The following list includes the names and the 2012 assessed valuations of the ten largest property taxpayers in the City and their assessed value:

	<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2012 Assessed Valuation</u>
1.	Entergy	Utility	\$ 99,525,630
2.	BellSouth	Utility	52,626,310
3.	Capital One, National Association	Financial Services	39,216,860
4.	Harrah's New Orleans Casino & Hotel	Tourism	34,589,770
5.	Marriott Hotel	Hotel	23,085,290
6.	JPMorgan Chase Bank, National Association	Financial Services	22,490,460
7.	International Rivercenter	Retail Shopping; Hotel	17,466,490
8.	Whitney Bank	Financial Services	17,299,990
9.	C S & M Associates	Commercial Real Estate	14,759,580
10.	Hertz Properties, LLC	Commercial Real Estate	<u>11,710,620</u>
	Total		<u>\$332,771,000*</u>

* Approximately 11.28% of the City's 2012 taxable assessed valuation.

Source: Department of Finance, City of New Orleans.

Property Tax Collections

The following table shows property tax levied in each year from 2001 through May 2012, the amounts collected and the percentage of such levy that has been collected since the date the taxes were imposed, as reported by the City Finance Department:

<u>Property Tax Levies and Collections</u> (Amounts in Thousands)						
<u>Tax Year</u>	<u>Total Levied</u>	<u>Collected though May 31, 2012</u>		<u>Balance Due at May 31, 2012</u>		<u>Collected During 2012 Amount</u>
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
<u>Real Estate Taxes</u>						
2003	\$217,039	\$214,632	98.89%	\$ 2,407	1.11%	\$ (26)
2004*	247,328	244,201	98.74	3,127	1.26	(11)
2005	267,327	262,959	98.37	4,368	1.63	32
2006**	219,991	216,923	98.61	3,068	1.39	382
2007	250,462	245,166	97.89	5,296	2.11	321
2008	269,746	264,579	98.08	5,167	1.92	312
2009	275,869	270,538	98.07	5,331	1.93	405
2010	309,800	302,441	97.62	7,359	2.38	635
2011	339,370	324,657	95.66	14,713	4.34	4,220
2012	362,262	322,900	89.13	39,362	10.87	322,900

* For 2004, 52.80 mills (30.8% of citywide total) was separately billed 3 months late for the Orleans Parish School Board.

** Due to Hurricane Katrina related legislation, billing was delayed from mid-December 2005 to mid-May 2006.

<u>Tax Year</u>	<u>Total Levied</u>	<u>Collected though May 31, 2012</u>		<u>Balance Due at May 31, 2012</u>		<u>Collected During 2012 Amount</u>
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
<i>Personal Property Taxes</i>						
2003	\$110,691	\$103,756	93.73%	\$6,935	6.27%	\$ 0
2004*	115,676	109,234	94.43	6,442	5.57	0
2005	106,354	100,809	94.79	5,545	5.21	0
2006**	99,477	95,157	95.66	4,320	4.34	0
2007	82,046	77,967	95.03	4,079	4.97	0
2008	67,548	64,074	94.86	3,474	5.14	0
2009	69,935	66,494	95.08	3,441	4.92	70
2010	74,530	70,425	94.49	4,105	5.51	226
2011	78,996	74,836	94.73	4,160	5.27	632
2012	81,685	77,352	94.70	4,333	5.30	77,352

2008 and prior personal property receivables are considered prescribed and no longer legally enforceable during 2012.

- * For 2004, 52.80 mills (30.8% of citywide total) was separately billed 3 months late for the Orleans Parish School Board.
- ** Due to Hurricane Katrina related legislation, billing was delayed from mid-December, 2005 to mid-May, 2006.

Source: Department of Finance, City of New Orleans (unaudited).

Sales and Other Taxes

The general 2½% sales and use tax is the City’s largest single source of revenue available to be used to pay operating expenses. In addition, the State of Louisiana (the “State”), the Regional Transit Authority, and the Orleans Parish School Board levy general sales and use taxes of 4%, 1% and 1½%, respectively, within the boundaries of the Parish. The total sales tax levied on goods sold or used (excluding hotel and motel rooms) in the Parish is 9%. The various sales taxes are not levied on the same sales of goods and services and have different related exemptions. Any increase in the City’s sales tax rate would require legislative approval and an affirmative vote in a City election.

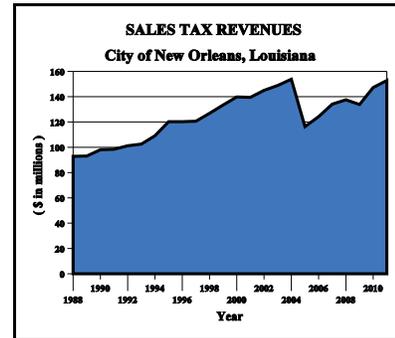
Five public agencies share in the taxation of hotel/motel rooms in the Parish. The rate of taxation of each of the respective agencies is as follows: (a) the State - 2%, (b) the Louisiana Stadium and Exposition District (the “LSED”) - 4%, (c) the City - 1½%, (d) the School Board - 1½% and (e) the Ernest N. Morial-New Orleans Exhibition Hall Authority (the “NOEH”) - 4%, plus the proceeds from the “hotel/motel tax” and “food and beverage tax” authorized by the voters on November 21, 1987, and effective April 1, 1988, and which serves as security for outstanding special tax bonds of the NOEH.

Effective November 1, 1990, the City began collection of a Hotel Occupancy Privilege Tax upon persons occupying hotel rooms in the City for the purpose of funding tourism promotion by the New Orleans Tourism Marketing Corporation, a nonprofit economic development corporation.

The Constitution prohibits political subdivisions of the State from levying a severance tax, income tax or a tax on motor fuel.

Hurricane Katrina had an impact on the collections of the sales and use taxes of the City. The following table shows annual revenues of the City’s general purpose sales and use tax:

<u>Calendar Year</u>	<u>Sales Tax Revenues</u> (\$ in thousands)	<u>Calendar Year</u>	<u>Sales Tax Revenues</u> (\$ in thousands)
1988	\$ 92,876	2000	\$139,770
1989	93,063	2001	139,511
1990	98,077	2002	145,009
1991	98,483	2003	148,855
1992	101,221	2004	153,851
1993	102,530	2005	116,339
1994	109,167	2006	124,229
1995	120,229	2007	134,114
1996	120,240	2008	137,581
1997	120,652	2009	133,868
1998	126,899	2010	147,300
1999	133,490	2011	152,840



Sources: *Annual Financial Reports*, City of New Orleans.

Default Record

According to its Director of Finance, the City has never defaulted in the payment of its outstanding bonds.

Audit Report

Included in Appendix “C” hereto is a copy of the audited financial statements of the City for the fiscal year ended December 31, 2011, audited by of Postlethwaite & Netterville, A Professional Accounting Corporation, and their report, dated as of June 29, 2012, is included therein. Included in Appendix “D” hereto is a copy of the Annual Statement of the Board of Liquidation for the fiscal year ended December 31, 2011, including the independent Auditor’s report of Paciera, Gautreau & Priest, LLC, Certified Public Accountants, dated as of March 8, 2012. The audited financial statements pertaining to the City which are included in this Official Statement have been included in reliance upon said report; however, such Auditors have not consented to inclusion of the financial statements herein and have not performed any additional review procedures related thereto. The Auditors did not perform any procedures relating to any of the information in this Official Statement.

Budget

Included in Appendix “E” to this Official Statement is a copy of the budget for the City for the fiscal year ending December 31, 2012.

The City’s revenue estimating conference received revised estimates in June 2012 that adjusted some revenue categories, such as tax collections and traffic fines, downward and other revenue categories, such as miscellaneous revenue and other financing sources, upward. The net effect is a decrease in anticipated revenue to the City for Fiscal Year 2012, to approximately \$484,500,000 from \$496,678,704. The revised estimates have not been adopted by the City Council and are not part of the City’s budget; however, City officials are currently using the revised estimates for planning purposes.

GASB 45

Effective with the fiscal year beginning January 1, 2007, the City implemented Government Accounting Standards Board Statement Number 45 (“GASB 45”). A summary of the impact of the City’s post-employment benefit obligations on the finances of the City is further explained in Note 7-Pension Plans and Postretirement Healthcare Benefits-of the 2011 audited financial statements of the City found in Appendix “C” hereto. See page 60 of the audit.

Bank Balances

The City reported the following balances in its various funds and accounts as of April 30, 2012:

<u>Name of Fund</u>	<u>Balances</u>		
	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
General Fund	\$24,976,708	\$2,738,153	\$27,714,861
Capital Projects Operating Fund	599,171	--	599,171
Neighborhood Housing Impr.	3,917,567	1,900,111	5,817,678
NO Economic Development	3,820,761	1,068,828	4,889,589
Environmental Disaster Litigation	319,519	--	319,519
Environmental Impr. Revolving Fund	(92,047)	804,669	712,622
Miscellaneous Donations	207,351	--	207,351
Housing & Environment Impr.	1,167,285	529,709	1,696,994
Sidewalk Pavement Rev. Fund	(1)	2,067	2,066
NO Special Events Fund	227	--	227
Adopt-A-Pothole/Streets	283	--	283
NOPD Crime Prevention	937	--	937
Sanitation Recycling Exp.	2,617	70,089	72,706
NO Film Comm. Trust	39,226	157,494	196,720
National League of Cities	5,851	--	5,851
Music & Entertainment Comm.	39,529	115,747	155,276
Mayor’s Office of Tourism & Arts	138,532	--	138,532
Mayoral Fellows Program	8,312	--	8,312
Parking Management Fund	190,877	616,651	807,528
Library Special Revenue Fund	<u>16,373,506</u>	<u>--</u>	<u>16,373,506</u>
Totals	<u>\$51,716,211</u>	<u>\$8,003,518</u>	<u>\$59,719,729</u>

Source: Department of Finance, City of New Orleans. All figures unaudited.

ECONOMIC INDICATORS

Per Capita Personal Income

A comprehensive revision of the estimates of Per Capita Personal Income by State were published in April 2012 by the Bureau of Economic Analysis of the U.S. Department of Commerce. The recent trends in *revised* per capita personal income for Orleans Parish, Louisiana, and the Nation are indicated in the following table:

	<u>Per Capita Personal Income</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Orleans Parish	\$55,347	\$55,187	\$49,024	\$41,746	\$42,249
Louisiana	33,287	35,794	37,861	36,177	37,039
United States	37,725	39,506	40,947	38,846	39,937

Source: U.S. Department of Commerce, Bureau of Economic Analysis. April 25, 2012.

(The personal income level for the United States is derived as the sum of the county estimates; it differs from the national income and product accounts (NIPA) estimate of personal income because by definition, it omits the earnings of Federal civilian and military personnel stationed abroad and others. It can also differ from the NIPA estimate because of different data sources and revision schedules.)

The Louisiana Workforce Commission has issued *revised* annual average statistics not seasonally adjusted for various employment areas within Louisiana. The annual average figures for Orleans Parish were reported as follows:

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
2007	106,509	101,687	4,822	4.5	3.8
2008	131,854	124,680	7,174	5.4	4.4
2009	144,838	133,653	11,185	7.7	6.6
2010	148,632	135,521	13,111	8.8	7.5
2011	146,037	133,177	12,860	8.8	7.3

The preliminary figures for June 2012 for the City were reported as follows:

<u>Month</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
06/12	149,384	133,482	15,902	10.6	8.6*

* Seasonally adjusted rate was 7.5.

Source: Louisiana Workforce Commission. July 25, 2012.

The following table shows the composition of the employed work force not seasonally adjusted in the MSA.

**Nonfarm Wage and Salary Employment by Major Industry
(Employees in Thousands)**

	<u>Revised June 2011</u>	<u>Revised May 2012</u>	<u>Preliminary June 2012</u>
Mining & Logging	6.8	6.8	6.7
Construction	31.6	27.2	26.5
Manufacturing	31.1	29.7	29.6
Trade, Transportation, & Utilities	106.0	104.8	104.0
Information	7.9	8.3	8.4
Financial Activities	26.2	25.4	25.4
Professional and Business Services	68.0	70.5	68.6
Education and Health Services	74.4	79.7	79.2
Leisure and Hospitality	73.7	77.7	78.0
Other Services	18.3	18.5	18.7
Government	80.0	81.6	80.4
Total	<u>524.0</u>	<u>530.2</u>	<u>525.5</u>

Source: Louisiana Workforce Commission.

Largest Employers

The names of several of the largest private employers located in the City and their approximate number of local employees were reported as follows:

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>
JPMorgan Chase Bank, National Association	Financial Services	4,300
Tulane University	Higher Education	4,200
Harrah's New Orleans Casino & Hotel	Tourism	2,400+
Children's Hospital	Health Care	1,809
Capital One, National Association	Financial Services	1,700
Whitney Bank	Financial Services	1,671
Vinson Guard Service Inc.	Contract Security Guards/Investigators	1,516
Boh Bros. Construction Co. LLC	General Contractor	1,500
Touro Infirmary	Health Care	1,266
USDA National Finance Center	Financial Services	1,200

Source: New Orleans CityBusiness 2011-2012 Book of Lists.

Note: This list excludes some major employers who declined to supply employment information. The list also excludes State and local governmental employers.

No assurance may be given that any employer listed will either continue to locate in the City or maintain employment at the level stated.

The following table shows the composition of the employed work force, not seasonally adjusted, in the City for the periods indicated.

ANNUAL AVERAGE ORLEANS PARISH CONCURRENT ECONOMIC INDICATORS, 2007, 2008, 2009, 2010 AND FOURTH QUARTER 2011 *(All data not seasonally adjusted.)*

ORLEANS PARISH					
EMPLOYMENT	2007	2008	2009	2010	2011:4
Total	165,383	172,045	168,587	170,413	176,158
Agriculture, Forestry, Fishing, and Hunting	60	58	26	22	35
Mining	3,659	3,819	3,618	3,253	2,435
Utilities	1,102	1,173	1,163	918	904
Construction	5,448	4,793	5,285	5,388	5,381
Manufacturing	7,795	7,642	5,929	4,959	4,419
Wholesale Trade	4,485	4,415	4,002	3,881	4,023
Retail Trade	11,342	12,614	12,284	12,057	12,693
Transportation and Warehousing	8,639	8,412	7,885	7,827	8,440
Information	3,571	4,846	3,033	3,644	3,639
Finance and Insurance	6,078	5,932	5,546	5,475	5,510
Real Estate and Rental and Leasing	2,293	2,266	2,222	2,241	2,577
Professional and Technical Services	13,222	13,663	13,815	14,410	14,819
Management of Companies and Enterprises	3,334	3,374	3,404	3,335	3,458
Administrative and Waste Services	10,975	9,921	9,248	9,338	9,762
Educational Services	18,496	19,582	20,530	20,829	21,644
Health Care and Social Assistance	17,421	19,865	20,858	20,796	21,138
Arts, Entertainment, and Recreation	6,189	6,833	4,696	4,955	5,212
Accommodation and Food Services	23,847	25,146	27,300	28,949	31,888
Other Services, except Public Administration	5,099	5,196	5,046	5,082	5,561
Public Administration	11,681	12,003	12,222	12,796	12,265
EARNINGS (\$ in Thousands)	Annual	Annual	Annual	Annual	Quarterly
Total	\$7,965,849	\$8,593,380	\$8,345,790	\$8,495,490	\$2,260,993
Agriculture, Forestry, Fishing, and Hunting	1,473	1,644	651	582	242
Mining	469,753	549,370	464,398	457,342	80,263
Utilities	64,362	69,360	75,613	62,992	15,073
Construction	282,102	250,097	282,951	277,992	74,872
Manufacturing	445,808	454,267	371,651	347,694	78,015
Wholesale Trade	291,028	291,788	259,132	256,367	69,033
Retail Trade	326,427	336,659	327,778	329,070	87,465
Transportation and Warehousing	483,659	457,515	438,754	432,784	116,715
Information	158,311	203,641	179,392	219,928	51,166
Finance and Insurance	456,188	446,596	402,903	421,229	108,970
Real Estate and Rental and Leasing	88,747	87,560	87,414	90,643	27,178
Professional and Technical Services	937,507	1,028,595	1,034,419	1,097,435	375,624
Management of Companies and Enterprises	282,016	287,506	277,857	253,922	78,642
Administrative and Waste Services	450,945	420,591	335,288	373,362	91,116
Educational Services	873,900	1,023,359	1,068,251	1,090,133	273,732
Health Care and Social Assistance	764,407	912,795	976,605	944,806	243,942
Arts, Entertainment, and Recreation	204,702	280,450	195,013	210,190	51,414
Accommodation and Food Services	537,149	578,725	647,413	694,634	199,362
Other Services, except Public Administration	148,243	162,998	164,896	168,093	49,124
Public Administration	676,065	732,260	740,668	758,141	185,542

Source: Louisiana Workforce Commission.

Construction

The New Orleans CityBusiness Top Construction Projects 2011, published on February 24, 2012, lists the top construction projects taking place within the MSA. The following construction projects are partially or wholly within the city limits of New Orleans:

PROJECTS	TOTAL COSTS
Orleans Parish Public School Rebuild	\$1.8 Billion
Public Housing Rebuild	\$1.16 Billion
University Medical Center	\$1.06 Billion
New Orleans Street Repairs	\$997 Million
VA Complex	\$995 Million
National WWII Museum Expansion	\$300 Million
Orleans Parish Prison Complex	\$224 Million
Port of New Orleans Expansion	\$103.3 Million

Housing

The Real Estate Market Data Center for the Institute for Economic Development & Real Estate of the University of New Orleans periodically publishes its *Metropolitan New Orleans Real Estate Market Analysis*, a recent edition being dated March 2012 (the “Analysis”). According to the Analysis, average prices in this sector of the market remain influenced by the presence of flood damaged homes, some of which have been gutted and await repairs while others have undergone reconstruction of varying degrees and extents. This reconstruction activity is now spreading more widely across neighborhoods in both Central and Eastern Sectors of the market as a result of Road Home grants received by qualified property owners. The on-going rebuilding process will continue to influence price patterns as more inventory is added and more typical interactive market patterns return to stabilizing neighborhoods throughout the City.

Single family home prices in the Parish between 2009 and 2010 surged ahead at an average of 18.6% from \$214,358 to \$254,309. This was driven largely due to strong price appreciation for homes located in traditionally high demand Central Orleans neighborhoods such as Uptown, Lakeview/Lakefront, City Park, French Quarter/Faubourgs and Mid-City. Although these and other neighborhoods performed well throughout most of 2011, they did not deliver price surges comparable to those recorded between 2009 and 2010, nor was their performance sufficient to offset more widespread price softening across Orleans Parish MLS neighborhoods. Unit sales in the Parish rose 8.7% from 1,950 in 2010 to 2,119, in 2011, while at the same time aggregate dollar volume of sales increased 2.4%, from \$495.9 million to \$507.7 million. The average price of a single family homes, however, dropped by approximately 5.8% from \$254,309 to 239,589, as average days on the market for broker assisted sales stretched from 98 to 108.

Average prices rose in ten of seventeen MLS neighborhoods comprising Central Orleans at appreciation rates ranging from 3.7% in Peoples/St. Bernard (from \$96,645 to \$97,177) to just over 36.3% in the Delgado area (\$152,543 to \$207,932) where there were 131 sale transactions. Double digit price appreciation for broker assisted sales also occurred in the Uptown/Fountainbleau area (10.6%), the Claiborne-Tulane area (13.7%), Marigny/Bywater (23%) and City Park (14.6%). Some neighborhoods which generally delivered strong price gains between 2009 and 2010 experienced fairly significant price compression through 2011. This included neighborhoods such as the Garden District (-6.9%), Lower Garden District (-15.2%), Lakefront (-13.7%), French Quarter (-24.5%) and Central City (-8.7%).

In Eastern New Orleans, between 2010 and 2011 unit sales rose from 349 to 374 (7.2%) and aggregate dollar volume dropped from \$39.3 million to \$38.1 million (3.1%). At the same time average prices fell by just under 9.4% (from \$112,513 to \$101,982) and average marketing time extended from 104 days in 2010 to 123 days in 2011 or just by 18%. Average prices declined in four of the six MLS neighborhoods that encompass Eastern New Orleans ranging from -4.5% (from \$150,558 to \$143,819) in Lake Forest to -17.3% (from \$112,642 to \$93,135) in the Haynes Boulevard neighborhood. In the West Chef Menteur Highway neighborhood average prices among 26 broker assisted sales recorded edged up by approximately 1.1% (from \$74,048 to \$74,833), while in East New Orleans, average prices among 34 units sold rose by 36.8% from \$69,927 in 2010 to \$95,669 in 2011. This MLS area encompasses one of the largest geographic sectors of the New Orleans region south of Lake Pontchartrain and includes a fairly large inventory of housing which was destroyed or received significant storm damage. As such, price movements in this area can be expected to be somewhat erratic depending upon the type and number of units which reenter inventory from one year to the next.

Sale volumes on the Westbank of Orleans Parish between 2010 and 2011 rose by 23.8% and 3.7% in units and aggregate dollar volume, respectively. At the same time, the average price of a single family home slid 16.3% from \$162,649 to \$136,193 as average marketing time extended from 100 to 113 days. Average prices in the Algiers and Lakewood MLS neighborhoods dropped by 14.9% and 8.3%, respectively, while in the English Turn area average prices among nineteen broker assisted sales fell by approximately 10.6% (from \$526,341 to \$470,666). The Algiers and Lakewood areas of Algiers offer a rather wide variety and mix of affordable workforce housing in the region. The development of the Federal City project should help to fuel demand for some of this inventory and bring some stability to this market sector's single family housing prices which have been in steady decline since 2007.

Education

Elementary and secondary education in the Parish is provided by public, charter, parochial and private schools. The trend in the membership at end of session, average daily membership, and average daily attendance of the public schools located in the Parish follows:

<u>Year</u>	<u>Membership End of Session</u>	<u>Average Daily Membership</u>	<u>Average Daily Attendance</u>
1996-97	80,218	82,304.5	74,211.5
1997-98	80,509	81,712.4	73,822.8
1998-99	80,237	80,969.5	73,531.2
1999-00	78,128	79,245.5	74,826.5
2000-01	74,880	75,575.9	70,535.5
2001-02	71,294	71,897.2	66,397.0
2002-03	68,077	68,778.4	63,041.4
2003-04	66,041	66,682.3	61,961.3
2004-05	63,702	63,969.9	59,721.4
2005-06*	10,930	51,305.1	50,634.7
2006-07	25,454	24,705.2	23,929.7
2007-08	31,222	31,476.8	28,551.0
2008-09	35,743	36,279.5	33,288.6

* Average student counts reflect abnormalities resulting from the disruption of schools from Hurricane Katrina.

Source: *Annual Financial and Statistical Reports*, Louisiana Department of Education.

In addition to the children attending public schools in the City, there are approximately 18,480 students attending private and parochial schools in the City.

According to the state-run New Orleans Recovery School District, an intermediate educational unit created in 2003 by the State legislature for the purpose of governing public schools in failing school districts, primarily Orleans Parish, there are 41,800 public school students in the City.

Institutions of higher education located in the City include:

<u>Institution</u>	<u>Fall Enrollment</u>					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
University of New Orleans	11,747	11,363	11,436	11,724	11,276	10,903
Tulane University	10,223	10,519	11,157	11,799	12,622	13,376
Loyola University New Orleans	4,874	4,550	4,634	4,910	4,982	5,156
Southern University at New Orleans	2,321	2,648	3,105	3,141	3,166	3,347
Xavier University of Louisiana	3,013	3,088	3,204	3,320	3,391	3,399
Dillard University	1,000	957	851	1,017	1,188	1,250
Our Lady of Holy Cross College	<u>1,194</u>	<u>1,260</u>	<u>1,296</u>	<u>1,305</u>	<u>1,260</u>	<u>1,212</u>
	<u>34,372</u>	<u>34,385</u>	<u>35,683</u>	<u>37,216</u>	<u>37,885</u>	<u>38,643</u>

Source: *The Times-Picayune*.

These seven institutions educate students in fields such as engineering, health care, public administration, urban studies, law, business, psychology, social sciences, communications, nursing, music, computer information systems, criminal justice, pharmacy, education, and theology. In addition, Delgado Community College, with a 2011 Fall enrollment of 20,452, the LSU Health Sciences Center-New Orleans, with a 2011 Fall enrollment of 2,782, and other similar facilities educate persons in various trades. Also, the acute care hospitals previously listed under the “Largest Employers” have research and teaching facilities and staff to educate, train and employ physicians and medical personnel who come from numerous foreign and domestic locations.

Tourism

The City is a major convention and tourist center. In 2004, the City attracted approximately 10.1 million visitors and in 2011, 8.75 million visitors, reaching 87% of the Pre-Katrina figure. Visitor's spent over \$5 billion in 2011, the highest spending in the City's history. The City's distinctive music and festivals, including Mardi Gras, all contribute to its attractiveness to tourists.

The City is Number 6 on the list of 2011 top ten cities in the United States and Canada, according to the Travel+Leisure magazine and their annual World's Best Awards. This is the second consecutive year that the City has been named to the list. The City has also made both the international (22nd) and domestic (7th) lists of TripAdvisor's 2012 Travelers' Choice Destination List.

The **Aquarium of the Americas** (the "Aquarium") is a three story structure of approximately 168,104 gross square feet housing more than one million gallons of fresh and salt water. Visitors can view 66 separate aquarium displays ranging from 500 gallons to 500,000 gallons. Adjacent to the Aquarium is the Entergy/IMAX Theatre containing approximately 60,000 square feet of enclosed building space. The Aquarium is located at the foot of Canal Street in the French Quarter area of the City. The Aquarium is dedicated to the conservation and exploration of aquatic environments of the western hemisphere and adjacent waters.

Over 10,000 specimens of marine life representing 530 species are presented in exhibits at the Aquarium. The Aquarium is completing a new renovation designed to enhance the experience for visitors of all ages.

The **Audubon Insectarium** (the "Insectarium") is located at the historic U.S. Custom House on Canal Street in downtown New Orleans. At over 23,000 square feet of space, the Insectarium is North America's largest free-standing museum celebrating 1 million known species of insects and their relatives. Visitors can experience unique and creative experiences at the Insectarium in one-of-a-kind, highly-interactive exhibits. There are approximately 100 live arthropod species throughout the Insectarium, as well as alligators and a variety of fish. The Insectarium consists of 13 gallery rooms containing more than 70 live animal enclosures, 30 mounted specimen cases and a multisensory immersive theater experience.

The **Audubon Zoo** (the "Zoo") encompasses 58 developed acres housing hundreds of species of animals in naturalistic habitats. Visitors can experience a mix of exotic animals from all around the world, as well as hands-on animal encounters, engaging educational programs, lush gardens, and animal-themed amenities. The Zoo is located on the 6500 block of Magazine Street in historic uptown New Orleans. The Zoo is committed to wildlife conservation and dedicated to highlighting the importance of protecting endangered species and supporting the many conservation efforts under way at Audubon Nature Institute. Over 2,000 of the world's rarest animals are on display, ranging from amphibians to terrestrial invertebrates to mammals to reptiles.

The Zoo was named to TripAdvisor's list of the Top 10 Zoos in the U.S. for 2012, as selected by its members.

The **Mercedes-Benz Superdome** (the “Superdome”) is an architecturally unique multi-purpose facility located adjacent to the New Orleans Central Business District. It was completed in August 1975 and was once the largest enclosed stadium arena in the world. It has a seating capacity of approximately 73,000, depending upon the seating configuration used, and can accommodate athletic events as well as conventions, trade shows, major exhibits, circuses and other large public meetings. Exhibition space on the Superdome floor totals 162,434 square feet and there are also six club rooms with a total of 74,068 square feet, 12 meeting rooms and parking facilities for approximately 5,000 automobiles and 250 buses. The Superdome recently completed \$360 million in enhancements. The Superdome’s major tenant is the **New Orleans Saints**, a National Football League professional football team. In 2010, the New Orleans Saints won Super Bowl XLIV with a victory over the Indianapolis Colts. The Saints have played their home games, with the exception of the 2005 season, in the Superdome since its completion in 1975. Since Hurricane Katrina, the Superdome has been substantially renovated inside with improvements adding comfort and luxury to the stadium. The Superdome hosted the 2012 Division I College Football BCS Championship Game, the 2012 NCAA Men’s Final Four, and it will host the 2013 NFL Super Bowl.

On October 3, 2011, Mercedes-Benz and the New Orleans Saints reached a 10 year naming rights agreement. The name of the Superdome was changed from the Louisiana Superdome to its current name as a result.

The **New Orleans Arena**, a \$110 million sports and entertainment facility on a 13 acre site south of the Louisiana Superdome, opened on October 30, 1999. The arena has a floor area of approximately 24,650 square feet of column-free space, and approximately 18,500 padded armchair seats which are adaptable for specific events, including basketball, hockey and concerts. The permanent ice facility measures approximately 85 feet by 200 feet. **The Hornets**, a National Basketball Association professional basketball team, and other basketball games are played in the Arena, along with the **New Orleans Voodoo**, an Arena Football League professional football team, concerts, family shows and other entertainment. As part of a recent lease extension with the Hornets, \$50 million in improvements are planned for the Arena.

The **National World War II Museum**, formally the **D-Day Museum**, is an attraction with great attendance. The quality of the exhibits is generally considered to be excellent. Veterans from every military service have attended this world class facility. For additional information, see <http://www.ddaymuseum.org>.

Tourism in the City not only includes conventions but also major events such as **Mardi Gras**, the **Jazz and Heritage Festival**, **Voodoo Fest**, the **Essence Music Festival**, the **Bayou Classic football game**, the **New Orleans Bowl**, the **Sugar Bowl**, and periodically, the **Super Bowl**, which will be in the City in 2013. Adults may continue to find entertainment in the river boat and land based **casinos** located in the area. Churchill Downs Inc. owns the Fair Grounds Race Course, a horse racing facility that includes 606 reel and video games.

Conventions

The City has ranked among the top five cities nationwide as a destination city for conventions and is home to the 6th largest convention center in the nation. Convention attendance in the Greater New Orleans area increased dramatically since 1981, but has struggled to recover since Hurricane Katrina. The construction of large facilities such as the Ernest N. Morial Convention Center (the “Convention Center”), the Superdome, and hotels including over 1,000 public meeting rooms permitted growth.

The Convention Center was planned and operated as part of the 1984 World Exposition and opened for convention activity in January 1985. The Convention Center has accommodated major conventions and trade shows that have brought delegates, spouses and guests to the City. The Convention Center underwent a \$60 million renovation after Katrina that included new flooring and furnishings on all three levels, premium design and architectural finishes, upgraded lighting, high speed wi-fi, a 4,000 seat Conference Auditorium, 12 separate/combinable exhibit halls, and 140 meeting rooms. A \$50 million renovation project on the Convention Center began in December 2011, and is expected to be completed by January 2013.

Airport

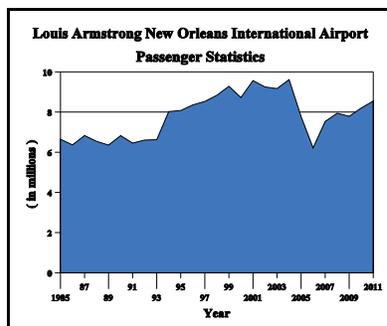
The **Louis Armstrong New Orleans International Airport** (the “Airport”) is the principal source of transportation of the millions of visitors who come to the City annually. The number of domestic passengers (enplaned and deplaned) rose from approximately 6.6 million in 1985 to approximately 9.6 million in 2004. Since then, the number of domestic passengers has declined to approximately 8.5 million in 2011. In 2004, approximately 4.9 million passengers were enplaned at the Airport. Enplanements drastically decreased in the final four months of calendar year 2005 following Hurricane Katrina, and only reached 3.9 million. Katrina disrupted normal operations at the Airport until September 13, 2005, when it reopened to commercial flights. In the days after the storm, approximately 5,000 military and civilian personnel were based at the Airport. During this period, activity was restricted to humanitarian flights and rescue missions, and one Airport concourse was used as a makeshift medical center to treat sick and injured evacuees. In 2005, the total number of passengers equaled approximately 6,218,419, compared to approximately 7,967,997 in 2008, or an increase of approximately 27.8%. The number of passengers has continued to increase since 2008; the number of passengers in 2011 was 8,546,890.

The Airport is currently served by the following domestic carriers: American Airlines; Air Tran Airways; Continental Airlines; Delta Air Lines; Frontier; JetBlue; Midwest; Southwest; United Airlines; and US Airways. Of these, Southwest accounts for approximately 32% of the Airport’s passenger market and is classified as the largest carrier at the Airport. Prior to Hurricane Katrina, the Airport averaged 166 flights daily to 42 cities with approximately 21,000 seats. In December 2005, the Airport had 56 flights daily to 21 cities. In 2011, the Airport offered 122 daily departures to 36 cities across the United States, with an average daily seat capacity of 15,389.

The Airport is also currently served by the following international carriers: Aeromexico; Air Canada; and WestJet.

Domestic freight and mail is handled at the Airport by American, Continental, Delta, Frontier, Southwest, United, US Airways, Federal Express, and UPS. Air Cargo for 2004 totaled approximately 80,938.35 metric tons, compared to approximately 48,463.59 metric tons handled in 2011, a decrease from 2010.

The Airport is currently undertaking a \$300 million modernization and expansion project, which is scheduled for completion prior to the 2012 holiday travel season.



Port

The Board of Commissioners of the Port of New Orleans (the “Dock Board”) is authorized and empowered under the Constitution and laws of the State of Louisiana, to administer the public wharves, docks, sheds, and landings of the port of New Orleans which are owned and operated, or which may be purchased, acquired, or operated by the Dock Board; to construct new wharves and other structures when necessary; to erect sheds and other structures on such wharves and landings; to place and keep these wharves and landings, sheds, and other structures in good condition; to provide mechanical facilities for the use of such wharves, landings, sheds, and other structures; to finance, erect, and operate all basins, locks, canals, and warehouse elevators, and to charge for the use of all facilities administered by it, and for all services rendered by it, such fees, rates, tariffs, or other charges as it may establish. The Dock Board may issue revenue bonds for any authorized purpose payable out of the income, revenues, and receipts derived or to be derived from the properties and facilities owned, leased, mortgaged, or pledged to, maintained or operated by the Dock Board or received by the Dock Board from these properties and facilities, or from contracts or agreements relating to these properties and facilities, including but not limited to lease or sublease agreements, sale agreements, loan agreements, pledge agreements, or other financing agreements.

In 2011, the Port added Royal Caribbean Cruise Line to its two distinct cruise terminals, Carnival Cruises and Norwegian Cruise Line. Once a year, the American Canadian Caribbean Line provides two 14 days cruises from the Port, traveling to and from Mid-America and the Gulf. In 2011, there were 736,908 cruise passengers. Not only has the City reached Pre-Katrina numbers, but it also set a new passenger record, surpassing the 2004 record by 2,265 passengers.

In addition to the large cruise lines, inland cruising is planning to return to the City in the Summer of 2012, with options to cruise the Mississippi River and the Grand Caribe.

There have been many expansion and renovation projects in progress in connection with the Port to facilitate cargo operations. The Port recently completed its \$7.7 million expansion and renovation project to the Alabo Street Wharf, as well as its \$17.5 million improvement project of the Julia Street Terminal. Expansion of the Napoleon Avenue Container Terminal Complex has been completed, and construction of the Mississippi River Intermodal Terminal and Yard Improvements, a 12 acre freight rail intermodal terminal and a 4 acre cargo marshalling yard and near the Napoleon Terminal Complex, is currently underway. A new riverfront cold storage facility at the Henry Clay Avenue Terminal is to be completed by summer of 2012. Additional design and construction projects are to begin in 2012.

The activity at the Port for the last five years is reflected in the following cargo statistics:

**Port of New Orleans
Tonnage Summary
For the Year Ended December 31
(Short Tons)**

	2007	2008	2009	2010	2011
GENERAL CARGO					
Container (Board-owned)	3,121,022	2,953,231	3,089,271	3,796,548	4,114,889
General Cargo					
(Non-container Board owned)	<u>3,673,343</u>	<u>2,836,283</u>	<u>2,534,069</u>	<u>2,258,685</u>	<u>2,453,485</u>
Total General Cargo (Board-owned)	6,794,365	5,789,514	5,623,340	6,055,233	6,568,374
General Cargo (Non-Board private facilities)	<u>617,663</u>	<u>199,003</u>	<u>309,690</u>	<u>412,681</u>	<u>384,060</u>
Total General Cargo	7,412,028	5,988,517	5,933,030	6,467,914	6,952,434
BULK CARGO					
Bulk (Board-owned)	25,907	29,980	48,164	90,486	279,052
Export Grain (Non-Board private facilities)	8,063,948	7,145,417	7,833,099	7,714,242	7,981,075
Other Bulk (Non-Board private facilities)	<u>11,870,605</u>	<u>13,117,581</u>	<u>13,468,680</u>	<u>16,453,107</u>	<u>18,013,623</u>
Total Bulk Cargo	19,960,460	20,292,978	21,349,943	24,257,835	26,273,750
TOTAL CARGO (Board-owned and non-private facilities)					
	<u>27,372,488</u>	<u>26,281,495</u>	<u>27,282,973</u>	<u>30,725,749</u>	<u>33,226,184</u>
Container Count in TEU's	250,649	235,324	229,067	280,757	312,258
Empty Containers in TEU's	--	--	89,904	138,910	160,175
Ship Calls	1,503	1,480	1,457	1,464	1,589

Notes:

- A short ton is equal to 2,000 pounds.
- A TEU represents a twenty foot equivalent unit.
- Empty container statistics not available fro 2005 through 2008.

Port of New Orleans
Leading Inbound/Outbound Cargoes
Calendar Years 2007 to 2011
--- (General Cargo Only) ---
(Short Tons)

	2007	2008	2009	2010	2011
Inbound Cargo:					
Iron & Steel	2,141,061	1,450,895	1,242,537	1,373,927	1,389,519
Natural Rubber	364,715	265,946	258,578	337,422	335,326
Coffee	217,634	245,016	294,779	277,032	284,794
Forest Products	291,748	247,047	180,763	185,865	165,044
Aluminum	221,407	170,381	344,400	148,972	145,027
Outbound Cargo:					
Resin, Plastic, Synthetic Rubber	363,801	307,073	389,708	615,942	704,186
Forest Products	551,879	434,772	397,178	484,741	586,416
Poultry	261,056	253,138	263,842	259,750	300,759
Titan Dioxide, Cadmi Pigment	174,623	153,228	194,791	214,513	172,366
Pesticides	125,188	139,452	110,728	160,689	177,779
Port-wide Container Units					
Loaded Container Units	162,995	153,699	156,537	186,989	196,335
Empty Container Units	--	--	50,454	79,114	88,438
Port-wide TEU's					
Loaded Container TEU's	250,649	235,324	229,067	280,757	312,258
Empty Container TEU's	--	--	89,904	138,373	160,175

Empty container statistics not available fro 2005 through 2008.
Source: Board of Commissioners of the Port of New Orleans.

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**ANNUAL FINANCIAL STATEMENTS
OF THE
CITY OF NEW ORLEANS, LOUISIANA
FOR THE YEAR ENDED
DECEMBER 31, 2011**

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CITY OF NEW ORLEANS, LOUISIANA
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH INDEPENDENT AUDITORS' REPORT THEREON)



A Professional Accounting Corporation

www.pncpa.com

CITY OF NEW ORLEANS, LOUISIANA

Basic Financial Statements

December 31, 2011

(With Independent Auditors' Report Thereon)

CITY OF NEW ORLEANS, LOUISIANA

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Orleans, Louisiana (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the New Orleans Tourism Marketing Corporation, the Orleans Parish Communication District, the Audubon Commission, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, the Piazza D'Italia Development Corporation, the Canal Street Development Corporation, the Orleans Parish Hospital Service District A, and the Downtown Development District, which represent 9% and 22% respectively, of the assets and revenues of the aggregate discretely presented component units; the Firefighters' Pension and Relief Fund of the City of New Orleans (old and new systems), the Police Pension Fund of the City of New Orleans, and the Employees' Retirement System of the City of New Orleans, which represent 85% of the assets and 49% of the additions and revenues of the aggregate remaining fund information; and the Board of Liquidation, City Debt, which is a major fund and 16% and 8% of assets and revenues of the governmental activities, respectively. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the New Orleans Tourism Marketing Corporation, the Orleans Parish Communication District, the Audubon Commission, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, the Piazza D'Italia Development Corporation, the Canal Street Development Corporation, the Orleans Parish Hospital Service District A, the Downtown Development District, the Firefighters' Pension and Relief Fund of the City of New Orleans (old and new systems), the Police Pension Fund of the City of New Orleans, the Employees' Retirement System of the City of New Orleans, and the Board of Liquidation, City Debt, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated June 29, 2012, on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of funding progress on pages 3 through 14 and 72 through 76 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.

Postlethwaite-Titterton

Metairie, Louisiana
June 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2011

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the City of New Orleans, Louisiana's (the City), financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the City's basic financial statements and the notes to the basic financial statements.

Financial Highlights

- The City's net assets balance on the government-wide basis was approximately \$114.2 million at December 31, 2011.
- The government-wide statement of activities reported an increase in net assets of \$56.1 million.
- 2011 general fund tax revenues increased by \$24.4 million compared to 2010.
- The general fund reported an excess of revenues and other financing sources over expenses and other financing uses of \$7.3 million for a total ending fund balance deficit at December 31, 2011 of \$3.7 million. The general fund's unassigned fund balance at December 31, 2011 is a deficit of \$17.7 million.
- Total governmental funds reported an excess of expenses and other financing uses over revenues and other financing sources of \$52.6 million.
- Total cash and investments of governmental funds amounted to \$183.4 million at December 31, 2011, a decrease of \$45.2 million compared to December 31, 2010.
- Total bonded debt amounted to \$673.3 million, a decrease of \$12.3 million over the beginning of the year total.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2011

The statement of activities presents information showing how the City's net assets changed during the year ended December 31, 2011. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. earned but unused leave for vacations).

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

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

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

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

The City maintains 92 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its seven major funds: the General Fund, the Department of Housing and Urban Development (HUD) grant fund, the Federal UDAG grant fund, the Federal Emergency Management Agency (FEMA) fund, the Debt Service Fund, the Capital Projects Fund, and the Louisiana Office of Community Development (LCD) grant fund. Data from the other governmental funds are combined under the heading "Nonmajor Governmental Funds."

Proprietary Funds. The City does not directly maintain proprietary funds. Proprietary activities are included within component units of the City.

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2011

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

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted and to provide information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by approximately \$114.2 million at December 31, 2011.

Net Assets

December 31, 2011 and 2010

(Amounts in thousands)

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 312,128	369,362
Capital assets	1,446,340	1,389,408
Total assets	<u>1,758,468</u>	<u>1,758,770</u>
Long-term liabilities	1,438,459	1,487,166
Other liabilities	205,832	213,499
Total liabilities	<u>1,644,291</u>	<u>1,700,665</u>
Net assets:		
Invested of capital assets, net of related debt	814,912	741,516
Restricted	59,140	60,839
Unrestricted (deficit)	<u>(759,875)</u>	<u>(744,250)</u>
Total net assets	<u>\$ 114,177</u>	<u>58,105</u>

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2011

The City's statement of net assets reflects its investment in capital assets, land, construction-in-progress, infrastructure, buildings, and equipment, less any related debt outstanding used to acquire those assets in the amount of \$814.9 million at December 31, 2011. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Debt service funds have accumulated \$59.1 million at December 31, 2011 to provide for the servicing of annual interest and principal payments on bonds and are classified in restricted net assets. The unrestricted deficit net assets in the amount of \$759.9 million is due to the City's recording of long-term obligations including claims and judgments, liabilities, accrued annual and sick leave. The unrestricted deficit increased by \$15.6 million, which is primarily due to the change in net assets described below.

Governmental Activities

Total revenue decreased by \$292.7 million or 26.6% from \$1.1 billion in 2010 to \$808.1 million in 2011. This decrease is primarily attributable to the federal government's forgiveness of the outstanding Community Disaster Loan (CDL) balance of \$265.9 million in 2010. Excluding the forgiveness of the CDL, revenues decreased by \$26.8 million or 2.5% from \$834.9 million in 2010 to \$808.1 million in 2011. Although charges for services increased by \$47.2 million, operating grants and contributions decreased by \$27.7 million and capital grants and contributions decreased by \$36.1 million compared to 2010. Property tax revenue increased from \$175.9 million in 2010 to \$187.2 million in 2011, an increase of \$11.3 million or 6.4%. This increase is attributable to an increase in assessments and millage. Real estate property taxes were assessed and the majority collected in the beginning of the fiscal year. Miscellaneous income decreased by \$20.4 million due to the receipt in 2010 of insurance reimbursements. Sales tax revenues increased by \$6.5 million or 4.4%.

Total expenses were \$752.0 million in 2011, a decrease of \$88.5 million, or 10.5%, compared to \$840.6 million in 2010. General government expense decreased \$78.9 million or 24.6% from \$321.3 million in 2010 to \$242.4 million in 2011 primarily due to decreases in legal claims (\$33.2 million) and Disaster Community Development Block Grant expenditures (\$32.2 million). Public safety expense increased \$11.2 million or 5.0% from \$224.9 million in 2010 to \$236.1 million in 2011 due primarily to increased payroll expense. Public works expense decreased \$1.8 million or 1.4% from \$125.0 million in 2010 to \$123.2 million in 2011. Urban development and housing expense decreased \$7.4 million or 18.5% from \$40.1 million in 2010 to \$32.7 million in 2011. Economic development expense decreased \$1.6 million or 16.0% from \$10.3 million in 2010 to \$8.7 million in 2011.

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2011

A comparison of 2011 to 2010 is as follows (amounts are reported in thousands):

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 154,133	106,960
Operating grants and contributions	142,497	170,164
Capital grants and contributions	75,728	111,859
General revenues:		
Property taxes	187,199	175,863
Sales taxes	153,955	147,453
Other taxes	45,787	49,567
Investment earnings	(770)	5,301
Forgiveness of debt	2,288	265,915
Miscellaneous	47,296	67,695
Total revenues	<u>808,113</u>	<u>1,100,777</u>
Expenses:		
General government	242,417	321,303
Public safety	236,058	224,915
Public works	123,209	124,952
Health and human services	21,678	19,084
Culture and recreation	21,575	23,577
Urban development and housing	32,682	40,114
Economic development	8,680	10,329
Interest and fiscal changes	65,742	76,276
Total expenses	<u>752,041</u>	<u>840,550</u>
Change in net assets	56,072	260,227
Net assets, beginning of year as restated	58,105	(202,122)
Net assets, ending	<u>\$ 114,177</u>	<u>58,105</u>

Financial Analysis of the Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited spending to use for a particular purpose by either an external party, the City itself, or group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At December 31, 2011, the City's governmental funds reported a combined fund balances of \$84.0 million, a decrease of \$52.6 million in comparison with the prior year. Included in this amount is a deficit of \$88.9 million which constitutes unassigned fund balance. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$6.9 million), 2) restricted for particular purposes (\$130 thousand), 3) committed for particular purposes (\$4.0 million), or 4) assigned for particular purposes (\$31.8 million).

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2011

General Fund

The general fund is the chief operating fund of the City. At December 31, 2011, the general fund's fund balance increased by \$7.3 million from an \$11.1 million deficit in 2010 to a \$3.7 million deficit in 2011. Key factors relative to this change are as follows:

- Expenditures increased in 2011 to \$524.0 million compared to \$511.8 million in 2010, an increase of \$12.2 million, which represents a 2.4% increase in expenditures. Public Safety expenditures increased by \$8.9 million due primarily to the increase in police retirement costs and an increase in police overtime needed to provide security for the increased number of large scale events hosted by the City (NCAA Final Four Basketball Championship, SEC basketball tournament, etc).
- Total revenues and other financing sources (uses), net, for the general fund increased by \$39.0 million or 7.9% compared to 2010.
- Other financing sources (uses), net, totaled \$31.6 million in 2011 representing an increase of \$3.1 million or 10.7% in comparison to 2010.
- Charges for services increased by \$21.8 million or 43.1% compared to 2010 due primarily to an increase of \$15.5 million in sanitation fee collections.
- Taxes increased by \$24.4 million or 9.2% as compared to 2010 primarily due to an increase of \$19.0 million in property tax collections.
- Licenses and Permits revenues decreased by \$898 thousand or 1.5%.
- Fines and Fees increased by \$3.1 million or 9.8% primarily due to the increase in red light camera and Traffic Court violation collections.
- Miscellaneous revenues decreased from \$33.8 million in 2010 to \$20.3 million in 2011, a decrease of \$13.5 million or 40.0% due to the receipt of insurance proceeds in 2010.

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The accompanying table shows the amount (in thousands) of general fund revenues by source for 2011 and 2010.

Revenues and Other Financing Sources	2011 Actual	% of Total	Increase (Decrease) Over 2010	2010 Actual	% of Total
Taxes	\$ 288,739	54.34%	\$ 24,413	\$ 264,326	53.69%
Licenses and permits	57,219	10.77	(898)	58,117	11.80
Intergovernmental	25,801	4.86	3,009	22,792	4.63
Charges for services	72,171	13.58	21,754	50,417	10.24
Fines and forfeits	34,685	6.53	3,107	31,578	6.41
Interest income	399	0.08	(322)	721	0.15
Contributions, gifts, and donations	395	0.07	(1,648)	2,043	0.41
Miscellaneous and other	20,272	3.82	(13,512)	33,784	6.86
Other financing sources (uses), net	31,634	5.95	3,062	28,572	5.81
	<u>\$ 531,315</u>	<u>100.0%</u>	<u>\$ 38,965</u>	<u>\$ 492,350</u>	<u>100.0%</u>

The accompanying table shows the amount (in thousands) of general fund expenditures by source for 2011 and 2010.

Expenditures	2011 Actual	% of Total	Increase (Decrease) Over 2010	2010 Actual	% of Total
General government	\$ 147,738	28.20%	\$ 8,266	\$ 139,472	27.25%
Public safety	224,641	42.87	8,921	215,720	42.15
Public works	64,811	12.37	1,522	63,289	12.37
Health and human services	17,885	3.41	4,196	13,689	2.67
Other	16,926	3.23	(9,675)	26,601	5.20
Debt service	51,970	9.92	(1,021)	52,991	10.36
	<u>\$ 523,971</u>	<u>100.0%</u>	<u>\$ 12,209</u>	<u>\$ 511,762</u>	<u>100.0%</u>

HUD Fund

This special revenue fund is used to account for funding from the Department of Housing and Urban Development (HUD). Some of the major initiatives are Community Development Block Grants (CDBG), HOME Investment Partnership Act Program (HOME), Emergency Shelter Grant (ESG) Program, and Housing Opportunities for Persons with HIV/AIDS (HOPWA). Revenues decreased \$731 thousand from \$33.3 million in 2010 to \$32.6 million in 2011, and expenditures decreased \$8.1 million from \$34.6 million in 2010 to \$26.5 million in 2011. The decrease in revenues and expenditures in the HUD fund are due to decreases in CDBG and HOME program activities.

Federal UDAG Fund

The Federal UDAG special revenue fund accounts for grants received from HUD for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Expenditures decreased \$2.8 million from \$3.3 million in 2010 to \$462 thousand in 2011. Revenues were \$723 thousand in 2011 compared to \$68 thousand in 2010.

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FEMA Fund

The FEMA Fund primarily accounts for grants received as a result of Hurricanes Katrina, Rita and Gustav from the Federal government. FEMA, as authorized by the Stafford Act, assists individuals, as well as, state and local governments with response to and recovery from disasters. The FEMA grants are reimbursement basis grants where expenditures and related revenues have been accrued. The deficit in the FEMA fund at December 31, 2011 of \$54.3 million is partially attributable to \$32.7 million of revenue that has been deferred and will be collected by the City in 2012 and cash advances received for which expenditures will be incurred in future years. Revenue amounted to \$14.6 million in 2011 compared to \$10.2 million in 2010 while expenditures totaled \$13.6 million in 2011 compared to \$15.6 million in 2010. While expenditures for Hurricanes Katrina, Rita and Gustav in the FEMA fund are decreasing as funding for the emergencies comes to an end, revenues increased due to the uncertainty of cash collections.

Debt Service Funds

The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Total fund balance for the Debt Service Fund was \$59.1 million at December 31, 2011, which was a \$1.7 million decrease compared to the prior year balance of \$60.8 million.

Capital Project Funds

The Capital Projects fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities and repair and maintenance projects other than those accounted for in the component units. Expenditures for capital projects in 2011 totaled \$134.4 million, an increase of \$3.3 million compared to 2010. This increase is due to the completion of construction projects begun after Hurricane Katrina.

Louisiana Office of Community Development Fund

The Louisiana Office of Community Development (LCD) fund primarily accounts for grants received from the Louisiana Office of Community Development. The primary purpose of this fund is to purchase properties for the site of the new Charity/Tulane/Veterans Administration (VA) Hospital Complex. Revenues decreased \$19.3 million from \$56.6 million in 2010 to \$37.3 million in 2011, and expenditures decreased \$31.3 million from \$69.2 million in 2010 to \$37.9 million in 2011. The decrease in revenues and expenditures in the LCD fund are due to greater expenditures in 2010 during the initiation of acquisition, relocation, and clearance activities than in 2011 for these activities.

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General Fund Budgetary Highlights

Variations between general fund amended budget and actual are delineated in the schedule below. Total revenues are \$1.9 million or 0.4% more than budgeted. Actual expenditures were 1.6% more than budgeted. The 2011 budgeted revenues and expenditures were increased primarily to reflect increased sanitation fees, property taxes, and sales tax collections.

	2011		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Taxes	\$ 281,328	288,739	7,411
Licenses and permits	63,974	57,222	(6,752)
Intergovernmental	23,898	25,801	1,903
Charges for services	78,505	72,332	(6,173)
Fines and forfeits	37,130	34,685	(2,445)
Interest income	2,413	399	(2,014)
Contributions, gifts, and donations	2,688	395	(2,293)
Miscellaneous	4,699	16,965	12,266
Total Revenues	\$ 494,635	496,538	1,903
Expenditures	519,477	527,741	(8,264)
Other Financing Sources (Uses), net	24,842	38,810	13,968
Net Change in Assets	\$ -	7,607	7,607

Capital Assets

Capital assets at December 31, 2011 and 2010 are as follows (net of depreciation):

	2011	2010
Land	\$ 94,474	94,220
Construction in progress	306,325	277,042
Buildings, improvements, and equipment	226,130	192,400
Other	13,205	14,737
Infrastructure assets	806,206	811,009
	\$ 1,446,340	1,389,408

Hurricane Katrina and the related flooding caused physical damage to the City's capital assets. As a result, certain assets were destroyed and other assets, specifically buildings, require restoration efforts to restore their service utility. Some assets have been demolished and are being replaced. Buildings, improvements, equipment, other, and infrastructure assets have been reduced in value as a result of demolition, damage, or depreciation. Rebuilding efforts are ongoing and, as a result, the replacement and repair costs for these assets have led to an increase in construction in progress of \$277.0 million at December 31, 2010 to \$306.3 million at December 31, 2011.

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December 31, 2011

Debt Administration

Outstanding general obligation bonds at December 31, 2011 totaled \$509.5 million, all of which are considered to be net, direct-tax supported debt. There are no special assessment bonds outstanding. During 2011, the City issued \$16.0 million of Taxable Bonds used to refund the 1998 certificates of indebtedness.

Outstanding Debt		
	2011	2010
General obligation bonds	\$ 509,544	529,219
Accreted GO 1991 refunding bonds	105,346	113,856
Limited tax bonds	23,360	25,140
Revenue bonds	124,380	131,250
Taxable bonds	15,995	-
Total bonds	778,625	799,465
Certificates of indebtedness	32,945	55,460
Note payable (equipment loan)	3,669	5,405
Capital leases	19,462	22,646
Go Zone Notes	79,886	79,886
Section 108 HUD loans	23,388	25,844
Total outstanding debt	\$ 937,975	988,706

The following is a summary of debt transactions:

Balance at January 1, 2011	\$ 988,706
New issues	15,995
Payments	(65,285)
Reduction of capital leases	(1,441)
Balance at December 31, 2011	\$ 937,975

The Louisiana Legislature, in Act 1 of 1994, increased the City's general obligation bond debt limit to an amount equal to the greater of (i) \$500,000,000 or (ii) 35% of total assessed valuation of the City. Under Act 1, based on the most recent assessed valuations, the City's debt limit is \$1.2 billion as of December 31, 2011. At December 31, 2011, the City's legal debt margin adjusted for outstanding principal of \$509.5 million and past and future accretion of \$144.3 million on the City's outstanding General Obligation Bonds, plus fund balance available in the Debt Service Fund of \$29.9 million to service this debt was \$544.9 million.

On May 1, 2007, Moody's upgraded the City's general obligation bond rating to "Baa3" investment grade. Fitch upgraded the City's general obligation bond rating "A-", investment grade in December 2011, and Standard & Poor's Corporation upgraded the City's general obligation bond rating "BBB", investment grade in March of 2009. As of December 31, 2011, these ratings remained in effect.

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Economic Factors and Next Year's Budgets and Rates

The General Fund's final budgeted revenues exceeded the original budgeted revenues by \$1.9 million and final budgeted expenditures exceeded original budgeted expenditures by approximately \$8.1 million.

The 2011 budgeted revenues and expenditures were increased primarily to reflect increased sanitation fees, property taxes, and sales tax collections. In 2012, budgeted revenues and expenditures have been increased to reflect continuing increases in property and sales tax collections.

The following table presents an adopted budget comparison for 2012, 2011, and 2010 (amounts in thousands):

	2012	2011	2010
Revenues and other financing sources	\$ 494,879	\$ 483,446	\$ 474,902
Expenditures	494,879	483,446	474,902

Although the nation is in economic decline, New Orleans economy is bolstered by the continuing recovery efforts and its world-renowned reputation as a leader in hosting large-scale events. The City's Mardi Gras celebration, the Jazz & Heritage Festival, Bayou Classic, the New Orleans Bowl, the Sugar Bowl, the Essence Festival, and the French Quarter Festival, which continues to set attendance records, are some of the more notable annual attractions drawing millions of visitors each year, and are major parts of the City's tourism industry. The City and the State of Louisiana have become popular film locations due to tax credits, qualified labor, and governmental assistance. The State of Louisiana is now third behind California and New York for film locations.

New Orleans was voted the #1 destination in the world for nightlife in Trip Advisors annual Traveler's Choice Awards (May 2010). The City hosted 8.75 million visitors in 2011, up 6% from 2010. 76% visited for leisure, 24% for conventions, corporate meetings, and general business travel. \$400 million has been spent on hotel upgrades and renovations, including The Hyatt Regency New Orleans (near the Superdome), which opened in October of 2011.

The Mercedes-Benz Superdome has completed major renovations, designed to add to and maintain this world renowned venue. Additionally, adjacent to the Super Dome, a new tailgating venue, Championship Square, has been added to honor the 2009 Super Bowl Champions, the New Orleans Saints. The Super Dome is prepared to host: the Bowl Championship Series (BCS), national college football championship in January 2012, the NCAA SEC tournament, the NCAA Final Four basketball championship in March 2012. In 2013, the City will host the Women's Final Four. Once again, the City will host the National Football League's Super Bowl. Super Bowl XLVII will be played in 2013 at the Mercedes-Benz Superdome. This will mark the tenth time the Super Bowl will be played in New Orleans.

CITY OF NEW ORLEANS
Management's Discussion and Analysis
December 31, 2011

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF NEW ORLEANS, LOUISIANA

Statement of Net Assets

December 31, 2011

(Amounts in thousands)

Assets	Primary government Governmental activities	Component units
Cash and cash equivalents	\$ 24,783	48,185
Investments	158,576	95,303
Receivables (net of allowance for uncollectibles):		
Taxes	31,415	6,895
Accounts	13,584	25,165
Interest	10	—
Grantee loans	6,686	—
Other	—	13,189
Due from component units	15,126	—
Due from other governments	58,028	30,592
Other assets	3,920	38,870
Restricted cash and investments	—	326,491
Capital assets (net of accumulated depreciation)	<u>1,446,340</u>	<u>2,537,028</u>
Total assets	<u>1,758,468</u>	<u>3,121,718</u>
Liabilities		
Accounts payable	77,046	67,208
Retainages payable	3,783	3,294
Accrued expenses	625	31,469
Taxes payable	8,775	—
Accrued interest payable	6,175	12,717
Due to component units	100	—
Due to other governments	55,002	71,790
Loans payable	—	5,711
Other postretirement benefits liability	—	40,782
Deferred revenues	7,233	162
Derivative instrument liability	47,093	—
Liabilities payable from restricted assets	—	30,235
Non-current liabilities due within one year	134,224	35,740
Non-current liabilities due in more than one year	<u>1,304,235</u>	<u>739,146</u>
Total liabilities	<u>1,644,291</u>	<u>1,038,254</u>
Net Assets		
Invested in capital assets, net of related debt	814,912	1,993,840
Restricted for debt service	59,140	81,482
Restricted for capital improvement (deficit)	—	(105,890)
Restricted for operating reserve	—	17,531
Unrestricted (deficit)	<u>(759,875)</u>	<u>96,501</u>
Total net assets	<u>\$ 114,177</u>	<u>2,083,464</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Activities

Year ended December 31, 2011

(Amounts in thousands)

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating grants and contributions	Capital contributions	Primary governmental activities	Component units
Primary government:						
Governmental activities:						
General government	\$ 242,417	69,191	77,097	5,122	(91,007)	—
Public safety	236,058	37,947	6,461	4,142	(187,508)	—
Public works	123,209	36,753	157	36,888	(49,411)	—
Health and human services	21,678	9,873	6,359	400	(5,046)	—
Culture and recreation	21,575	309	4,107	29,176	12,017	—
Urban development and housing	32,682	60	40,205	—	7,583	—
Economic development	8,680	—	8,111	—	(569)	—
Interest and fiscal charges	65,742	—	—	—	(65,742)	—
Total primary government	\$ 752,041	154,133	142,497	75,728	(379,683)	—
Component units:						
Audubon Commission	\$ 53,469	35,999	—	4,790	—	(12,680)
Louis Armstrong New Orleans International Airport	87,292	58,687	—	12,291	—	(16,314)
Sewerage and Water Board	171,646	131,007	11,480	72,846	—	43,687
Other nonmajor component units	38,584	18,685	15,844	—	—	(4,055)
Total component units	\$ 350,991	244,378	27,324	89,927	—	10,638
General revenues:						
Taxes:						
Property taxes					187,199	61,746
Sales taxes					153,955	—
Utility taxes					9,896	—
Parking taxes					3,689	—
Franchise fees					31,740	—
Beverage taxes					462	—
Unrestricted investment income (loss)					(770)	1,591
Passenger facility charges					—	17,389
Reduction of non-current liabilities					2,288	—
Miscellaneous					47,296	42,310
Total general revenues					435,755	123,036
Change in net assets					56,072	133,674
Net assets (deficit) – beginning of year					51,278	1,949,790
Prior period adjustments (note 13)					6,827	—
Net assets – beginning of year, as restated					58,105	1,949,790
Net assets – end of year					\$ 114,177	2,083,464

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Balance Sheet -- Governmental Funds

Year ended December 31, 2011

(Amounts in thousands)

Assets	General	HUD	Federal UDAG	FEMA	Debt Service	Capital Projects	Louisiana Office of Community Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ —	5,491	874	—	—	4,736	1,157	12,525	24,783
Investments	2,962	—	—	—	60,346	83,170	—	12,098	158,576
Receivables (net of allowance for uncollectibles):									
Sales taxes	14,302	—	—	—	—	—	—	—	14,302
Property taxes	6,877	—	—	—	4,059	—	—	—	10,936
Franchise taxes	6,177	—	—	—	—	—	—	—	6,177
Accounts	11,318	153	—	—	—	7	—	2,106	13,584
Grantee loans	—	—	2,427	—	—	—	—	4,259	6,686
Interest	10	—	—	—	—	—	—	—	10
Due from other funds	42,711	—	11,927	3,935	—	32,388	—	3,517	94,478
Due from other governments	3,046	—	—	34,804	—	707	6,971	12,500	58,028
Due from component units	420	—	—	—	—	14,706	—	—	15,126
Advances to other funds	205	—	—	—	—	—	—	—	205
Other assets	27	—	—	—	—	—	—	16	43
Total assets	\$ 88,055	5,644	15,228	38,739	64,405	135,714	8,128	47,021	402,934
Liabilities									
Accounts payable	\$ 38,637	90	321	574	98	26,292	3,640	7,394	77,046
Retainages payable	—	—	—	—	—	3,783	—	—	3,783
Accrued expenses	—	110	—	238	123	—	45	109	625
Due to other funds	44,412	—	1,080	35,663	—	3,935	—	9,388	94,478
Due to other governments	380	2,808	—	23,881	—	10,616	16,235	1,082	55,002
Due to component units	—	—	—	—	—	100	—	—	100
Advances from other funds	—	—	—	—	—	—	—	205	205
Deferred revenues	8,343	4,018	—	32,682	5,044	26,501	2,933	8,127	87,648
Total liabilities	91,772	7,026	1,401	93,038	5,265	71,227	22,853	26,305	318,887
Fund Balances									
Fund balances:									
Nonspendable	—	—	2,427	—	—	—	—	4,459	6,886
Restricted	—	4,018	—	—	59,140	58,370	—	8,721	130,249
Committed	—	—	—	—	—	—	—	4,022	4,022
Assigned	13,934	—	—	—	—	6,117	—	11,774	31,825
Unassigned	(17,651)	(5,400)	11,400	(54,299)	—	—	(14,725)	(8,260)	(88,935)
Total fund balances	(3,717)	(1,382)	13,827	(54,299)	59,140	64,487	(14,725)	20,716	84,047
Total liabilities and fund balances	\$ 88,055	5,644	15,228	38,739	64,405	135,714	8,128	47,021	402,934

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Reconciliation of Balance Sheet — Governmental Funds to the
Statement of Net Assets

December 31, 2011

(Amounts in thousands)

Total fund balances – governmental funds	\$	84,047
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		1,446,340
Certain receivables are not available to pay for the current period's expenditures and, are therefore, deferred in the funds		80,415
Bond issue costs are capitalized and amortized over the life of the bonds in the government-wide statement of net assets		3,877
Interest expense is accrued at year-end in the government-wide financial statements, but is recorded only if due and payable on the governmental fund financial statements		(6,175)
Taxes payable		(8,775)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term liabilities consist of:		
Bonds payable		(784,687)
Certificates of indebtedness		(32,945)
Loans payable		(106,943)
Capital leases payable		(19,462)
Annual and sick leave		(44,901)
Claims payable		(277,956)
Net pension obligation		(110,636)
Derivative instrument liability		(47,093)
Other long-term liabilities		<u>(60,929)</u>
Total net assets – governmental activities	\$	<u>114,177</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year ended December 31, 2011
(Amounts in thousands)

	General	HUD	Federal UDAG	FEMA	Debt Service	Capital Projects	Louisiana Office of Community Development Fund	Nonmajor Governmental	Total Governmental Funds
Revenues:									
Taxes	\$ 288,739	—	—	—	66,565	—	—	5,640	360,944
Licenses and permits	57,219	—	—	—	—	—	—	—	57,219
Intergovernmental	25,801	28,557	6	14,630	—	71,075	37,288	35,327	212,684
Charges for services	72,171	—	—	—	—	—	—	—	72,171
Program income	—	4,056	651	—	—	—	59	132	4,898
Fines and forfeits	34,685	—	—	—	—	—	—	4,139	38,824
Interest income	399	—	66	—	213	—	—	6	684
Contributions, gifts and donations	395	—	—	—	—	—	—	2,347	2,742
Miscellaneous	20,272	—	—	—	—	351	—	21,185	41,808
Total revenues	499,681	32,613	723	14,630	66,778	71,426	37,347	68,776	791,974
Expenditures:									
Current:									
General government	147,738	—	—	9,493	490	1,194	37,252	30,351	226,518
Public safety	224,641	—	—	1,999	—	—	—	3,706	230,346
Public works	64,811	—	—	—	—	—	—	—	64,811
Health and human services	17,885	482	—	71	—	—	—	3,240	21,678
Culture and recreation	16,633	—	—	1	—	—	—	3,414	20,048
Urban development and housing	—	26,020	462	812	—	—	630	4,758	32,682
Economic development and assistance	—	—	—	—	—	—	—	8,680	8,680
Capital outlays	293	—	—	1,225	—	133,231	—	708	135,457
Debt service:									
Principal	35,040	—	—	—	21,455	—	—	280	56,775
Interest and fiscal charges	16,817	—	—	—	46,532	—	—	74	63,423
Bond issuance costs	113	—	—	—	—	—	—	—	113
Total expenditures	523,971	26,502	462	13,601	68,477	134,425	37,882	55,211	860,531
Excess (deficiency) of revenue over expenditures	(24,290)	6,111	261	1,029	(1,699)	(62,999)	(535)	13,565	(68,557)
Other financing sources (uses):									
Transfers in	18,302	—	—	—	—	—	—	2,746	21,048
Transfers out	(2,596)	—	—	—	—	(2,202)	—	(16,250)	(21,048)
Proceeds from issuance of bonds	15,995	—	—	—	—	—	—	—	15,995
Other, net	(67)	—	—	—	—	—	—	—	(67)
Total other financing sources (uses)	31,634	—	—	—	—	(2,202)	—	(13,504)	15,928
Net change in fund balances	7,344	6,111	261	1,029	(1,699)	(65,201)	(535)	61	(52,629)
Fund balances – beginning of year	(11,061)	(1,676)	13,566	(55,328)	60,839	129,688	(14,190)	20,655	142,493
Prior period adjustments	—	(5,817)	—	—	—	—	—	—	(5,817)
Fund balances – beginning of year, as restated	(11,061)	(7,493)	13,566	(55,328)	60,839	129,688	(14,190)	20,655	136,676
Fund balances – end of year	\$ (3,717)	(1,382)	13,827	(54,299)	59,140	64,487	(14,725)	20,716	84,047

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

Year ended December 31, 2011

(Amounts in thousands)

Net change in fund balances -- total governmental funds	\$ (52,629)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and are reported as depreciation expense. This represents the amount that capital outlays exceeded depreciation and loss on disposals in the current period.	56,932
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This represents the change in deferred revenue.	13,671
The increase in taxes payable related to current year refunds due to taxpayers does not consume current resources in the governmental funds, but increases tax revenue in the statement of activities.	1,521
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, but has no effect on net assets.	(15,995)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	113
The repayment of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.	56,775
Amortization of premium, discount, and loss on refunding of \$7,905 (net) was recorded in the current period.	807
Amortization of bond costs \$463 was recorded in the current period.	(463)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This represents the change in interest payable from the prior to the current period.	7,021
Compensated absences are recorded in the governmental funds when paid, but are recorded in the statement of activities when earned. This represents the amount compensated absences earned exceeded amounts paid in the current period.	1,684
Legal claims and judgments are recorded in the governmental funds when paid, but are recorded in the statement of activities when incurred. This represents the amount claims paid and changes in estimates to claims exceed new claims incurred in the current period.	13,702
Changes in estimates related to municipal landfill closure costs do not consume current financial resources in the governmental funds, but are expensed in the statement of activities.	771
Other post retirement benefits contributions are recorded as expenditures when paid by the governmental funds. This is the amount that the annual other post retirement benefit costs exceeded the other post retirement benefit contributions.	(3,398)
Pension and contributions are recorded as expenditures when paid by the governmental funds. Pension expense is recorded based on the annual pension cost in the statement of activities. This is the amount that the annual pension cost exceeded pension contributions.	(15,590)
Governmental funds report changes in the investment derivative instrument only when the instrument provides or uses financial resources. However, in the statement of activities, changes in the fair value of the instrument are changes in economic resources and are reported in each period in which there is a change in the fair value of the investment. This is the amount of change in the fair value of investment derivatives in the current period.	(11,138)
Reduction of capital lease principal and accrued interest	2,288
Change in net assets of governmental activities	<u>\$ 56,072</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Fiduciary Net Assets

December 31, 2011

(Amounts in thousands)

Assets	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash	\$ 5,981	30,356
Investments	527,397	21,918
Receivables:		
Accounts	—	30
Accrued interest	3,682	—
Contribution	1,238	—
Other	17,153	—
Due from other governments	—	(30)
Capital assets, net of accumulated depreciation	5	—
Total assets	<u>555,456</u>	<u>52,274</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	1,146	10
Other payables and accruals	51,778	52,264
Notes payable	9,769	—
Total liabilities	<u>62,693</u>	<u>52,274</u>
Net assets:		
Net assets held in trust for pension benefits	<u>\$ 492,763</u>	<u>—</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA
Statement of Changes in Fiduciary Net Assets
Year ended December 31, 2011
(Amounts in thousands)

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 31,314
Members	5,583
Fire insurance rebate	1,182
Other	22,810
Total contributions	<u>60,889</u>
Investment income:	
Net appreciation in fair value of investments	3,673
Interest and dividends	6,652
Other investment income	593
Total investment income	<u>10,918</u>
Investment expense	<u>(5,121)</u>
Net investment income	<u>5,797</u>
Total additions	<u>66,686</u>
Deductions:	
Pension benefits	71,419
Refunds of member contributions	1,097
Death benefits	75
Administrative expenses	1,572
DROP withdrawal	2,996
PLOP withdrawal	6,194
Transfers to other plans	1,091
Total deductions	<u>84,444</u>
Change in net assets	<u>(17,758)</u>
Net assets held in trust for pension benefits – beginning of year	<u>510,521</u>
Net assets held in trust for pension benefits – end of year	<u>\$ 492,763</u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Component Units

December 31, 2011

(Amounts in thousands)

Assets	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
Current assets:					
Cash and cash equivalents	\$ 1,863	2,082	16,159	28,081	48,185
Investments	—	93,305	—	1,998	95,303
Receivables (net of allowances for uncollectibles):					
Property taxes	—	—	6,895	—	6,895
Accounts	484	5,767	12,476	6,438	25,165
Other	—	—	—	13,189	13,189
Due from other governments	—	—	26,573	4,019	30,592
Inventory of supplies	1,398	—	8,024	—	9,422
Prepaid expenses and deposits	1,021	1,295	722	1,598	4,636
Other assets	—	—	2,708	4	2,712
Total current assets	4,766	102,449	73,557	55,327	236,099
Restricted cash and investments:					
Customer deposits	—	—	8,849	4,891	13,740
Construction account	—	—	176	—	176
Current debt service account	—	21,992	33,138	826	55,956
Future debt service account	2,067	33,123	—	6,721	41,911
Contingency (renewal and replacement) account	—	—	—	1,304	1,304
Operation and maintenance account	—	8,373	—	847	9,220
Capital improvements	3,673	103,799	76,150	—	183,622
Health insurance reserve	—	—	5,350	—	5,350
Receivables	—	4,749	—	—	4,749
Other	—	9,908	555	—	10,463
Total restricted assets	5,740	181,944	124,218	14,589	326,491
Capital assets (net of accumulated depreciation)	131,766	488,101	1,819,352	97,809	2,537,028
Other assets	10,111	9,859	1,988	142	22,100
Total assets	\$ 152,383	782,353	2,019,115	167,867	3,121,718

See accompanying notes to basic financial statements.

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Component Units

December 31, 2011

(Amounts in thousands)

Liabilities and Net Assets	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
Current liabilities (payable from current assets):					
Accounts payable	\$ 6,409	14,863	41,213	4,723	67,208
Retainages payable	—	—	3,294	—	3,294
Other payables and accruals	—	1,352	27,280	2,837	31,469
Due to other governments	—	753	68,129	2,908	71,790
Capital lease payable	—	201	—	—	201
Loans payable	—	—	5,711	—	5,711
Deferred revenues	—	—	—	162	162
Total current liabilities (payable from current assets)	6,409	17,169	145,627	10,630	179,835
Current liabilities (payable from restricted assets):					
Retainages payable	—	—	641	—	641
Capital projects payable	52	15,859	—	—	15,911
Accrued interest	317	9,858	2,535	7	12,717
Limited tax bonds	2,511	—	—	—	2,511
Loans payable, current portion	1,576	1,684	—	—	3,260
Bonds payable, current portion	—	10,895	16,149	1,353	28,397
Revenue bonds	1,371	—	—	—	1,371
Deposits and other	—	4,302	8,849	532	13,683
Total current liabilities (payable from restricted assets)	5,827	42,598	28,174	1,892	78,491
Total current liabilities	12,236	59,767	173,801	12,522	258,326
Long-term liabilities:					
Claims payable	—	—	2,861	—	2,861
Other postretirement benefits liability	—	—	40,782	—	40,782
Limited tax bonds (net of current portion)	28,343	—	—	—	28,343
Revenue bonds (net of current portion and unamortized discounts)	—	—	198,675	14,956	213,631
Refunding bonds (net of current portion and unamortized loss on advance refunding)	17,091	320,169	—	1,750	339,010
Loans payable	—	33,688	96,921	1,156	131,765
Other	10,085	—	8,888	4,563	23,536
Total long-term liabilities	55,519	353,857	348,127	22,425	779,928
Total liabilities	67,755	413,624	521,928	34,947	1,038,254
Net assets:					
Invested in capital assets – net of related debt	84,311	228,830	1,604,704	75,995	1,993,840
Restricted for bond debt service	—	45,257	33,138	3,087	81,482
Restricted for capital improvements (deficit)	—	33,461	(140,655)	1,304	(105,890)
Restricted for environmental cleanup and facility maintenance	—	—	—	—	—
Restricted for operating reserve	—	12,095	—	5,436	17,531
Unrestricted	317	49,086	—	47,098	96,501
Total net assets	\$ 84,628	368,729	1,497,187	132,920	2,083,464

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Activities

Component Units

Year ended December 31, 2011

(Amounts in thousands)

	Program revenues				Net (expense) revenue and changes in net assets				
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
Component units:									
Audubon Commission	\$ 53,469	35,999	—	4,790	(12,680)	—	—	—	(12,680)
Louis Armstrong New Orleans International Airport	87,292	58,687	—	12,291	—	(16,314)	—	—	(16,314)
Sewerage and Water Board	171,646	131,007	11,480	72,846	—	—	43,687	—	43,687
Other nonmajor component units	38,584	18,685	15,844	—	—	—	—	(4,055)	(4,055)
Total component units	\$ 350,991	244,378	27,324	89,927	(12,680)	(16,314)	43,687	(4,055)	10,638
General revenues:									
Interest revenue					1,113	(136)	427	187	1,591
Property taxes					8,295	—	48,129	5,322	61,746
Passenger facility charges					—	17,389	—	—	17,389
Forgiveness of debt					—	—	—	—	—
Other					1,497	11,847	—	28,966	42,310
Total general revenues					10,905	29,100	48,556	34,475	123,036
Changes in net assets					(1,775)	12,786	92,243	30,420	133,674
Net assets – beginning					86,403	355,943	1,404,944	102,500	1,949,790
Net assets – ending					\$ 84,628	368,729	1,497,187	132,920	2,083,464

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

(1) Summary of Significant Accounting Policies

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

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

Basis of Presentation – Financial Reporting Entity

The accompanying financial statements include financial statements for the City and certain legally separate organizations in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14*. Organizations are included if the City is financially accountable for them, or the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The City is financially accountable for an organization if it appoints a voting majority of the organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. In addition, an organization that is fiscally dependent on the primary government should be included in its reporting entity.

Component Units

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units. Each blended and discretely presented component unit has a December 31 year-end.

Complete financial statements of the following individual discretely presented component units can be obtained from their administrative offices:

Audubon Commission
1300 Perdido Street, Suite 2E04
New Orleans, Louisiana, 70112

Downtown Development District
201 St. Charles Avenue, Suite 3912
New Orleans, Louisiana 70170

Canal Street Development Corporation
1300 Perdido Street, Suite 2E04
New Orleans, Louisiana 70112

French Market Corporation
1008 N. Peters Street, 3 floor
New Orleans, Louisiana 70116

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

Louis Armstrong New Orleans International Airport New Orleans Aviation Board P.O. Box 20007 New Orleans, Louisiana 70141	New Orleans Municipal Yacht Harbor Management Corporation 401 North Roadway New Orleans, Louisiana 70124
New Orleans Building Corporation 1300 Perdido Street, Suite 2E04 New Orleans, Louisiana 70112	New Orleans Tourism Marketing Corporation One Canal Place, Suite 2020 New Orleans, Louisiana 70130
Orleans Parish Communication District 301 South Broad Street New Orleans, Louisiana 70119	Orleans Parish Hospital Service District A 6600 Plaza Drive, Suite 307 New Orleans, Louisiana 70128
Piazza D'Italia Downtown Public Benefit Corporations City of New Orleans 1515 Poydras Street Suite 1845 New Orleans, Louisiana 70112	Sewerage and Water Board 625 St. Joseph Street New Orleans, Louisiana 70165
Upper Pontalba Building Restoration Corporation 1008 N. Peters Street, 2 Floor New Orleans, Louisiana 70116	

Blended Component Units

Blended component units, although legally separate entities, are, in substance, part of the City's operations, as they provide services exclusively or almost exclusively for the City. The following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because they are, in substance, part of the government's operations. Blended means the data from these units are combined with data of the primary government.

Board of Liquidation, City Debt (The Board) – The Board is a separate legal entity and is included (blended) in the operations of the debt service fund and governmental activities of the City because it handles all matters relating to the bonded debt of the City.

In addition, the following component units are reported as pension trust funds:

Employees' Retirement System of the City of New Orleans (NOMERS) – NOMERS is a separate legal entity established by City ordinance to provide pension benefits for substantially all City employees, except police officers and fire fighters. The Mayor appoints a voting majority of the members of the NOMERS governing board. NOMERS is presented as a pension trust fund because NOMERS serves the employees of the City. The net assets of NOMERS are held for the sole benefit of the participants and are not available for appropriation.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

Firefighters' Pension and Relief Fund (FPRF) – FPRF is a separate legal entity established by City ordinance to provide pension benefits for City firefighters. The Mayor appoints the members of the FPRF governing board. FPRF is presented as a pension trust fund because FPRF serves the employees of the City. The Old System covers firefighters who were employed prior to December 31, 1967; the New System covers firefighters hired since that date. The net assets of FPRF are held for the sole benefit of the participants and are not available for appropriation.

Police Pension Fund (PPF) – PPF is a separate legal entity established by City ordinance to provide pension benefits for City police officers. The Mayor appoints the members of the PPF governing board. PPF is presented as a pension trust fund because PPF serves the employees of the City. The net assets of PPF are held for the sole benefit of the participants and are not available for appropriation.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City.

The following are the City's discretely presented component units:

Discretely Presented Component Units

Brief Description of Activities, Relationship to City, and Key Inclusion Criteria

Louis Armstrong New Orleans International Airport (the Airport)

Local government corporation established in 1943 by the City to provide for the operation and maintenance of the Airport. The Board consists of nine members appointed by the Mayor of the City with approval of the City Council. The City of Kenner, Louisiana and the Parish of St. Charles, Louisiana each have input as to the selection of one board member. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

Downtown Development District

Local government corporation created by Act 498 of 1974 and amended and reenacted by Act 124 of 1977 of the State of Louisiana Legislature, effective January 1, 1975. The District is a special taxing district designated "the Core Area Development District of the City of New Orleans," later renamed the Downtown Development District of the City of New Orleans, comprising all the territory within prescribed boundaries. The Board of Directors is composed of nine members for governance of the District. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

Discretely Presented Component Units

**Brief Description of Activities, Relationship to City,
and Key Inclusion Criteria**

Sewerage and Water Board

A local government corporation created by the City through Act 6 of the Louisiana Legislature of 1899 as a special board independent of the City's government to construct, maintain, and operate a water treatment and distribution system and a public sanitary sewerage system for the City. In accordance with Louisiana Revised Statutes (LRS) 33:4096 and 4121, the Board has the authority to establish the water and sewerage rates to charge to its customers. The board is composed of 13 members, including the Mayor of the City, the two Council members-at-large, and one District Council member selected by the City Council, two members of the Board of Liquidation, and seven citizens appointed by the Mayor. The appointed members of the board serve staggered nine-year terms. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

Audubon Commission (the Commission)

The Commission was created by the Louisiana Legislature to manage and operate its facilities consisting of nine museums and parks dedicated to celebrating the wonders of nature, with goals of fostering education, research, wildlife conservation, family entertainment, and positive economic impact. The Commission has a 24-member board appointed by the Mayor. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

Municipal Yacht Harbor Management Corporation

Local corporation formed by the City 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 fee and charge; 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.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

Discretely Presented Component Units

**Brief Description of Activities, Relationship to City,
and Key Inclusion Criteria**

New Orleans Tourism Marketing Corporation

A local government corporation created by the City on January 1, 1990. Its objectives and purposes are to continuously stimulate the hospitality and tourism industry of the City of New Orleans through regional, national, and international advertising and marketing of the City of New Orleans as a tourist and convention site and a vacation destination; to stimulate economic development in the City of New Orleans through the marketing and solicitation of conventions and trade shows throughout the U.S. and the World; and to advance, promote, and maintain tourism and trade in the City of New Orleans through marketing activities directed at the discretionary tourist or traveler through advertising, direct mailing, or other means. A 15-member Board of Directors is appointed in various ways. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

French Market Corporation

Local government corporation formed January 1, 1972 by the City to provide for the operation and maintenance of the French Market Properties owned by the City of New Orleans. These properties include five buildings and the Farmers Market. The French Market is a nonprofit corporation that is owned by the City and administered by a board of directors consisting of 12 members appointed by the Mayor. The City has financial accountability because it appoints a voting majority of the Corporation and the City can impose its will.

Upper Pontalba Building Restoration Corporation

Local government corporation organized on July 14, 1988 by the City for the purpose of renovating and operating the Upper Pontalba Building. The organization is a nonprofit corporation administered by a board of directors consisting of 7 members that are appointed by the sole stockholder, the Mayor of New Orleans. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

Discretely Presented Component Units

**Brief Description of Activities, Relationship to City,
and Key Inclusion Criteria**

Canal Street Development Corporation

Nonprofit, public benefit corporation incorporated on August 8, 1989 under the Internal Revenue Code Section 501(c)(3) for the sole and exclusive purpose of stimulating business development in the Central Business District and the adaptive reuse and development of Canal Street for commercial purposes. This objective is currently being met through renovations and the leasing of donated real estate and economic development endeavors. The organization's board of directors is comprised of two Councilmen from the City Council and other board members who are appointed by the Mayor of the City. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

New Orleans Building Corporation

Nonprofit, public benefit corporation, incorporated in the State of Louisiana on May 4, 2000 under the Internal Revenue Code Section 501(c)(3) for the purpose of owning, leasing, developing and operating properties owned by the City of New Orleans or by the Corporation. The organization's board of directors is comprised of the Mayor of the City, two councilmembers-at-large, one District Councilmember, and three citizens. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

Piazza d'Italia Development Corporation

Nonprofit, public benefit corporation, incorporated in the State of Louisiana on May 17, 1990 under the Internal Revenue Code Section 501(c)(3) for the purpose of providing for the enhancement, improvement, and commercial development of the Piazza D'Italia consistent with architectural and cultural integrity provided in the design and construction of amenities as originally planned for the development. The organization's board of directors is comprised of two Council members from the City Council and five other Board Members appointed by the Mayor of the City. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

Discretely Presented Component Units

**Brief Description of Activities, Relationship to City,
and Key Inclusion Criteria**

Orleans Parish Communication District

The Orleans Parish Communication District, comprising Orleans Parish, was created effective July 13, 1982, pursuant to Act No. 155 of the 1982 Regular Session of the Louisiana Legislature. The district was created for the purpose of establishing a local emergency telephone service; to establish a primary emergency telephone number; to provide for the governing body of the District; and to authorize the governing authority of such district to levy an emergency telephone tax. This act was amended by Act No. 1029 in 1999 to provide for the creation of multi-parish communications districts; to provide information relative to the rate of the emergency telephone service charge on landline phones; and to authorize the levy of an emergency telephone service charge on certain wireless communications systems. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

Orleans Parish Hospital Service District A

Louisiana hospital service district was created effective July 5, 2006, pursuant to Act No. 830 of the 2006 Regular Session of the Louisiana Legislature. The district was created for the purpose of studying the feasibility of building or acquiring and operating hospital facilities within the District. The district is divided into two areas: (a) Orleans Parish east of the Industrial Canal and (b) all of Orleans Parish except the geographical areas of the Industrial Canal and the area of Orleans Parish bounded by Earhart Boulevard, Carrollton Avenue, Loyola Avenue, and Iberville Street. The two areas of the district are governed by separate governing boards consisting of thirteen commissioners each. The Mayor of the City appoints seven members of each board. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

Related and Jointly Governed Organizations

Related organizations and jointly governed organizations provide services within the City that are administered by separate boards or commissions, for which the City is not financially accountable, and such organizations are, therefore, not reported as component units of the City even though the Mayor and/or the City Council may appoint a voting majority of an organization's board.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

Related Organizations

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

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

Jointly Governed Organizations

The City is a participant in other jointly governed organizations. The Mayor and/or the City Council appoints members of the boards for the following organizations. Such appointments represent less than a voting majority of the respective boards. There is no ongoing financial interest or ongoing financial responsibility for these entities.

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

Basis of Presentation – Government-Wide and Fund Financial Statements

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

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

The statement of activities reports the change in the City's net assets from January 1, 2011 to December 31, 2011. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function of City government. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues in the statement of activities.

CITY OF NEW ORLEANS, LOUISIANA

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

Information in the governmental fund financial statements is reported on a major fund basis. The identification of major funds is determined by the City each year under the methods outlined in GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – of State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – of State and Local Governments: Omnibus GASB Statements*. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are reported in the aggregate in the non-major governmental funds column.

Governmental Funds

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

- (a) **General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.
- (b) **HUD Fund** – This special revenue fund is used to account for funding from the Department of Housing and Urban Development (HUD). Some of the major initiatives are Community Development Block Grants (CDBG), HOME Investment Partnership Act Program (HOME), Emergency Shelter Grant (ESG) Program, and Housing Opportunities for Persons with HIV/AIDS (HOPWA).
- (c) **Federal UDAG Fund** – This special revenue fund accounts for grants received from the Department of HUD for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City.
- (d) **FEMA Fund** – This special revenue fund accounts for grants received from the Federal Emergency Management Agency (FEMA) for Hurricane Katrina and Hurricane Gustav relief efforts.
- (e) **Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds, limited tax bonds, and revenue bonds, including debt principal, interest, and related costs.
- (f) **Capital Projects Fund** – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).

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- (g) *Louisiana Office of Community Development Fund* – This special revenue fund accounts for Disaster Community Development Block Grants received from the Louisiana Office of Community Development (LCD) to assist the City in recovery from the effects of Hurricane Katrina and Hurricane Gustav.

Fiduciary Fund Types

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

- (a) *Pension Trust Funds* – account for the accumulation of resources for pension benefit payments to qualified employees.
- (b) *Agency Funds* – are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting-Measurement Focus

Government-Wide Financial Statements (GWFS)

The statement of net assets and the statement of activities include all the financial activities of the City, except for the fiduciary funds, and its component units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Fund Financial Statements

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Their reported fund balances are considered a measure of “available spendable resources.” Governmental fund statement of revenues, expenditures, and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period. Under the modified accrual basis of accounting, revenues are recorded when considered both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers amounts collected within sixty days after year-end, excluding grant moneys for which the period is one year after year-end, to be available and recognizes them as revenues of the current period. Expenditures are generally recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred. Expenditures related to principal and interest on long-term debt, claims, judgments, landfill post closing costs, and compensated absences are recognized when matured (i.e., due and payable). The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: delinquent property taxes (including penalty and interest); services billed to other funds; sales tax; franchise fees; investment earnings; and grants. Intergovernmental revenues from reimbursable grants and capital projects are recognized when all eligibility requirements have been met and amounts are considered available.

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Non-current portions of certain long-term receivables, primarily property taxes and special assessments, are reported on the balance sheet of governmental funds in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become available.

Licenses and permits, certain charges for services, fines, and forfeitures, and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable or available until actually received.

Pension Trust and Agency Funds

Pension trust funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when incurred. Agency funds use the accrual basis of accounting, but do not involve the measurement of operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Cash and Cash Equivalents

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based on quoted market prices.

Accounts Receivable

Property tax receivables of \$25,158,000 and grantee loan receivables of \$33,086,000 are shown net of an allowance of uncollectible amounts of \$13,642,000 and \$26,401,000, respectively.

Capital Assets

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

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Additions and improvements that significantly extend the useful life of an asset are capitalized. Repairs and maintenance costs are expensed as incurred.

The City reviews the carrying value of its capital assets to determine if circumstances exist indicating impairment in the carrying value of capital assets. If facts or circumstances support the possibility of impairment, management follows guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment will be made to the carrying value of the capital assets. No impairment was recorded in 2011.

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

Buildings and improvements	20 – 40
Equipment and vehicles	5 – 10
Infrastructure	25 – 50
Other	5 – 15

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

Annual and Sick Leave

All full-time classified employees of the City hired prior to January 1, 1979 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Employees hired after December 31, 1978 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.

For governmental funds, annual and sick leave expenditures are recorded when due and payable. All vacation and sick leave is accrued when earned at the government-wide level.

Litigation

Claims and judgments are recognized in the governmental funds as expenditures when due and payable. Therefore, claims and judgments that are due and payable would be expected to be liquidated with expendable available financial resources. To the extent that claims and judgments mature prior to December 31, and are payable from current financial resources, they are accrued at December 31, 2011. Other liabilities not expected to mature as of December 31, 2011 are reported as liabilities in the government-wide financial statements. Estimates of claims and judgment liabilities (both incurred and reported and incurred but not reported) are made through a case-by-case review of all claims and the application of historical experience to the outstanding claims.

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Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

- (a) Non-Spendable Fund Balance - amounts that cannot be spent either because they are in a non-spendable form (such as prepaid expenses) or because they are legally or contractually required to be maintained intact.
- (b) Restricted Fund Balance - amounts constrained to specific purposes by their providers (such as grantor, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- (c) Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority by a vote of the City Council; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- (d) Assigned Fund Balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governmental body delegates the authority such as the City and its management.
- (e) Unassigned Fund Balance - all amounts not included in other spendable classifications.

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

(2) Deposits and Investments

Deposits. The City's deposits are subject to and maintained in accordance with the State of Louisiana's Constitutional Revised Statutes (Revised Statutes). Under the Revised Statutes, all deposits exceeding the amount insured by the FDIC are to be fully collateralized with specific approved securities designated therein valued at 102% of the deposits. The eligible collateral pledged are held in custody by any Federal Reserve Bank, or branch thereof or an independent third party with whom the City has a current custodial agreement. All collateral held must be clearly marked, indicating evidence of ownership (safekeeping receipt). Deposits collateralized under the Revised Statutes are considered collateralized with securities held by the pledging financial institutions trust department or agent in the "City's name."

At December 31, 2011, the carrying amount of the City's deposits was \$61,120,000.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it under state law. At December 31, 2011, the City's bank balances totaled \$55,026,504. These bank deposits were completely secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the City's name at December 31, 2011.

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Investments. The City's investment policy states its primary objectives, in priority order, of investment activities shall be:

Safety: Safety/security of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

Liquidity: The City investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with investment risks constraints and the cash flow characteristics of the portfolio. Return on investments shall be secondary to the safety and liquidity objectives described above. The core of investments is limited to qualified, relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

The City's investment policy applies to all investment activities of the City under the control of the Director of Finance, including management of certain investments related to governmental and agency funds. All deposits and investments shall be made with a qualified public depository or dealer. Broker/Dealers are selected by their credit worthiness and must be authorized to provide investment services in the state of Louisiana. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The City's policy also requires, to the extent possible, diversification of its investments by security type and institution. With the exception of U.S. Treasury securities, bank certificates of deposit (as limited by R.S.39:1242d), and authorized pools, no more than 25% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. This diversification is required in order that potential losses on individual securities do not exceed the income of the remainder of the portfolio. Deviation from expectations will be reported in a timely manner and appropriate action taken to control adverse risks.

The City invests monies with the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB standards requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

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LAMP is a 2a7- like investment pool. The following facts are relevant for 2a7 like investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 54 as of December 31, 2011.
- Foreign currency risk: Not applicable to 2a7 -like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

The City follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair value, which is based on available market values. The Local Government Investment Pool is a "2a-7-like" pool in accordance with GASB Statement No. 31; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value.

At December 31, 2011, the City's market value of investments was as follows (amounts in thousands):

	<u>Governmental</u>	<u>Agency</u>	<u>Pension Trust</u>	<u>Total</u>
LAMP	\$ 12,417	21,918	—	34,335
Money market	83,168	—	—	83,168
Certificates of deposit	60,346	—	—	60,346
Treasury bills	2,645	—	—	2,645
Corporate bonds	—	—	102,476	102,476
Stock and mutual funds	—	—	211,865	211,865
Real estate and real estate funds	—	—	81,739	81,739
Invested in corporations, partnerships, and limited liability corporations	—	—	31,400	31,400
Invested in hedge funds, private equity funds, and fund to fund	—	—	48,967	48,967
Notes receivable	—	—	19,466	19,466
Other	—	—	3,885	3,885
Cash equivalents	—	—	27,599	27,599
Total investments	\$ <u>158,576</u>	<u>21,918</u>	<u>527,397</u>	<u>707,891</u>

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Interest Rate Risk – Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City manages interest rate risk for investments under the control of the City by limiting the maximum maturity of investments in accordance with their investment policy. As stated in its investment policy, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, cash will not be invested in securities maturing more than three years from the date of purchase.

At December 31, 2011, the governmental and fiduciary funds, investment balances and maturities for those investments were as follows (amounts in thousands):

	<u>Investment maturity in years</u>	
	<u>Total</u>	<u>Less than one year</u>
LAMP	\$ 34,169	34,169
Money market	83,168	83,168
Certificates of deposit	60,346	60,346
U.S. Treasury Bills	2,645	2,645
Total investments	<u>\$ 180,328</u>	<u>180,328</u>

At December 31, 2011, the Firefighters' Pension trust fund's investment balances and maturities for those investments subject to interest rate risk were as follows (amounts in thousands):

	<u>Investment maturity in years</u>				
	<u>Total</u>	<u>Less than one year</u>	<u>1– 5</u>	<u>6– 10</u>	<u>More than 10</u>
Corporate bonds	\$ 6,292	—	3,886	1,800	606
Notes receivable	\$ 19,466	12,089	4,040	—	3,337

At December 31, 2011, the Municipal Employees' Pension trust fund's investment balances and maturities for those investments subject to interest rate risk were as follows (amounts in thousands):

<u>Bond Maturities</u>	<u>Market Value</u>
0 - 2 Years	\$ 13,247
2 - 3 Years	3,220
3 - 4 Years	3,985
4 - 5 Years	5,828
5 - 6 Years	3,036
6 - 8 Years	9,240
More than 8 years	57,628
	<u>\$ 96,184</u>

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Credit Quality Risk – Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the City. The City does not have a policy statement concerning credit quality risk in its investment policy. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not assigned credit quality ratings. Credit quality ratings are reported on obligations of U.S. government agencies not explicitly guaranteed by the U.S. government. LAMP has been rated AAA by Standard & Poor’s Corporation.

The following table provides information on the credit ratings associated with the Municipal Employees’ pension trust fund’s investments in debt securities at December 31, 2011 (amounts in thousands):

<u>Quality Sectors</u>	<u>Market Value</u>
Treasury	\$ 6,708
Agency	552
AAA	14,499
AA	1,475
A	28,946
BAA	14,315
Other	30,914
	<u>\$ 97,409</u>

The following table provides information on the credit ratings associated with the Firefighters’ pension trust fund’s investments in debt securities at December 31, 2011 (amounts in thousands):

	<u>Corporate bonds</u>
BBB-	\$ 341
BB+	191
B+	887
B	1,506
B-	1,370
CCC+	817
CCC	329
CCC-	308
NR	543
Total	<u>\$ 6,292</u>

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City’s name, and are held by either the counterparty to the investment purchase or the counterparty’s trust department or agent but not held in the City’s name. The investments of the City and NOMERS’ trust fund’s investments owned at December 31, 2011 were not subject to custodial credit risk.

The City has no formal investment policy regarding custodial credit risk.

At December 31, 2011, the Firefighters’ Pension and Relief Fund’s (New System) cash collateral held under the securities lending program in the amount of \$3,884,972 is exposed to custodial credit risk since the collateral is not in the name of the fund.

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Concentration of Credit Risk – The City’s investment policy does not allow for more than 25% of the total investment portfolio to be invested in a single security type with the exception of U.S. Treasury securities, bank certificates of deposit, and authorized pools. As of December 31, 2011, the City was not in compliance with this policy. All of the investments in one financial institute were 100% in money market mutual funds. All of the City’s governmental fund investments are issued or explicitly guaranteed by the U.S. government or are held in LAMP and are not subject to concentration of credit risk.

The NOMERS pension trust fund’s investment policy mandates the maximum limits on position held with each assets class as follows: equities (65%), fixed income (55%), and alternative investments (20%). As of December 31, 2011, all NOMERS investments were in compliance with this policy.

The Firefighter’s Pension and Relief Fund’s investment policy states that no more than 25% of the equity portfolio market value may be invested in any single industry. The equity holdings in any single corporation shall not exceed 5% of the market value of the equity portfolio at any time. In addition, no more than 5% of total fund assets at market may be invested in any one issuer’s securities (exclusive of issues of the U.S. Treasury or other federal agencies). At December 31, 2011, there were no investment holdings that exceeded the fund’s concentration of credit risk investment policy.

Securities Lending Transactions – The Board of Trustees of the Firefighter’s Pension and Relief Fund authorized the fund to enter into a securities lending program. These agreements consist of the loan of stock and bonds with a simultaneous agreement to reacquire the same loaned security in the future plus a contract rate of interest. The Fund requires the dealer to transfer cash or collateral of no less than 100% of the market value of the securities underlying the securities lending agreements. At December 31, 2011, the fair value of the securities on loan is \$3,773,497. The underlying collateral for these securities is \$3,884,972.

In cases of security loans in which the collateral received by the fund is cash, the fund is able to reinvest the cash under the agreement with the dealer. When this occurs the collateral is reported as an asset with a corresponding liability. If the fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the fund does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the balance sheet. The cash collateral was invested in cash equivalents and fixed income securities at December 31, 2011. The maturities of these investments match the maturities of the securities loans.

At year end, the fund has no credit risk exposure to borrowers because the amounts the borrowers owe the Fund exceed the amounts the Fund owes the borrowers. The fund cannot pledge or sell collateral securities received unless the borrower defaults.

(3) Tax Revenues

At December 31, 2011, the total sales tax levied in the City is 9%, of which 4% is state sales tax, 1.5% is levied by the Orleans Parish School Board (the School Board), and 1% is dedicated for transportation and is levied by the Regional Transit Authority (RTA). The remaining 2.5% is used to fund the general operations of the City. The City administers and collects the entire 5% of local sales tax. The School Board’s portion of the sales tax is accounted for in the Orleans Parish School Board sales tax clearing fund, and the RTA’s portion of the sales tax is accounted for in the RTA sales tax clearing fund, both of which are agency funds.

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

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

Property tax levies per \$1,000 of assessed valuation accounted for within the funds of the City (primary government only) for the year ended December 31, 2011 are as follows:

General:		
General governmental services	\$	13.91
Dedicated for fire and police		6.40
Public library		3.14
Fire and police, without applying homestead exemption		10.47
Parkways and parks and recreation department		3.00
Street and traffic control device maintenance		1.90
Act 44		1.19
Special revenue:		
Neighborhood housing improvement fund		0.91
New Orleans economic development fund		0.91
Capital improvement and infrastructure		1.82
Debt service		25.50
	\$	<u>69.15</u>

Property taxes levied on January 1, 2011, collected during 2011, or expected to be collected within the first 60 days of 2012, are recognized as revenues in the statement of revenues, expenditures, and changes in fund balances – governmental funds. The entire estimated collectible amount of the tax levy for the fiscal year is recorded as revenue in the government-wide financial statements. Property taxes paid under protest are held in escrow until resolution of the dispute. Amounts collected for other governmental entities are accounted for in the agency funds.

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(4) Grantee Loans

The City's grantee loan balances at December 31, 2011 are as follows (amounts in thousands):

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
UDAG	\$ 8,819	(6,392)	2,427
HUD	20,008	(20,008)	—
Nonmajor (HUD loan)	<u>4,259</u>	<u>—</u>	<u>4,259</u>
Total grantee loans	<u>\$ 33,086</u>	<u>(26,400)</u>	<u>6,686</u>

(a) UDAG

The City has received certain grant awards or loans from the HUD for the purposes of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Eighteen individual loans are outstanding at December 31, 2011 totaling \$8,819,000, which bear interest at rates ranging from 0.1% to 7.0%. These loans are receivable over a 10- to 30-year period. Once loan repayments are received and the project is accepted by HUD, the City may use the amounts received for other allowable economic development activities specified in the grant agreement. The City has recorded \$6,392,000 in allowance for bad debt on these loans.

(b) HUD Section 108

The City received a Section 108 loan from HUD to allow/provide loans to the private sector for economic development. At December 31, 2011, there were four outstanding loans which bear interest at rates of 2% to 7.87% and are receivable over 15 to 30 years.

During 1998, HUD agreed to loan to the City \$24,375,000 for the development of the Jazzland Theme Park. These funds were subsequently loaned to Jazzland, Inc. (Jazzland) and were due from Jazzland in bi-annual installments plus 7.87% interest. During 2001, Jazzland failed to remit to the City a required payment and was in default on its loan as of December 31, 2001. On February 28, 2002, Jazzland filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result, the City wrote off its remaining receivable from Jazzland. In 2002, Six Flags Theme Park, Inc. assumed management of Jazzland, and the theme park was renamed "Six Flags New Orleans." Six Flags had agreed to make monthly lease payments of \$116,667 to the Industrial Development Board (IDB), which in turn, would transfer the money to the City. The payments by the IDB are being made to the City. The lease expires in 2017. These moneys are to be used by the City to repay the HUD loan. Annual debt service on the loan is \$2,400,000 through 2017. The outstanding balance at December 31, 2011 is \$8,814,000. No payments were received during the year ended December 31, 2011. The City has recorded \$8,814,000 in allowance for the remaining balance on these loans.

During 2000, HUD agreed to loan to the City \$5,000,000 for the development of the old American Can Factory into apartments. The City subsequently loaned these funds and an additional \$1,500,000 (amount received by the City through Urban Development Action Grants) to Historic Restoration, Inc. (HRI). These funds are due from HRI in quarterly installments plus 2% interest. The principal payments commenced on April 1, 2003, and the final payment is due January 1, 2040. Payments of \$140,000 were received during the year ended December 31, 2011. The outstanding balances at December 31, 2011 were \$4,259,000 on the HUD loan and \$987,000 on the UDAG loan.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

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During 2002, HUD agreed to loan to the City \$5,000,000 for the development of the Palace of the East. The City subsequently loaned these funds to the Palace of the East. The loan is due to be repaid in quarterly installments plus 6% interest. The principal payments commenced on July 15, 2004, and the final payment is due on August 1, 2021. The outstanding balance at December 31, 2011 is \$3,731,000. No payments were received during the year ended December 31, 2011. The City has recorded an allowance of \$3,731,000 against this loan.

During 2002, HUD agreed to loan to the City approximately \$7,047,000 for the development of the Louisiana Artists Guild, a Louisiana Nonprofit Corporation. The City subsequently loaned these funds to LA Artworks. The loan is due to be repaid in quarterly installments plus interest of 5.6183%. Principal payments commenced on October 15, 2003 and end on July 15, 2022. The outstanding balance at December 31, 2011 is \$7,047,000. No payments were received during the year ended December 31, 2011. The City has recorded an allowance of \$7,047,000 against this loan.

(5) Capital Assets

A summary of changes in capital assets of governmental activities (amounts in thousands) is as follows:

	Balance January 1, 2011	Additions	Deletions and adjustments	Transfers	Balance December 31, 2011
Nondepreciable capital assets:					
Land	\$ 94,220	254	—	—	94,474
Construction in progress	277,042	130,214	—	(100,931)	306,325
Total nondepreciable capital assets	371,262	130,468	—	(100,931)	400,799
Depreciable capital assets:					
Infrastructure	2,390,711	192	—	53,404	2,444,307
Buildings and improvements	251,050	891	(125)	47,527	299,343
Equipment and vehicles	102,006	4,103	(383)	—	105,726
Other	40,793	—	(5)	—	40,788
Total depreciable capital assets	2,784,560	5,186	(513)	100,931	2,890,164
Less accumulated depreciation for:					
Infrastructure	1,579,702	58,399	—	—	1,638,101
Buildings and improvements	86,594	7,356	(243)	—	93,707
Equipment and vehicles	74,062	11,433	(263)	—	85,232
Other	26,056	1,527	—	—	27,583
Total accumulated depreciation	1,766,414	78,715	(506)	—	1,844,623
Total depreciable capital assets, net	1,018,146	(73,529)	(7)	100,931	1,045,541
Total	\$ 1,389,408	56,939	(7)	—	1,446,340

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

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Depreciation expense was charged to functions/programs of the primary government as follows (amounts in thousands):

General government	\$	13,073
Public safety		5,717
Public works		58,398
Culture and recreation		1,527
Total depreciation expense	\$	<u>78,715</u>

(6) Long-Term Debt

Debt Service Fund

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

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

Bond Transactions

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Bonds payable, excluding unamortized premium of \$8,842,000, at December 31, 2011 comprise the following (all bonds are serial bonds) (amounts in thousands):

<u>Description</u>	<u>Original issue</u>	<u>Range of average interest rates</u>	<u>Amount outstanding</u>	<u>Due in one year</u>
General obligation bonds:				
2001-2010 Public Improvement				
Bonds, due in annual installments ranging from \$2,500 to \$13,595 through December 2039	\$ 263,735	4.3 – 8.4%	\$ 236,295	\$ 5,865
1991 General Obligation Refunding				
Bonds, due in annual installments ranging from \$3,839 to \$9,964 commencing September 2004 through September 2018	98,886	6.7 - 7.1%	33,799	5,972

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

<u>Description</u>	<u>Original issue</u>	<u>Range of average interest rates</u>	<u>Amount outstanding</u>	<u>Due in one year</u>
General obligation bonds, continued:				
1998 General Obligation Refunding Bonds, due in annual installments ranging from \$210 to \$13,080 through December 2026	\$ 106,520	3.7 - 5.5%	\$ 84,115	\$ 3,715
2002 General Obligation Refunding Bonds, due in annual installments ranging from \$300 to \$19,950 commencing September 2015 through September 2021	58,415	5.1%	58,415	—
2005 General Obligation Refunding Bonds, due in annual installments ranging from \$275 to \$8,795 commencing December 2009 through December 2029	105,280	3.0 - 5.25%	96,920	4,370
Limited tax bonds:				
2005 Limited Tax Bonds, due in annual installments of \$1,450 to \$2,900 commencing March 2006 through March 2021	33,000	3.0-5.0%	23,360	1,860
Taxable bonds:				
2011 Taxable Bonds, due in one installment of principal and interest in February 2013	15,995	5.95%	15,995	—
Revenue bonds:				
2000 Taxable Pension Revenue Bonds, due in annual installments from \$3,600 to \$7,000 commencing September 2001 through September 1, 2030	170,660	6.95%	115,760	6,600
2004 Variable Rate Revenue Bonds, due in annual installments from \$355 to \$865 commencing August 2005 through August 2024	11,500	Variable	8,620	495
Total bonds			<u>673,279</u>	<u>28,877</u>
Accreted bond discount at December 31, 2011			105,346	—
			<u>\$ 778,625</u>	<u>\$ 28,877</u>

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

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In November 2004, the City received approval from taxpayers to issue \$260,000,000 in General Obligation Bonds. The City issued \$75,000,000 in face amount of these authorized General Obligation Bonds in December 2007 at a premium of \$147,000, proceeds of which were transferred to the Capital Projects Fund. Remaining authorized and unissued General Obligation Bonds were \$185,000,000 at December 31, 2011.

In November 2011, the City issued \$15,995,000 of Taxable Bonds (Series 2011) to refund the Series 1998 certificates of indebtedness. The proceeds of the bond were used to pay the principal and interest of the certificates of indebtedness of \$15,445,000 and \$406,688, respectively, and bond issuance costs of \$113,312.

The payment requirements for all bonds outstanding, including accretion on the 1991 General Obligation Bonds of \$105,346,000 (included in interest payments) as of December 31, 2011, are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2012	\$ 28,877	51,201
2013	45,328	51,762
2014	29,917	63,008
2015	30,895	63,822
2016	31,669	64,732
2017 – 2021	240,737	191,869
2022 – 2026	125,775	57,944
2027 – 2031	89,815	29,212
2032 – 2036	43,120	10,231
2037 – 2039	7,146	1,278
	<u>\$ 673,279</u>	<u>585,059</u>

The City's legal debt limit for General Obligation Bonds is \$1,168,903,000. At December 31, 2011, the City's legal debt margin adjusted for outstanding principal of \$509,544,000 and past and future accretion of \$144,316,000 on the City's outstanding General Obligation Bonds, plus fund balance available in the Debt Service Fund of 29,859,000 to service this debt was \$544,902,000.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. At December 31, 2011, management believes it is in compliance with all financial related covenants.

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2000 Taxable Revenue Pension Bonds

Included in bonds payable are The Firefighters' Pension and Relief Fund (Old System) Bonds which were issued in 2000 to fund a portion of the projected unfunded accrued liability for the pension plan. The bonds are secured and payable solely from moneys that are available after payment of contractual and statutory obligations and other required expenses, including outstanding certificates of indebtedness. The bonds bear interest at a variable rate determined weekly based on the Bond Market Association Municipal Swap Index™ (BMA); however, the City entered into an interest rate swap agreement over the term of the bonds, which resulted in a fixed rate of 6.95%. As of December 31, 2011, \$115,760,000 in outstanding bonds was recorded as a non-current liability in the government-wide financial statements. The swap terminates in September 2030.

Objective of the Interest Rate Swap. As a means of lowering its borrowing costs, when compared against fixed-rate bonds at the time of issuance in 2000, the City entered into an interest rate swap in connection with its \$170.6 million Taxable Pension Variable-Rate Revenue Bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 6.95%.

Terms. The bonds and the related swap agreement mature on September 1, 2030, and the swap's notional amount of \$171 million matches the \$171 million variable-rate bonds. The swap agreement was executed contemporaneously with the issuance of the bonds (November 2000). Starting in fiscal year 2001, the notional value of the swap and the principal amount of the associated debt declined. Under the swap, the City pays the counterparty, UBS, a fixed payment of 6.95% and receives a variable payment computed weekly based on the BMA swap index. In addition to the swap agreement, the City entered into a remarketing arrangement with JPMorgan Chase, which obligates the bank to buy the bonds at par at the remarketing agent's demand if the remarketing agent cannot resell the bonds ("the put"). In February 2008, the remarketing agent exercised its put option, which resulted in the bonds becoming "bank bonds" and the City being required to pay interest at the bank's prime rate. The bank bond rate increased to the bank's prime rate plus 1% after 90 days. This payment is an addition to the swap payments, which require the City to pay the counterparty a fixed 6.95% reduced by a variable rate equal to the current 30 day London Interbank Borrowing Rate (LIBOR).

Fair value. Because interest rates have declined since execution of the swap, the swap had a negative fair value of approximately \$47.1 million as of December 31, 2011. The fair value of the swap is included in the derivative instrument liability on the statement of net assets. The fair value decreased by approximately \$11.1 million from \$36.0 million as of December 31, 2010. The decrease in fair value is included in unrestricted investment income on the statement of activities. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. As of December 31, 2011, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa3, A, and A by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively, as of December 31, 2011.

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Basis Risk. The City will receive from the counterparties one-month USD-LIBOR-BBA and will pay the bond rate to its bondholders set by the remarketing agent. The City is exposed to basis risk when the Revenue Taxable Pension Bonds trades at a yield which exceeds one-month USD-LIBOR-BBA. At December 31, 2011, the variable rate on the bonds was 4.25% and one-month USD-LIBOR-BBA was 0.27%. As a result, the City has experienced an increase in debt service above the fixed rate on the swap agreement.

Termination risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City if the counterparty's credit quality rating falls below "A-" as issued by Moody's Investors Service. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. If at the time of termination the swap has a positive fair value, the City would receive a cash payment.

Certificates of Indebtedness

In December 2004, the City issued \$40,415,000, of which \$32,330,000 remained outstanding at December 31, 2011, in limited tax certificates of indebtedness (Series 2004B) for the primary purpose of financing the partial defeasance of the 1998B Certificates, financing judgment claims against the City, and paying the costs of issuance. The certificates bear interest ranging from 3.15% to 4.75%, payable semiannually and will be fully matured on March 1, 2014.

During 2005, the City issued \$2,050,000, of which \$615,000 remained outstanding at December 31, 2011, in certificates of indebtedness (Series 2005) for the primary purpose of paying costs to repair trackage for rail car storage and to make infrastructure improvements in connection with the CG Rail Project. The certificates bear interest of 3.59%, payable semiannually and will be fully matured on December 1, 2014.

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

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2012	\$ 6,930	1,369
2013	12,675	925
2014	13,340	319
	<u>\$ 32,945</u>	<u>2,613</u>

Loans Payable

The City entered into a cooperative endeavor agreement with the State of Louisiana to provide for the issuance of general obligation bonds of the State of Louisiana (GO Zone Series) to fund the debt service assistance loan program, which will make scheduled debt service payments on behalf of the City for certain issues of outstanding debt. The loan balance at December 31, 2011 is \$79,886,000. The loans are payable beginning in 5 years in equal installments over 15 years commencing in 2012. Interest is deferred during the initial 5 year period and then accrues at a rate of 4.64% during the repayment period.

CITY OF NEW ORLEANS, LOUISIANA

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The requirements to amortize the debt service assistance loan are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2012	\$ 3,804	3,707
2013	3,980	3,530
2014	4,165	3,346
2015	4,358	3,152
2016	4,560	2,950
2017 - 2021	26,178	11,373
2022 - 2026	32,841	4,492
	<u>\$ 79,886</u>	<u>32,550</u>

In 2009, the City entered into a loan agreement. The loan proceeds are restricted for equipment purchases. The loan balance at December 31, 2011 is \$3,669,000 and is payable over 4 years beginning in 2010. The loan accrues interest at a rate of 3.71%. The requirements to amortize the loan are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2012	\$ 1,801	136
2013	1,868	69
	<u>\$ 3,669</u>	<u>205</u>

Other Long-Term Liabilities

The City has entered into contracts for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, with the Secretary of HUD as guarantor. Portions of these funds were used to fund grantee loans referred to in Note 4. The loans consist of notes bearing interest at either fixed interest rates ranging from 5% to 8% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). As of December 31, 2011, \$23,388,000 is recorded as a liability in the government-wide financial statements. The requirements to amortize the Section 108 loans are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2012	\$ 2,610	793
2013	2,780	746
2014	2,952	684
2015	3,149	607
2016	3,338	513
2017 - 2021	7,959	1,138
2022	600	37
	<u>\$ 23,388</u>	<u>4,518</u>

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On October 15, 2000, the City entered into an agreement with a vendor to purchase heating, ventilation, and air cooling (HVAC) equipment under a 20 year capital lease. The City entered into two similar subsequent agreements with this vendor on June 1, 2001 and July 21, 2003 primarily for the purpose of purchasing additional HVAC equipment and traffic lights, respectively. The original net present value of these capital leases were \$9,625,000, \$17,919,000, and \$6,887,000 with corresponding interest rates of 7.8%, 7.1%, and 9.3%, respectively. Under terms of the agreement, title to this equipment is transferred to the City at the end of the lease. The contracts provided for a guaranteed energy savings component, which when combined with certain other savings, stipulated by the City, would exceed the debt service requirements on this capital lease. Following Hurricane Katrina, the City and the vendor agreed to amend their original agreement to remove the guaranteed savings component and to reduce the monthly maintenance contract. This liability and the related asset were not previously recorded on the City's books. The HVAC equipment under the leases dated in 2000 and 2001, were recorded as Buildings and Improvements with a useful life over 20 years, and an adjustment made for estimated impairment from Hurricane Katrina in 2007. As the traffic light equipment was substantially destroyed in 2005, these assets were not recorded on the City's books.

The requirements to amortize the capital leases are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2012	\$ 3,469	1,204
2013	3,060	1,068
2014	2,619	924
2015	2,758	773
2016	2,905	607
2017 - 2018	<u>4,651</u>	<u>611</u>
	<u>\$ 19,462</u>	<u>5,187</u>

The City has recorded \$44,901,000 in accrued annual and sick leave in accordance with its pay-out policies. During the year active employees earned and used \$21,781,000 and \$23,465,000, respectively in sick and vacation leave benefits. The entire annual and sick liability is recorded in the government wide statements, and no liability is recorded in the governmental funds.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows (amounts in thousands):

	<u>January 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2011</u>	<u>Due in one year</u>
Claims and judgments (note 11)	\$ 291,658	48,585	(62,287)	277,956	21,534
Landfill closing costs (note 11)	7,325	-	(771)	6,554	180
Accrued annual and sick leave	46,585	21,781	(23,465)	44,901	5,000
Revenue bonds	131,250	-	(6,870)	124,380	7,095
Certificates of indebtedness	55,460	-	(22,515)	32,945	6,930
General obligation bonds (a)	643,075	-	(28,185)	614,890	29,924
Limited tax bonds	25,140	-	(1,780)	23,360	1,860
Taxable bonds	-	15,995	-	15,995	-
Deferred loss on refunding	(2,719)	-	319	(2,400)	(305)
Premium on bonds payable	10,016	-	(1,174)	8,842	1,109
Discount on bonds payable	(428)	-	48	(380)	(48)
Debt service assistance program	79,886	-	-	79,886	3,804
HUD Section 108 loan	25,844	-	(2,456)	23,388	2,610
Note payable	5,405	-	(1,736)	3,669	1,801
Capital leases	22,646	-	(3,184)	19,462	2,273
Net pension obligation (note 7)	95,046	68,452	(52,862)	110,636	41,268
Post-employment benefit (note 7)	50,977	12,483	(9,085)	54,375	9,189
	<u>\$ 1,487,166</u>	<u>167,296</u>	<u>(216,003)</u>	<u>1,438,459</u>	<u>134,224</u>

(a) Additions and deletions include amounts related to accretion of 1991 Refunding Series of \$10,538 and \$(19,045), respectively.

The long-term liabilities will be repaid from the General Fund, except for HUD Section 108 loans, which will be repaid from the UDAG Fund, and the General Obligation and Limited Tax Bonds and a portion of the Debt Service Assistance Loan Program, which will be repaid from the Debt Service Fund. The Board of Liquidation handles all the bonded debt of the City and results of its operations are reported in the debt service fund. For the year ended December 31, 2011, the debt service fund had \$59,140,000 in fund balance reserved to service this debt.

(7) Pension Plans and Postretirement Healthcare Benefits

At December 31, 2011, the City sponsors and administers four separate single-employer, contributory defined benefit pension plans, namely: (1) Firefighters' Pension and Relief Fund – Old System; (2) Firefighters' Pension and Relief Fund – New System; (3) Police Pension Plan (Police Plan); and (4) Employees' Retirement System of the City of New Orleans (Employees' Plan). The Old System covers firefighters who were employed prior to December 31, 1967; the New System covers firefighters hired since that date. Effective March 6, 1983, all members of the Police Plan, active and retired, except for approximately 250 participants who did not meet the eligibility requirements, became members of the Municipal Police Employees' Retirement System (State of Louisiana) (MPERS). The Police Plan of the City will remain responsible for the payment of certain benefits due to differences in length of service and age requirements for the participants who were not transferred to the MPERS plan. MPERS is the only cost-sharing, multiple-employer retirement plan in which employees of the City participate. The Employees' Plan covers all City employees other than firefighters and police.

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All four plans use the accrual basis of accounting for changes in net assets. Within this context, interest income is recognized when earned, as are employer and employee contributions, except in the case of the Police Plan, which recognizes employer contributions when due from the City. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

MPERS Plan Description

On March 6, 1983, an agreement was signed among the City, the Police Pension Funds of the City of New Orleans, and the MPERS, which provided for the merger of the Police Pension Plans with the MPERS. As of that date, all members of the Police Pension Plans, active and retired, became members of the MPERS. Those members covered by the system who did not meet the age and service requirements of the MPERS will be paid by the Police Pension Fund of the City until they reach age 50 or 55, depending on the length of active service. The MPERS is a defined benefit pension plan established by a State of Louisiana statute.

Employees become eligible for retirement under the MPERS plan at age 50, after being a member of the plan for 1 year and after 20 years of active continuous service. An employee who is age 55 becomes eligible for retirement benefits after 16 years of active continuous service. The plan also provides death and disability benefits. Authority to establish and amend benefit provisions is provided under the laws of the State of Louisiana. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Room 270, Baton Rouge, Louisiana 70809, or by calling (800) 443-4248.

Employees' Plan, Police Plan, Firefighters' Pension and Relief Fund – Old and New System Descriptions

Each plan is a defined benefit pension plan established by the State of Louisiana statute, which provide retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Authority to establish and amend benefit provisions is provided under the laws of the State of Louisiana. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plan.

Employees' Retirement System of the City of New Orleans
1300 Perdido Street, Suite 1E12
New Orleans, Louisiana 70112
(504) 658-1850

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

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

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Funding Policies and Annual Pension Costs

The employer contributions for the MPERS and the Firefighters' Pension and Relief Fund (New System) are based on actuarially determined amounts. The employer contribution for the Police Pension Fund is based on amounts necessary to cover administrative costs and payments of pensions and benefits, as certified by the board of trustees of the Fund. The employer contribution for the Firefighters' Pension and Relief Fund (Old System) is based on amounts necessary to pay current expenses, and, in effect, is being funded on a "pay-as-you-go" basis. In December 2000, the City issued \$170,660,000 of taxable pension revenue bonds to fund the projected unfunded accrued liability of the Firefighters' Pension and Relief Fund (Old System). Debt service is to be paid from the General Fund. Employees covered under the MPERS contribute 4% of their earnable compensation to the plan in excess of \$1,200 per year. Employees covered under the Firefighters' Pension and Relief Fund of the City of New Orleans (Old and New Systems) contribute 6% of salary for the first 20 years of employment.

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

	Employees' Retirement System	Police Pension Fund	Firefighters' Pension and Relief Fund (Old System)	Firefighters' Pension and Relief Fund (New System)
Annual required contribution (thousands)	\$ 20,851	—	22,613	29,424
Annual pension cost (thousands)	19,720	—	18,084	28,087
Contributions made (thousands)	19,918	—	20,975	11,987
Actuarial valuation date	1/1/2011	12/31/2011	1/1/2011	1/1/2011
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method	Aggregate level normal cost method
Amortization method	(a)	(b)	Specific number of years – level amount, closed	(c)
Remaining amortization period	(a)	(b)	3 years	(c)
Asset valuation method	Adjusted market value	Cost which approximates market	Market value	Three-year averaging market value
Actuarial assumptions:				
Investment rate of return	7.75%	7.0%	7.5%	7.5%
Projected salary increases	5.0%	NA	5.0%	5.0%

CITY OF NEW ORLEANS, LOUISIANA

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- (a) The fund uses the “Entry Age Normal Cost Method” to calculate the funding requirements for this Fund. Under this method the normal cost of the plan is designed to be a level percentage of payroll, calculated on an aggregate basis, spread over the entire working lifetime of the participants. The future working lifetime is determined from each participant's hypothetical entry age into the plan assuming the plan had always been in existence, to the participant’s expected retirement date. This fund uses a level dollar amortization for an open ten year amortization period effective on each valuation date.
- (b) The “Entry Age Normal Cost Method” was used to calculate the funding requirements of the Fund. Under this cost method, the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis as a percentage of payroll for each participant between entry age and assumed retirement age.
- (c) The “Aggregate Level Normal Cost Method” allocates pension costs as a level percentage of payroll over the future working lifetime of current members. The Aggregate Cost Method produces no unfunded accrued liability.

Annual Pension Cost, Prepaid Pension Asset, and Net Pension Obligation – The City’s annual pension cost (APC), prepaid pension asset (PPA), and net pension obligation (NPO) to the City of New Orleans Employees’ Retirement System and the Firefighters’ Pension and Relief Fund (Old System and New System) for the current year are as follows (amounts in thousands):

	<u>New Orleans Employees’ Retirement System</u>	<u>Firefighters’ Pension and Relief Fund (Old System)</u>	<u>Firefighters’ Pension and Relief Fund (New System)</u>
Annual required contribution	\$ 20,851	22,113	29,424
Interest on NPO	1,254	4,584	1,522
Adjustment to annual required contribution	<u>(2,385)</u>	<u>(8,613)</u>	<u>(298)</u>
Annual pension cost	19,720	18,084	30,648
Contributions made	<u>19,918</u>	<u>20,957</u>	<u>11,987</u>
Decrease (increase) in NPO	198	2,873	(18,661)
NPO, beginning of year	<u>(16,186)</u>	<u>(61,125)</u>	<u>(17,735)</u>
NPO, end of year	\$ <u><u>(15,988)</u></u>	<u><u>(58,252)</u></u>	<u><u>(36,396)</u></u>

The NPOs are approximately \$15,988,000, \$58,252,000, and \$36,396,000 respectively, at December 31, 2011, and are recorded in the governmental activities of the government-wide statement of net assets.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

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Three Year Trend Information (amounts in thousands)

	<u>Year ending</u>	<u>APC</u>	<u>Percentage of APC contributed</u>	<u>NPO</u>
MPERS	12/31/11	\$ 19,720	66%	\$ 15,988
	12/31/10	20,686	63	16,186
	12/31/09	16,760	75	8,532
Firefighters' Pension and Relief Fund (Old System)	12/31/11	17,892	121	61,125
	12/31/10	17,892	121	61,125
	12/31/09	18,576	7	64,851
Firefighters' Pension and Relief Fund (New System)	12/31/11	28,087	87	36,397
	12/31/10	22,576	109	17,735
	12/31/09	13,681	77	6,590

Firefighters' Pension and Relief Fund Lawsuit

During the year ended December 31, 2010, a lawsuit was filed by city firefighters against the City to adjust their pensions for longevity raises not received while employed by the City. A judgment was obtained against the City for the difference in the amount retired firefighters were receiving as their pension benefit and what they should have received had the longevity raises been included in their retirement benefit calculation. The judgment applies to all firefighters who retired on or after March 2, 1990. The increase in their pension payment is to be calculated in accordance with longevity factors determined by the Court. The judgment states that benefits are only to be upwardly adjusted when the funds are appropriated by the City.

On March 17, 2010, the firefighters obtained a consent judgment authorizing the Fund, upon receiving the appropriated funds from the City of New Orleans, to upwardly adjust monthly pension benefits owed to those members who retired on or after March 2, 1990, starting on January 1, 2010 in accordance with the longevity factors determined by the Court. During the year ended December 31, 2010, the City appropriated funds necessary to pay the increased benefit to those members currently receiving cash benefits.

As of December 31, 2011, the City has not appropriated funds to pay the increased benefit owed to members prior to December 31, 2009. The Fund is currently in the process of determining the amount of the increased benefit owed to members for pensions prior to December 31, 2009.

Member Deferred Retirement Option Plan (DROP) and Partial Lump-Sum Option Plan (PLOP) accounts were not increased during the year ended December 31, 2011 since the City appropriation received did not cover these accounts.

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The NOFF has calculated the increased benefit owed to the members in their DROP and PLOP accounts. As of December 31, 2011, the amount of DROP benefits owed to members is estimated to be \$15,809,790 and \$3,149,017 for the New and Old Systems, respectively. As of December 31, 2011, the amount of PLOP benefits owed to these members is estimated to be \$11,290,212 and \$1,412,022 for the New and Old Systems, respectively.

Firefighters' Pension and Relief Fund Investment Receivable

The NOFF invested in Series N shares of the FIA Leveraged Fund, an open ended investment fund which is registered as a mutual fund. FIA Leveraged Fund is a feeder fund to the master fund – Fletcher International, Ltd. During the year, the NOFF requested a redemption of their shares in FIA Leveraged Fund in accordance with their agreement. FIA Leveraged Fund failed to provide the NOFF with confirmation on the value of their shares in the Fund and full payment. As a result, a lawsuit was filed. The lawsuit was filed in the Grand Court, Financial Services Division, Cayman Island and sought an order from the Grand Court that FIA Leveraged Fund be wound up (liquidated). The Fund was awarded on April 5, 2012 a winding up judgment. Liquidators were appointed over the FIA Leveraged Fund to fulfill the redemption. The receivable as of December 31, 2011 is valued at \$18,425,727.

Postretirement Healthcare Benefits

Plan Description

The City of New Orleans' medical benefits are provided through a self-insured comprehensive health benefit program and are made available to employees upon retirement. Full details are contained in the official plan documents. Medical benefits are provided to employees upon actual retirement (that is, at the end of the DROP period, if applicable) according to the retirement eligibility provisions of the System by which the employee is covered. The vast majority of City employees are covered by one of three primary systems: the Employees' Retirement System of the City of New Orleans (NOMERS), the Louisiana State Municipal Police Retirement System (MPERS), and the New Orleans Firefighters' Pension and Relief Fund (NOFF). The maximum DROP period is five years in NOMERS and NOFF and three years in MPERS. Retirement (DROP entry) eligibility is as follows: in NOMERS, the earliest of 30 years of service at any age; age 60 and 10 years of service; age 65 and 20 years of service; or, satisfaction of the "Rule of 80" (age plus service equals or exceeds 80); in MPRS, the earlier of 25 years of service and age 50 and 20 years of service (in MPERS, DROP entry requires age 55 and 12 years of service or 20 years of service and eligibility to retire); in NOFF, age 50 and 12 years of service. However, because of the "back-loaded" benefit formula in the NOFF plan relative to years of service, the retirement assumption used for that plan was the earliest of age 50 and 30 years of service, age 55 and 25 years of service, and age 60 and 12 years of service.

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Contribution Rates

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy

Until 2007, the City recognized the cost of providing post-employment medical benefits (the City's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the fiscal year beginning January 1, 2007, the City implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In 2011, the City's portion of health care funding cost for retired employees totaled approximately \$9,085,000. These amounts were applied toward the net other post-employment benefit (OPEB) obligation.

Annual Required Contribution

The City's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning January 1, 2011 is \$13,391,720, as set forth below:

Normal Cost	\$ 4,020,579
30-year UAL amortization amount	<u>9,371,141</u>
Annual required contribution (ARC)	<u>\$ 13,391,720</u>

Net Post-employment Benefit Obligation (Asset)

The table below shows the City's net OPEB obligation for fiscal year ending December 31, 2011:

Beginning Net OPEB Obligation 1/1/2011	\$ 50,977,345
Annual required contribution	13,391,720
Interest on Net OPEB Obligation	2,039,094
ARC Adjustment	<u>(2,948,025)</u>
OPEB Cost	12,482,789
Contribution	-
Current year retiree premium	<u>9,085,421</u>
Change in Net OPEB Obligation	<u>3,397,368</u>
Ending Net OPEB Obligation 12/31/2011	<u>\$ 54,374,713</u>

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The following table shows the City's annual other post-employment benefits cost, percentage of the cost contributed, and the net unfunded other post-employment benefits obligation (asset):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2011	\$12,482,789	72.78%	\$54,374,713
December 31, 2010	\$10,652,042	72.30%	\$50,977,345
December 31, 2009	\$26,523,460	40.65%	\$48,027,211

Funded Status and Funding Progress

In the fiscal year ending December 31, 2011, The City made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2011 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2011 was \$162,047,409 which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

Actuarial Accrued Liability (AAL)	\$	162,047,409
Actuarial Value of Plan Assets (AVP)		-
Unfunded Act. Accrued Liability (UAAL)	\$	<u>162,047,409</u>
Funded Ratio (AVP/AAL)		0%
Covered Payroll (active plan members)	\$	219,250,694
UAAL as a percentage of covered payroll		74%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

Since the plan has not been funded, there are no assets. It is anticipated that in future valuations a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45, will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10%. The rates for each age are below:

Age	Percent Turnover
18 – 25	20.0%
26 - 40	12.0%
41 – 54	8.0%
55+	6.0%

Post-Employment Benefit Plan Eligibility Requirements

It is assumed that entitlement to benefits will commence at the end of the DROP period. In addition, an additional delay of one year after earliest retirement eligibility was included for NOMERS employees and a further two years' delay where eligibility was under the "Rule of 80". Medical benefits are provided to employees upon actual retirement (that is, at the end of the DROP period, if applicable) according to the retirement eligibility provisions of the System by which the employee is covered.

CITY OF NEW ORLEANS, LOUISIANA

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Investment Return Assumption (Discount Rate)

GASB Statement No. 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer rates provided are "unblended" rates for active and retired as required by GASB 45 for valuation purposes.

Inflation Rate

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

CITY OF NEW ORLEANS, LOUISIANA

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(8) Individual Fund Disclosures

Deficit Fund Equity

At December 31, 2011, the General fund had a deficit fund balances in the amount of approximately \$3,717,000. The deficit fund balance in the General fund resulted primarily from the increased cost of the City's self-insured healthcare claims, decrease revenue collections, and increased accrued expenditures. The City plans to implement changes to the healthcare plan to limit cost overruns, transfer available component units' fund balances to the General fund, and increase collection efforts of revenues and reimbursements. The City's other considerations include additional borrowing and restructuring of debt and cost reduction measures relative to department spending.

At December 31, 2011, the HUD, FEMA, and LCD funds had deficit fund balances in the amounts of approximately \$1,382,000, \$54,299,000, and \$14,725,000, respectively. The deficit fund balance in the HUD and LCD funds result from accrued expenditures for which no revenue has been recognized. The City plans to fund these deficits with future revenues. The deficit fund balance in the FEMA fund results primarily from accrued expenditures for which no revenue has been recognized. The City plans to fund the deficit through future revenues. The City is currently pursuing obtaining FEMA approval for projects that have been completed by the City and increases in funding for projects that have already been approved by FEMA. If the City is not able to obtain increased funding, the deficit will be funded by the general fund.

At December 31, 2011, the following special revenue nonmajor funds had deficit balances:

<u>Special Revenue Nonmajor Fund</u>	<u>Deficit Amount</u>
Municipal Court Judicial Expense	\$ 1,823,000
FDJ Office of Justice Program	2,000
Federal Department of Health	1,774,000
Department of Defense	366,000
Federal Department of Commerce	291,000
Louisiana Commission on Law Enforcement	395,000
Department of Health and Human Resources	1,808,000
Environmental Projection Agency	1,000
Federal Department of Highway Administration	50,000
Federal Department of Homeland Security	103,000
Federal Department of Social Service	198,000
Louisiana Military Department	24,000
Federal American Recovery Act	564,000

The deficit fund balances in these special revenue non-major funds result from accrued expenditures for which no revenue has been recognized. The City plans to fund these deficits with future revenues.

CITY OF NEW ORLEANS, LOUISIANA

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Interfund Receivables and Payables

Individual fund interfund receivables and payables at December 31, 2011 were as follows (amounts in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	FEMA Fund	\$ 35,663
	Federal UDAG Fund	1,080
	Nonmajor Funds	5,968
Capital Projects Fund	General Fund	32,388
	FEMA Fund	3,935
Nonmajor Funds	Nonmajor Funds	3,421
	General Fund	96
Federal UDAG Fund	General Fund	11,927
		<u>\$ 94,478</u>

Interfund balances resulted from the time lag between the dates (1) when interfund services are provided or reimbursable expenditures occur and (2) payments between funds are made. For example, the General Fund originally incurred expenditures that were ultimately recorded in the FEMA grant and reimbursed by the federal government. The interfund balances between the General Fund and Nonmajor Funds result from timing differences in the payment for services and reimbursement from the federal government. The interfund balances are not expected to be repaid within the year.

Interfund Advances

Individual fund interfund advances at December 31, 2011 were as follows (amounts in thousands):

	<u>Advances to other funds</u>	<u>Advances from other funds</u>
General	\$ 205	—
Nonmajor special revenue:		
Department of Safety and Permits – Demolition	—	205
	<u>\$ 205</u>	<u>205</u>

The interfund balances are not expected to be repaid within the year.

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Notes to Basic Financial Statements

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Fund Transfers

Individual fund transfers for the year ended December 31, 2011 were as follows (amounts in thousands):

	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ 18,302	(2,596)
Capital projects	—	(2,202)
Nonmajor governmental funds	<u>2,746</u>	<u>(16,250)</u>
Total	\$ <u>21,048</u>	<u>(21,048)</u>

Transfers are used to (1) move revenues from the fund that statute or the budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds. Amounts transferred to the General Fund from the Rivergate Development Corporation Fund (included as a nonmajor governmental fund) represent net rents and other cost reimbursements received related to the land-based casino.

Charges to Component Units for Support Services

Charges for support services paid to the general fund during fiscal year 2011 by the Airport amounted to \$2,943,000 primarily for overhead reimbursement and fire protection.

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

(9) Fund Balance

Fund balances for the City's governmental funds consisted of the following as of December 31, 2011:

Non-Spendable Fund Balance – The non-spendable fund balance on the special revenue funds is made up of long-term grantee loan receivables and trust accounts.

Restricted Fund Balance – The restricted fund balance on the special revenue funds is made up of is restricted for purposed as designated in the grant agreements. The restricted fund balance on the debt service fund is made up of balances restricted for future debt service. The restricted fund balance in the capital projects fund includes unspent proceeds from bond issuances, grants, and donations that are restricted for capital improvements.

Committed Fund Balance –The committed fund balance on the special revenue funds consists of unrestricted donations and grants committed for various projects by the City Council and appropriations to the New Orleans Traffic Court and the New Orleans Municipal Court Judicial Expense Fund.

Assigned Fund Balance – The assigned fund balance on the general fund is made up of funds designated by the City Council to be used to fund future litigation costs. The assigned fund balance on the capital projects fund and special revenue funds are unrestricted donations and other funds assigned by the Council or management for various projects.

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Notes to Basic Financial Statements

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(10) Summary of Sales Tax Collections Remitted to Other Taxing Authorities

Act 711 of the Louisiana Legislative Session amended LRS 24:513 B to provide required footnote disclosure in the financial statements for local governments that collect tax for other taxing jurisdictions. Listed below are sales tax collections and distributions to other parish governmental agencies during 2011 (amounts in thousands).

	<u>Total Collections</u>	<u>Collection Cost</u>	<u>Final Distribution</u>
Orleans Parish School Board	\$ 90,314	\$ 1,445	\$ 88,869
Regional Transit Authority	61,874	990	60,884
	<u>\$ 152,188</u>	<u>\$ 2,435</u>	<u>\$ 149,753</u>

(11) Interest Income

Interest earned on investments held by the City’s capital projects fund, certain special revenue funds (Sidewalk Paving and Repairing, Traffic Court Judicial Expense, Department of Safety and Permits – Demolition, Vieux Carre’ Commission, and Municipal Court Judicial Expense) and certain agency funds (Clearing and Deposit) is recorded as revenue of the General Fund. The amount of interest revenue recorded by the General Fund on investments of the capital projects fund for the year ended December 31, 2011 was approximately \$399,000.

(12) Commitments and Contingencies

Operating Lease Agreements

The City has commitments under several operating lease agreements for equipment and facilities. These lease agreements are primarily for copier and data processing equipment and for land and buildings. They are cancelable by the City at any time. However, City management believes that such leases will generally be renewed or replaced each year. Annual rent in 2011 for such operating lease agreements was approximately \$8,698,000.

Claims and Judgments

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

Self-Insurance

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

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

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As of December 31, 2011, the City has determined, through an analysis of historical experience, the adequacy of the liability necessary to cover all losses and claims, both incurred and reported and incurred but not reported (IBNR), under its self-insurance programs. The City does not discount its claims liabilities. The liabilities of \$288,000 for motor vehicle fleet, \$197,021,000 for general liability and police department excessive force losses, \$77,034,000 for workers' compensation, and \$3,613,000 for hospitalization and unemployment have been accrued in the government-wide financial statements in the total amount of \$277,956,000.

Changes to the City's claims liability amounts in fiscal 2011 and 2010 are as follows (amounts in thousands):

	<u>Beginning of fiscal year liability</u>	<u>Claims and changes in estimates</u>	<u>Benefit payments, claims, and adjustments</u>	<u>Balance at fiscal year-end</u>	<u>Short-term Portion</u>
General liability and police liability:					
2010	\$ 167,941	77,699	(26,867)	218,773	27,000
2011	218,773	(20,711)	(1,041)	197,021	5,000
Workers' compensation:					
2010	71,225	12,144	(15,277)	68,092	15,277
2011	68,092	25,534	(16,592)	77,034	16,592
Motor vehicle fleet:					
2010	715	528	(390)	853	853
2011	853	(274)	(291)	288	288
Hospitalization and unemployment:					
2010	4,876	47,830	(48,766)	3,940	3,940
2011	3,940	44,036	(44,363)	3,613	3,613
Total:					
2010	244,757	138,201	(91,300)	291,658	47,070
2011	291,658	48,585	(62,287)	277,956	25,493

Federal Financial Assistance Questioned Costs

The City receives federal financial assistance directly from federal agencies or passed through from other government agencies. Audits of the City's federal award programs periodically disclosed certain items or transactions as questioned costs. The ultimate resolution or determination as to whether the costs will be disallowed under the affected grants will be made by the various funding sources and cannot be determined at this time. The City believes disallowances, if any, will be immaterial to its financial position and operations.

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Landfill Closing Costs

The City owns two closed landfill sites located in the eastern portion of the City (Recovery I Landfill and Gentilly Landfill). State and federal laws require the City to cap the landfill and to monitor and maintain the site for 30 subsequent years. The Gentilly Landfill, which was closed in 1995, was reopened in 2005 under an agreement with a third party vendor. The agreement requires the vendor to pay a 3% royalty fee to the City and a fee equal to 50 cents per cubic yard of waste disposed at the site to be put in to trust to fund the future landfill post closure costs until such time that this liability becomes fully funded, as certified by the Louisiana Department of Environmental Quality (LDEQ). The City does not record this liability on its' books, as the third party vendor is contributing to the trust in accordance with the agreement. The Recovery I site was closed in June 2003 upon obtainment of the Closure Certificate from LDEQ.

Through the time of closure, in the government-wide financial statements, the City recognized a portion of the closure and postclosure care costs in each operating period although actual payouts will not occur until this landfill is capped and closed, respectively. The amount recognized each year to date was based on the landfills' capacities used as of the balance sheet date. As of December 31, 2011, the City has estimated its liability at \$6,554,000.

These amounts are based on what it would cost to perform all closure and postclosure care beginning in 2007 for a 30 year period, adjusted for annual cost increases of 3%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations, and may need to be covered by charges from future tax revenue. Current funding of these costs comes from the General Fund.

Arbitrage

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

(13) Restatement

During 2011, the City identified several adjustments which impacted prior year financial statements. A summary of the impact of these adjustments is as follows.

The impact on governmental fund balance was as follows:

Fund balance, as previous reported, December 31, 2010	\$ 142,493
Prior period adjustments	
HUD fund related to overstatement of revenue	<u>(5,817)</u>
Fund balance, as restated, December 31, 2010	<u>\$ 136,676</u>

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The impact on net assets was as follows:

Net assets, as previously reported, December 31, 2010	\$ 51,278
Prior period adjustments	
Related to overstatement of revenue	(5,817)
Related to overstatement of capital assets	(136)
Related to overstatement of claims and judgments liability	<u>12,780</u>
	<u>6,827</u>
Net assets, as restated, December 31, 2010	\$ <u><u>58,105</u></u>

(14) Summary of Ad Valorem Tax Collections Remitted to Other Taxing Authorities

Act 711 of the Louisiana Legislative Session amended LRS 24:513 B to provide required footnote disclosure in the financial statements for local governments that collect tax for other taxing jurisdictions. The following table includes a list of ad valorem taxes to be collected by other City taxing jurisdictions (amounts in thousands):

	2011	Less Non-Cash	Net
	Taxes Levied	Adjustments	Taxes Levied
	<u> </u>	<u>to Tax Rolls</u>	<u> </u>
Board of Liquidation	70,270	3,902	66,368
Sewerage & Water Board	45,275	2,556	42,719
Orleans School Board	121,580	6,686	114,894
Orleans Levee Board West Bank	2,714	74	2,640
Orleans Levee Board East Bank	29,676	1,688	27,988
Law Enforcement District	7,991	447	7,544
Audubon Zoological Garden	882	50	832
Aquarium of the Americas	8,239	466	7,773
Downtown Development District	5,907	231	5,676
New Orleans Regional Business Park	277	(3)	280
Touro Bouligny	282	4	278
Garden District	702	9	693
Total	<u><u>293,795</u></u>	<u><u>16,110</u></u>	<u><u>277,685</u></u>

Listed on the following page is a summary of ad valorem tax activity related to other City taxing jurisdictions during 2011 (amounts in thousands).

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

	A							B	C	D	=A-B+C+D
	2010	2011	2012	Prior Years	Total Tax	Less	Less	Net	2011	Due to City for	2011
	Due From/ (Due To)	Tax Collected in 2011	Tax Collected in 2011	Tax Collected in 2011	Collected in 2011	City Collection Fee	Assessors Collection Fee	Collections	Payments to Boards	2011 Assessor's Fee Overpayment	Due From/ (Due To)
Board of Liquidation	(1,286)	62,840	1,268	1,543	65,651	1,314	1,314	63,023	61,705	91	(2,513)
Sewerage & Water Board	(1,567)	40,489	817	995	42,301	847	847	40,607	39,758	59	(2,357)
Orleans Parish School Board	1,478	108,726	2,168	2,632	113,526	2,273	2,272	108,981	106,490	159	(854)
Orleans Levee Board West Bank	(922)	2,498	23	48	2,569	51	51	2,467	2,442	3	(944)
Orleans Levee Board East Bank	278	26,474	559	661	27,694	554	554	26,586	26,007	39	(262)
Law Enforcement District	(152)	7,147	144	172	7,463	149	149	7,165	7,015	10	(292)
Audubon Zoological Garden	(17)	789	16	17	822	16	16	790	774	1	(32)
Aquarium of the Americas	(155)	7,368	149	180	7,697	154	154	7,389	7,234	11	(299)
Downtown Development District	(112)	5,359	51	38	5,448	109	109	5,230	5,177	9	(156)
New Orleans Regional Business Park	(6)	—	—	269	269	5	5	259	258	—	(7)
Touro Bouligny	(19)	262	9	5	276	6	6	264	255	—	(28)
Garden District	(31)	939	31	9	979	20	20	939	908	(6)	(68)
Total	(2,511)	262,891	5,235	6,569	274,695	5,498	5,497	263,700	258,023	376	(7,812)

The amount of taxes collected through tax sales in 2011 totaled \$2,482,582.

The amount of interest on late ad valorem tax payments that was collected and disbursed during 2011 totaled \$4,270,947.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW ORLEANS, LOUISIANA
Notes to Required Supplementary Information
Year ended December 31, 2011
(Unaudited)

Required Supplementary Information includes budgetary comparisons for the General Fund and the Schedules of Funding Progress.

(1) Budgetary Data

The procedures used by the City in establishing the general fund budgetary data are as follows:

- Not later than November 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted, after proper official public notification, to obtain taxpayer comments.
- Not later than December 1, the budget is legally enacted through passage of an ordinance.
- The City's budget ordinance is structured such that revenues are budgeted by source, and expenditures are budgeted by department and by principal object classification within a department. The City's charter provides that expenditures may not legally exceed appropriations either at a departmental level or at the principal object classification within a department.
- The Mayor's office is allowed to authorize the transfer of budgeted amounts from one budget activity to another within a principal object classification within the same department. Budgetary transfers between principal object classifications of the same department or between departments must be approved by the City Council. Throughout the year, several amendments to the budget were made by the City Council. There were no supplemental appropriations necessary during the current year.
- The City utilizes formal budgetary integration as a management control device during the year for the general and capital projects funds. Formal budgetary integration is not employed for the debt service and special revenue funds because effective budgetary control is alternatively achieved through other provisions.
- Unencumbered appropriations lapse at year-end. Current year transactions, which are directly related to a prior year's budget, are not rebudgeted in the current year.
- The City adopts an ordinance subsequent to year end to agree the final budgeted expenditures to actual expenditures.

The general fund's expenditures exceeded appropriations by approximately \$46.9 million in 2010.

CITY OF NEW ORLEANS, LOUISIANA
Notes to Required Supplementary Information
Year ended December 31, 2011
(Unaudited)

(2) Schedules of Funding Progress

The Firefighters' Pension and Relief Fund (New System) uses the aggregate actuarial cost method; therefore, a schedule of funding progress is not required when this method is used in determining funding requirements because this method does not separately identify an actuarial accrued liability.

CITY OF NEW ORLEANS, LOUISIANA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

Year ended December 31, 2011

(Amounts in thousands)

	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance favorable (unfavorable)</u>
Revenues:				
Taxes	\$ 281,298	281,328	288,739	7,411
Licenses and permits	63,434	63,974	57,222	(6,752)
Intergovernmental	9,273	23,898	25,801	1,903
Charges for services	63,774	78,505	72,332	(6,173)
Fines and forfeits	36,530	37,130	34,685	(2,445)
Interest income	2,413	2,413	399	(2,014)
Contributions, gifts, and donations	4,163	2,688	395	(2,293)
Miscellaneous	4,699	4,699	16,965	12,266
Total revenues	<u>465,584</u>	<u>494,635</u>	<u>496,538</u>	<u>1,903</u>
Expenditures:				
Current:				
General government	114,688	115,855	151,352	(35,497)
Public safety	235,330	271,453	224,641	46,812
Public works	53,360	55,148	64,811	(9,663)
Health and human services	15,277	18,016	17,885	131
Culture and recreation	29,561	18,830	16,652	2,178
Urban development and housing	—	—	—	—
Capital outlays	—	—	293	(293)
Debt service:				
Principal retirement	40,175	40,175	51,971	(11,796)
Interest and fiscal charges	—	—	—	—
Total expenditures	<u>488,391</u>	<u>519,477</u>	<u>527,605</u>	<u>(8,128)</u>
Excess of expenditures over revenues	<u>(22,807)</u>	<u>(24,842)</u>	<u>(31,067)</u>	<u>(6,225)</u>
Other financing sources (uses):				
Operating transfers in	22,257	26,692	18,302	(8,390)
Proceeds from bonds payable	550	550	15,995	15,445
Operating transfers out	—	—	(2,595)	(2,595)
Appropriations from prior year budgetary fund balance	—	(2,400)	—	2,400
Reduction in prior year's outstanding encumbrances	—	—	(233)	(233)
Other	—	—	7,341	7,341
Total other financing sources (uses)	<u>22,807</u>	<u>24,842</u>	<u>38,810</u>	<u>13,968</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ —</u>	<u>—</u>	<u>7,743</u>	<u>7,743</u>
Fund balances, beginning of year			<u>(12,185)</u>	
Fund balances – budgetary basis, end of year			<u>\$ (4,442)</u>	

See accompanying independent auditors' report.

CITY OF NEW ORLEANS, LOUISIANA

Budget to GAAP Reconciliation

(Unaudited)

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

Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$	7,743
Adjustments:		
To adjust revenues for accruals and deferrals		<u>(399)</u>
Net change in fund balance	\$	<u><u>7,344</u></u>

See accompanying independent auditors' report.

CITY OF NEW ORLEANS, LOUISIANA
Schedule of Funding Progress
Required Supplementary Information Under GASB Statement No. 27
Year ended December 31, 2011
(Unaudited)
(Amounts in Thousands)

Actuarial valuation date	Value of assets (a)	Actuarial accrued liability (AAL) (b)	Excess of assets over AAL (a-b)	Funded ratio (a/b)	Covered payroll (c)	Excess as percentage of covered payroll ((a-b)/c)
Employees' Retirement System:						
12/31/2009	387,146	478,552	(91,406)	80.90	89,366	(102.28)
12/31/2010	384,106	485,221	(101,115)	79.16	85,927	(117.68)
12/31/2011	379,526	507,173	(127,647)	74.83	93,636	(136.32)
Police Pension Fund:						
12/31/2009	1,809	1,787	22	101.23	—	N/A
12/31/2010	1,831	1,787	44	102.46	—	N/A
12/31/2011	1,805	1,787	18	101.01	—	N/A
Firefighters' Pension and Relief Fund (Old System):						
12/31/2009	11,455	166,081	(154,626)	6.90	—	N/A
12/31/2010	14,007	171,822	(157,815)	8.15	—	N/A
12/31/2011	14,862	171,593	(156,731)	8.66	—	N/A
Firefighters' Pension and Relief Fund (New System):						
12/31/2009	189,803	375,118	(185,315)	50.60	27,700	(669.01)
12/31/2010	160,645	406,732	(246,087)	39.50	27,427	(897.24)
12/31/2011	159,645	430,550	(270,905)	37.08	29,994	(903.20)

See accompanying independent auditors' report.

(Continued)

CITY OF NEW ORLEANS, LOUISIANA
Schedule of Funding Progress
Required Supplementary Information Under GASB Statement No. 45
Year ended December 31, 2011
(Unaudited)
(Amounts in Thousands)

<u>Actuarial valuation date</u>	<u>Value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Excess of assets over AAL (a-b)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>Excess as percentage of covered payroll ((a-b)/c)</u>
12/31/2009	—	347,191	(347,191)	—	226,764	(153.11)
12/31/2010	—	140,035	(140,035)	—	218,032	(64.23)
12/31/2011	—	162,047	(162,047)	—	219,251	(73.91)

See accompanying independent auditors' report.

**BUDGET
FOR FISCAL YEAR 2012**

DEPARTMENTAL BUDGET SUMMARY

CITYWIDE

	Actual 2010	Adopted 2011	Proposed 2012	Adopted 2012
PERSONAL SERVICES	329,516,764	310,974,416	333,448,324	337,218,865
OTHER OPERATING	220,319,733	382,138,752	397,084,582	425,409,283
DEBT SERVICE	25,843,377	40,175,259	38,624,649	38,624,649
RESERVES	20,879,918	0	0	0
GRANTS, CONTRIB. & FUND TRAN.	0	63,046,892	75,000,000	75,000,000
TOTAL EXPENDITURES	\$596,559,792	\$796,335,319	\$844,157,555	\$876,252,797

GENERAL FUND	509,379,299	488,558,029	494,809,219	496,678,704
WISNER FUNDS	244,669	256,775	216,220	466,220
ENTERPRISE	0	0	0	0
DOWNTOWN DEVELOPMENT DIST.	0	7,717,307	8,280,702	8,280,702
HOUSING AND URBAN DEVELOP.	23,023,342	52,519,795	54,002,962	56,401,167
SELF GENERATED	294,895	1,075,000	2,425,000	2,425,000
LIBRARY	7,594,511	8,380,299	8,512,521	12,449,955
LLE	649,881	1,115,780	869,816	873,019
FEDERAL GRANTS	27,167,935	108,493,464	90,959,471	113,659,801
STATE GRANTS	25,531,693	53,196,020	100,200,664	101,412,249
GRANTS, CONTRIB., & FUND TRAN.	0	63,046,892	75,000,000	75,000,000
N. O. REGIONAL BUSINESS PARK	0	275,000	275,000	0
ECONOMIC DEVELOPMENT FUND	1,398,053	5,975,387	3,330,965	3,330,965
HOUSING IMPROVMENT FUND	1,275,514	5,725,571	5,275,015	5,275,015
TOTAL FUNDING	\$596,559,792	\$796,335,319	\$844,157,555	\$876,252,797

**ANNUAL FINANCIAL STATEMENTS
OF THE
BOARD OF LIQUIDATION, CITY DEBT
FOR THE YEAR ENDED
DECEMBER 31, 2011**

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**CITY OF NEW ORLEANS
BOARD OF LIQUIDATION
CITY DEBT**

ANNUAL STATEMENT

DECEMBER 31, 2011

www.boardofliquidation.com

BOARD OF LIQUIDATION, CITY DEBT
NEW ORLEANS, LOUISIANA
DECEMBER 31, 2011

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BOARD OF LIQUIDATION, CITY DEBT
NEW ORLEANS, LOUISIANA
DECEMBER 31, 2011

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**COMPOSITION AND AUTHORITY OF THE BOARD OF LIQUIDATION,
CITY DEBT**

The Board of Liquidation, City Debt, is a body corporate composed of six citizens of the City of New Orleans. Three ex-officio members, consisting of the Mayor and the two Councilmembers-at-Large, makeup the board of nine members. The Board has exclusive control and direction of all matters relating to the bonded debt of the City of New Orleans.

OFFICERS OF THE BOARD

Mary K. Zervigon, President
Richard P. Wolfe, Vice President
David W. Gernhauser, Secretary
Tracy David Madison, Assistant Secretary

COUNSEL

Lemle & Kelleher

MEMBERS OF THE BOARD

Mary K. Zervigon
Richard P. Wolfe

Wanda Ackers-Brooks
Wm. Raymond Manning

Alan C. Arnold
Mark M. Moody

Jacquelyn B. Clarkson, Council at Large
Eric Granderson, Council at Large
Mitchell J. Landrieu, Mayor

Ex-Officio
Ex-Officio
Ex-Officio

MARY K. ZERVIGON
PRESIDENT

RICHARD R. WOLFE
VICE PRESIDENT

DAVID W. GERNHAUSER
SECRETARY

FRANK J. DAVIS
ASST. SECRETARY

MEMBERS OF BOARD

ALAN C. ARNOLD
WANDA ACKERS BROOKS
WM. RAYMOND MANNING
MARK N. WOODY
RICHARD R. WOLFE
MARY K. ZERVIGON

Board of Liquidation, City Debt

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JACQUELYN B. CLARKSON, EX OFFICIO
ERIC GRANDERSON, EX OFFICIO
MITCHELL J. LANDREAU, EX OFFICIO

January 3, 2012

President and Members
Council of the City of New Orleans
City Hall
New Orleans, Louisiana 70112

Ladies and Gentlemen:

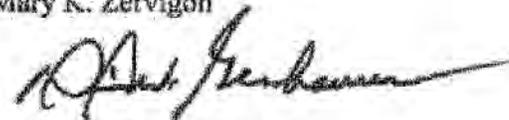
Under the provisions of the Constitution of Louisiana of 1921, made statutory by the Constitution of Louisiana of 1974, the Board of Liquidation, City Debt, is required to submit to the Council of the City of New Orleans a detailed report of all receipts and expenditures and all transactions of the Board of Liquidation, City Debt.

These transactions are reported for the twelve month period ending December 31, 2011, for the Bonded Debt administered by the Board of Liquidation, City Debt, for the accounts of the Sewerage and Water Board of New Orleans, the Audubon Park Commission of New Orleans, the Downtown Development District of New Orleans, the Garden District Security Tax District, Huntington Park Subdivision Improvement District, the Kingswood Subdivision Improvement District, the Lake Bullard Neighborhood Improvement District, the Lake Carmel Improvement District, the Lake Forest Estates Improvement District, the Lake Oaks Subdivision Improvement District, the McKendall Estates Neighborhood Improvement District, the Spring Lake Improvement District, the Touro-Boulligny Security District, the Twinbrook Security District, and the Upper Hurstville Security District.

Sincerely,



Mary K. Zervigon



David W. Gernhauser

BOARD OF LIQUIDATION, CITY DEBT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Introduction

Within this section of the Board of Liquidation, City Debt's (the "Board") annual financial report, management provides narrative discussion and analysis of the financial activities of the Board for the fiscal year ended December 31, 2011. The Board's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Additional information is available in the transmittal letter which precedes the *Management's Discussion and Analysis*. The discussion focuses on the Board's primary government, and unless otherwise noted, there are no component units to be reported separately from the primary government.

Fund Accounting

The Board maintains one Fiduciary Fund to account for its activities, the Agency Fund. An Agency Fund is used to account for assets held for other funds, governments, or individuals. Accordingly, the accounts of the Board are organized and maintained on the basis of funds, each of which is considered a separate accounting entity, and is maintained for the purpose of attaining objectives in accordance with the various special restrictions, regulations and limitations.

Overview of Financial Statements

Management's Discussion and Analysis introduces the Board's basic financial statements. The basic financial statements are comprised of one fiduciary fund and includes:

- The Combining Statement of Assets, Liabilities, Custodial, Debt Service and Reserve Funds - Modified Cash Basis
- The Combining Statement of Cash Receipts, Disbursements and Changes in Liabilities, Custodial, Debt Service and Reserve Funds - Modified Cash Basis
- The Notes to Financial Statements - Modified Cash Basis

The Board also includes in this report additional information to supplement the basic financial statements.

Basic Financial Statements

The Combining Statement of Assets, Liabilities, Custodial, Debt Service and Reserve Funds - Modified Cash Basis presents all the assets and liabilities administered by the Board. Over time, increases and decreases in the balances presented on this financial statement may be useful indicators of whether the financial position of the Board is improving or deteriorating. However, evaluation of the economic health of the Board would extend to other non-financial factors such as the diversification of the taxpayer base in addition to the financial information provided in this report.

The Combining Statement of Cash Receipts, Disbursements, and Changes in Liabilities, Custodial, Debt Service and Reserve Funds - Modified Cash Basis, reports the Board's inflows and outflows of cash. The purpose of the report is to show the sources and uses of funds administered by the Board.

Notes to Financial Statements

The accompanying Notes to Financial Statements - Modified Cash Basis, provide information essential to a full understanding of the Board's financial statements. The notes to the financial statements begin immediately following the basic financial statements.

BOARD OF LIQUIDATION, CITY DEBT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
DECEMBER 31, 2011

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Supplemental Information. This supplemental information follows the notes to the financial statements and includes:

- Combining Schedules of Assets, Liabilities, Custodial, Debt Service, and Reserve Funds for all activities administered by the Board
- Combining Schedules of Cash Receipts, Disbursements and Changes in Liabilities, Debt Service, Reserve and Custodial Funds for all activities administered by the Board
- Details of bond sales during the year
- Details of bonded debt administered by the Board
- Details of ad valorem tax millage available to service bonded debt
- Details of certain disbursements made during the year.

Financial Analysis of the Board's Funds

As year-to-year financial information is accumulated on a consistent basis, changes in fund balances may be observed and used to discuss the changing financial position of the Board as a whole.

Fiduciary Funds

The Debt Service and Reserve Funds in the Debt Administration section of the financial report have a fund balance of \$66,517,779. The Tax Credit Bond loan payable balance of \$118,533,615 is a result of the Board and the custodial agencies entering into Cooperative Endeavor Agreements with the State of Louisiana to secure proceeds from the Gulf Opportunity Tax Credit Bond Loan Program. Escrow accounts were created at Hancock Bank to make debt service payments on outstanding bonds for governmental agencies affected by Hurricanes Katrina and Rita. The General Obligation Debt Service Funds are designated for future debt service payments and were included in calculating the millage necessary to service the General Obligation Debt for 2012. The 2011 millage levy is 25.5 mills, remaining the same as the 25.5 mills levied in 2010.

The following table provides a summary of the Board's assets, liabilities, custodial, debt service and reserve funds and the related changes in receipts over disbursements:

	<u>Debt Administration</u>		<u>Changes</u>
	<u>2011</u>	<u>2010</u>	
Total assets	\$ <u>94,442,986</u>	\$ <u>93,809,769</u>	\$ <u>633,217</u>
Total liabilities	\$ <u>27,925,207</u>	\$ <u>27,878,912</u>	\$ <u>46,295</u>
Total custodial debt service and reserve funds	\$ <u>66,517,779</u>	\$ <u>65,930,857</u>	\$ <u>586,922</u>
Receipts	\$151,461,962	\$138,720,436	\$12,741,526
Disbursements	<u>150,828,745</u>	<u>138,550,213</u>	<u>12,278,532</u>
Excess of receipts over disbursements	\$ <u><u>633,217</u></u>	\$ <u><u>170,223</u></u>	\$ <u><u>462,994</u></u>

BOARD OF LIQUIDATION, CITY DEBT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
DECEMBER 31, 2011

	<u>Custodial Accounts</u>		
	<u>2011</u>	<u>2010</u>	<u>Changes</u>
Total assets	\$ <u>43,024,834</u>	\$ <u>53,016,154</u>	\$(9,991,320)
Total liabilities	\$ <u>90,916,406</u>	\$ <u>90,916,406</u>	\$ _____ 0
Total custodial debt service and reserve fund	\$ <u>(47,891,572)</u>	\$ <u>(37,900,252)</u>	\$(9,991,320)
Receipts	\$ 62,203,406	\$ 55,420,808	\$ 6,782,598
Disbursements	<u>72,194,726</u>	<u>87,610,638</u>	<u>(15,415,912)</u>
(Deficiency) of receipts over disbursements	\$ <u>(9,991,320)</u>	\$ <u>(32,189,830)</u>	\$ <u>22,198,510</u>

	<u>Totals</u>		
	<u>2011</u>	<u>2010</u>	<u>Changes</u>
Total assets	\$ <u>137,467,820</u>	\$ <u>146,825,923</u>	\$(9,358,103)
Total liabilities	\$ <u>118,841,613</u>	\$ <u>118,795,318</u>	\$ _____ 46,295
Total custodial, debt service and reserve funds	\$ <u>18,626,207</u>	\$ <u>28,030,605</u>	\$(9,404,398)
Receipts	\$213,665,368	\$194,141,244	\$19,524,124
Disbursements	<u>223,023,471</u>	<u>226,160,851</u>	<u>(3,137,380)</u>
(Deficiency) of receipts over disbursements	\$ <u>(9,358,103)</u>	\$ <u>(32,019,607)</u>	\$ <u>22,661,504</u>

Key Changes in Assets and Liabilities include:

- Assets increased \$633,217 in debt administration due to additional general obligation bond ad valorem tax receipts.
- Assets decreased \$9,991,320 in the custodial accounts due to payment of debt.

Key changes in receipts include:

Debt Administration

- Ad valorem tax receipts increased \$3,055,077.
- Bond proceeds increased \$11,725,506.
- Debt service funds decreased \$1,796,610.
- Interest on investments decreased \$209,134. This was primarily due to a decrease in interest rates as a result of the national financial crisis.
- Excess debt service and reserve decreased \$33,513.

BOARD OF LIQUIDATION, CITY DEBT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

DECEMBER 31, 2011

Key changes in receipts include: (Cont'd)

Custodial Accounts

- Ad valorem taxes increased \$3,636,264.
- Interest on investments decreased 118,022.
- Revenue Sharing - State of Louisiana decreased \$21,320.
- Bond proceeds increased \$3,243,758.
- Fee - Current year decreased \$29,418.
- Fee - Prior years increased \$77,901.
- Excess reserve and debt service funds decreased \$6,565.
- Warrants paid decreased \$13,402,516.
- Debt service increased \$2,013,396.

Key changes in disbursements include:

Debt Administration

- Interest payments increased \$3,480,030. This increase follows the payments required under the debt service schedules.
- Principal payments on bonds decreased \$21,294,290.
- Premium received on bonds increased \$470,235 due to Audubon Aquarium Bonds Series 2001A and 2001B called October 1, 2011.
- Purchase of securities increased \$24,608,262. This is due to the purchase of escrow securities for the refunded Audubon Park Commission Aquarium Bonds.
- Funds returned to the City of New Orleans, Sewerage & Water Board, and Audubon Park Commission decreased by \$37,603,118.
- Cost of Issuance increased \$36,438.
- Personal services decreased \$11,111. This is mainly due to one employee entering deferred retirement option plan and not participating in employee pension plan in 2011.

Long-term Debt Administration

At the end of the fiscal year, the Board administers total bonded debt outstanding of \$509,543,556 in General Obligation Bonds and \$23,360,000 in Limited Tax Bonds. The General Obligation Bonds are backed and fully funded with an unlimited ad valorem tax levy through the Board's statutory authority. The Limited Tax Bonds are supported by a voter approved tax millage of 2.5 mills collected by the City of New Orleans and remitted to the Board daily. Other Custodial long-term debt is supported by voter approved special tax millages and revenues generated through the custodial agencies. Debt service is collected from these custodial special taxes to pay debt service on special tax bonds. Debt service on the Revenue Bonds are supported by revenues remitted to the Board on a monthly basis by the Sewerage & Water Board of New Orleans, including the Sewer Service Subordinate Revenue Bonds sold in 2011. The Board holds restricted debt service funds for the Sewerage Service Revenue Bonds 2010 A&B sold to the Louisiana Department of Health and Hospitals.

BOARD OF LIQUIDATION, CITY DEBT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
DECEMBER 31, 2011

Long-term Debt Administration (Cont'd)

Outstanding bonds administered by the Board at December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
City of New Orleans:		
General Obligation Bonds	\$509,543,556	\$529,218,992
Limited Tax Bonds	\$ 23,360,000	\$ 25,140,000
Sewerage & Water Board of New Orleans:		
Drainage System Bonds	\$ 18,990,000	\$ 20,290,000
Sewerage Service Revenue Bonds	\$160,985,000	\$172,800,000
Sewerage Service Revenue Bonds Louisiana Department of Health and Hospitals	\$ 2,400,000	\$ 2,400,000
Sewerage Service Subordinate Revenue Bonds Louisiana Department of Environmental Quality	\$ 9,000,000	\$0
Water Revenue Bonds	\$ 32,415,000	\$ 34,635,000
Audubon Park Commission:		
Audubon Park Improvement Bonds	\$ 1,635,000	\$ 1,910,000
Audubon Aquarium Bonds	\$ 30,260,000	\$ 27,233,572
Downtown Development District:		
Downtown Development District Bonds	\$ 5,450,000	\$ 5,685,000

Bond Ratings

Bond ratings for the General Obligation Bonds of the City of New Orleans were Standard and Poor's Rating BBB; Fitch Ratings A-; and Moody's Rating Service A3. Although investment grade rated by all three agencies, the City general obligation ratings continue to feel the effects of Hurricanes Katrina and Rita in 2005, as well as the national economic crisis in 2008.

Contacting the Board's Financial Management

This financial report is designed to provide a general overview of the Board's finances, compliance with finance-related laws and regulations, and demonstrate the Board's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Board at: Board of Liquidation, City Debt, 1300 Perdido Street, Room 8E17, New Orleans, Louisiana 70112 or visit the Board of Liquidation's website at www.boardofliquidation.com.

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INDEPENDENT AUDITOR'S REPORT

Mrs. Mary K. Zervigon, President, and Members
Board of Liquidation, City Debt
New Orleans, Louisiana

We have audited the accompanying financial statements of the Board of Liquidation, City Debt, a component unit of the City of New Orleans, as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of the Board of Liquidation, City Debt's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note B, the Board of Liquidation, City Debt prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and custodial, debt service and reserve fund balances of the Board of Liquidation, City Debt, at December 31, 2011, and cash receipts, disbursements and changes in liabilities, custodial, debt service and reserve fund balances thereof for the year then ended, in conformity with the basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2012 on our consideration of the Board of Liquidation, City Debt's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that

Mrs. Mary K. Zervigon, President, and Members
Board of Liquidation, City Debt

report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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,

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for the purposes of additional analysis, and is not a required part of the financial statements of the Board of Liquidation, City Debt. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The composition and transmittal sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Paciera, Gautreau & Priest, LLC

March 8, 2012

FINANCIAL STATEMENTS

BOARD OF LIQUIDATION, CITY DEBT
 FIDUCIARY FUND TYPE - AGENCY FUND
 COMBINING STATEMENT OF ASSETS, LIABILITIES, CUSTODIAL,
 DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS
 DECEMBER 31, 2011

	<u>Debt Administration</u>	<u>Account of Sewerage & Water Board</u>
<u>ASSETS</u>		
Cash	\$ 91,338	\$ 1,128,427
Money market accounts	94,351,648	34,817,094
<i>Total Assets</i>	\$ 94,442,986	\$ 35,945,521
 <u>LIABILITIES, CUSTODIAL, DEBT SERVICE AND RESERVE FUNDS</u>		
Interest payable	\$ 90,503	\$ 0
Principal payable	171,200	0
Cost of Issuance payable	46,295	0
Tax Credit Bond loan payable	27,617,209	77,465,247
Reserve funds	50,533,201	0
Debt service funds	15,984,578	0
Custodial fund balance (deficit)	0	(41,519,726)
<i>Total Liabilities, Custodial, Debt Service and Reserve Funds</i>	\$ 94,442,986	\$ 35,945,521

See accompanying notes to financial statements.

<u>Account of Downtown Development District</u>	<u>Account of Audubon Park Commission</u>	<u>Accounts of Special Taxing Districts</u>	<u>Total (Memorandum Only)</u>
\$ 81,486	\$ 81,276	\$ 0	\$ 1,382,527
2,703,690	2,153,866	2,058,995	136,085,293
<u>\$ 2,785,176</u>	<u>\$ 2,235,142</u>	<u>\$ 2,058,995</u>	<u>\$ 137,467,820</u>
\$ 0	\$ 0	\$ 0	\$ 90,503
0	0	0	171,200
0	0	0	46,295
1,600,153	11,851,006	0	118,533,615
0	0	0	50,533,201
0	0	0	15,984,578
<u>1,185,023</u>	<u>(9,615,864)</u>	<u>2,058,995</u>	<u>(47,891,572)</u>
<u>\$ 2,785,176</u>	<u>\$ 2,235,142</u>	<u>\$ 2,058,995</u>	<u>\$ 137,467,820</u>

BOARD OF LIQUIDATION, CITY DEBT
 FIDUCIARY FUND TYPE - AGENCY FUND
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN LIABILITIES,
 CUSTODIAL, DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2011

	<u>Debt Administration</u>	<u>Account of Sewerage & Water Board</u>
RECEIPTS		
Ad valorem taxes-Current year	\$ 63,494,049	\$ 38,828,273
Ad valorem taxes-Prior years	3,579,069	3,064,203
Bond proceeds-new issue	51,015,532	1,490,118
Bond proceeds-cost of issuance	367,309	0
Fee-Current year	0	0
Fee-Prior years	0	0
Revenue sharing-State of Louisiana	0	323,143
Debt service funds	31,595,141	0
Debt service funds-Federal subsidy- Taxable Build America Bonds	1,125,018	0
Interest on investments	212,540	128,594
Excess reserve and debt service funds	73,304	59,495
<i>Total receipts</i>	151,461,962	43,893,826
DISBURSEMENTS		
Interest on bonds	63,125,753	0
Principal on bonds	59,299,007	0
Premium on bonds	470,235	0
Purchase escrow securities	24,608,262	0
Administrative expenses - LADHH	2,842	0
Warrants	0	53,742,626
Debt service	0	2,304,122
Personal services	397,877	0
Contractual services	64,890	0
Office expenses	26,981	0
Funds returned to City of New Orleans, Sewerage & Water Board, and Audubon Park Commission	2,511,885	0
Cost of issuance	321,013	0
<i>Total disbursements</i>	150,828,745	56,046,748
Excess (Deficiency) of receipts over disbursements	633,217	(12,152,922)
Liabilities, Custodial, Debt Service and Reserve Funds at:		
December 31, 2010	93,809,769	48,098,443
December 31, 2011	\$ 94,442,986	\$ 35,945,521

See accompanying notes to financial statements.

Account of Downtown Development District	Account of Audubon Park Commission	Accounts of Special Taxing Districts	Total (Memorandum Only)
\$ 5,130,239	\$ 7,821,816	\$ 1,146,041	\$ 116,420,418
220,488	472,151	77,181	7,413,092
0	2,421,357	0	54,927,007
0	0	0	367,309
0	0	875,812	875,812
0	0	124,429	124,429
0	0	0	323,143
0	0	0	31,595,141
0	0	0	1,125,018
11,140	1,549	5,797	359,620
709	871	0	134,379
<u>5,362,576</u>	<u>10,717,744</u>	<u>2,229,260</u>	<u>213,665,368</u>
0	0	0	63,125,753
0	0	0	59,299,007
0	0	0	470,235
0	0	0	24,608,262
0	0	0	2,842
5,363,299	4,205,040	1,740,510	65,051,475
560,001	4,279,128	0	7,143,251
0	0	0	397,877
0	0	0	64,890
0	0	0	26,981
0	0	0	2,511,885
0	0	0	321,013
<u>5,923,300</u>	<u>8,484,168</u>	<u>1,740,510</u>	<u>223,023,471</u>
(560,724)	2,233,576	488,750	(9,358,103)
3,345,900	1,566	1,570,245	146,825,923
<u>\$ 2,785,176</u>	<u>\$ 2,235,142</u>	<u>\$ 2,058,995</u>	<u>\$ 137,467,820</u>

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS
DECEMBER 31, 2011

A. General Information

The Board of Liquidation, City Debt (the "Board") is a component unit of the City of New Orleans (the "City"). The Board has exclusive control and direction of all matters relating to the bonded debt of the City. Accordingly, all of the City's general obligation bonds, and the limited tax bonds issued for the Sewerage & Water Board of New Orleans, the Downtown Development District of New Orleans, and the Audubon Park Commission of New Orleans are sold by and through the Board. No bonds may be sold without approval of the members of the Board. All property taxes levied by the City and dedicated to the payment of outstanding general obligation and limited tax bonds are collected by the City and, as required by law, paid over to the Board, day by day as collected. Such tax revenues are invested in fully secured money market accounts, certificates of deposit, and/or full faith and credit obligations of the U.S. Government until applied by the Board to the payment of principal and interest on outstanding bonds.

The Board annually determines the amount of Ad Valorem Tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City and all such general obligation bonds proposed to be issued by the City in such year. This determination is based upon an analysis by the Board of the current and anticipated assessed value of taxable property in the City and current and anticipated cash reserves held by the Board. The assessed value of property in the City for each year is determined by the Orleans Parish Assessor and certified by the Louisiana Tax Commission as complying with the Louisiana Constitution of 1974. The annual determination of the necessary tax millage to service bonds of the City is adopted by resolution of the Board that is submitted to the City Council. The millage recommended by the Board is then levied by the City Council.

No general obligation bonds, special tax bonds, or revenue bonds of the agencies mentioned above may be issued by the City without the approval of the Board and the City Council. The Board requires as a condition of such approval that a) the reasonably anticipated property tax revenues of the City be adequate to service the proposed bond issue and all outstanding bonds of the City and to maintain reasonable reserves, b) the proposed bond issue comply with any applicable legal debt limitation, and c) the purposes for which the bonds are sold be capital in nature. All new general obligation bond issuance must be approved by a majority of the voters in the City. Act 1 of 1994 by the Louisiana Legislature establishes the legal debt limit for the City. Act 4 of 1916, as amended, by the Louisiana Legislature and Article VI, Section 33 of the Louisiana Constitution of 1974 provides that the full faith and credit of the City are pledged for its general obligation bonds and the City is authorized to levy taxes upon all taxable property in the City without limitation of rate or amount sufficient to pay the principal and interest on such bonds as they mature.

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS
(Continued)
DECEMBER 31, 2011

General Information (Cont'd)

The Board issues bonds for the Sewerage & Water Board of New Orleans, the Downtown Development District of New Orleans, and the Audubon Park Commission of New Orleans. Issued in the name of the City, these bonds may be funded by the dedicated millage or water and sewer rates. The Sewerage & Water Board, the City Council, and the Board, must approve the water and sewerage service rates necessary to fund any bonds. Ad Valorem Tax millage necessary to service special tax bonds is set by statute and levied by the City Council each year. Ad Valorem Tax millage necessary to service the general obligation bonded debt each year is determined by the Board, and is levied by the City Council annually.

In addition, the Board serves in a custodial capacity for the accounts of the Sewerage & Water Board of New Orleans, the Downtown Development District of New Orleans, the Audubon Park Commission of New Orleans, the Lake Forest Estates Improvement District, the Garden District Security Tax District, the Spring Lake Improvement District, the Lake Bullard Neighborhood Improvement District, the Lake Carmel Subdivision Improvement District, Lake Oaks Subdivision Improvement District, the Huntington Park Subdivision Improvement District, the McKendall Estates Neighborhood Improvement District, the Upper Hurstville Security District, the Touro-Boulogny Security District, the Kingswood Subdivision Improvement District and the Twinbrook Security District.

Funds collected for these agencies are deposited in special accounts or invested in money market accounts, certificates of deposit, and/or full faith and credit obligations of the U.S. Government. The Board pays any expenditure made from these accounts as authorized by warrants and supporting resolutions of the various agencies.

Administration expenditures paid in connection with the operations of the Board are recorded within Debt Administration.

B. Summary of Significant Accounting Policies

Fund Accounting

The Board maintains one Fiduciary Fund to account for its activities, the Agency Fund. An Agency fund is used to account for assets held for other funds, governments, or individuals. Accordingly, the accounts of the Board are organized and maintained on the basis of funds, each of which is considered a separate accounting entity, and is maintained for the purpose of attaining objectives in accordance with the various special restrictions, regulations and limitations.

Method of Accounting

The Board prepares its financial statements on the modified cash basis of accounting wherein receipts are recognized when received rather than when earned and disbursements are recognized when disbursed rather than when incurred, except for matured and unpaid bonds and coupons, certain cost of issuance and the tax credit bond loan proceeds, which are reflected as liabilities when the obligation is incurred.

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS
(Continued)
DECEMBER 31, 2011

C. Bank Balances

At December 31, 2011, the Board's deposits with banks consisted of cash and money market accounts as follows:

Demand accounts	\$ 1,658,571
Money market accounts	<u>136,085,293</u>
Total Bank Balances	<u>\$137,743,864</u>

These deposits were covered by Federal Deposit Insurance or by collateral held by a third party in the Board's name as follows:

Insured	\$ 752,005
Collateralized	<u>136,991,859</u>
Total Bank Balances	<u>\$137,743,864</u>

D. Annual and Sick Leave

All present employees of the Board are permitted to accumulate annual and sick leave. Upon termination of employment, an employee is paid for their accumulated annual leave based on their current hourly rate of pay, and for their accumulated sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting their accrued sick leave to additional years of service.

As described in Note B, the Board's financial statements are prepared on the modified cash basis of accounting; accordingly, the Board's liability for annual and sick leave is not reflected in the accompanying financial statements.

At December 31, 2011 the Board's liability for annual and sick leave totaled \$133,000.

E. Pension Plan

Employees of the Board are covered under a City of New Orleans Employees' Pension Plan, a single-employer, and contributory defined benefit pension plan. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing or calling the plan at:

Employee Retirement System of New Orleans
1300 Perdido Street, Room 1E08
New Orleans, Louisiana 70112
(504) 658-1850

Under this plan, employees with thirty years of service, or who attain age sixty with ten years of service, or age sixty-five, irrespective of length of service are entitled to a retirement allowance. The retirement allowance consists of an annuity, which is the actuarial equivalent of the employees' accumulated contribution plus an annual pension, which, together with the annuity, provides a total retirement allowance equal to 2% to 4% of average compensation times the number of years of service. The maximum pension may not exceed 100% of average compensation. Pension

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS
(Continued)
DECEMBER 31, 2011

Pension Plan (Cont'd)

amounts are reduced for service retirement prior to age sixty-two. Average compensation is defined as average earned annual compensation for the highest thirty-six consecutive months of service. Mandatory retirement age is seventy.

Pension benefits vest at age sixty or after completion of ten years of service. The Employees' Pension Plan also provides death and disability benefits.

Employees contribute 4% of their salary per year. Employer contributions to the plan are based upon the amount necessary to fund normal cost and amortization of past service costs over a period of thirty years beginning July 1, 1974, using the level percentage of payroll method. The Board's contributions to the Plan during the year totaled \$56,672 and is included in 'Personal services'.

F. Gulf Opportunity Tax Credit Bond Loan Program

On July 19, 2006 the Board entered into Cooperative Endeavor Agreements with the State of Louisiana to secure proceeds from the State's Gulf Opportunity Tax Credit Bond Loan Program. These agreements are intended for the following purposes:

Paying debt service of the City on outstanding debt for general obligation and special limited tax bonds.

Paying outstanding debt for special tax bonds of the:

Downtown Development District,
Audubon Commission, and
Sewerage & Water Board of New Orleans, and

Paying outstanding sewerage revenue and water revenue bonds of the Sewerage & Water Board.

The loan proceeds will be held in escrow at Hancock Bank and distributed to the Bank of New York, the Board's paying agent, as debt service maturities become payable. The amounts in escrow are not recorded on the books until these transfers take place. Once transferred, the debt service payments are made and the loan proceeds are recorded as loans payable in the appropriate custodial accounts.

These loans mature on July 15, 2012, at which time the borrower can either apply for a five year deferment, pay the loan in full or make semi-annual payments in accordance with the fifteen year debt service schedule that ends on July 15, 2026.

BOARD OF LIQUIDATION, CITY DEBT
 NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS
 (Continued)
DECEMBER 31, 2011

Gulf Opportunity Tax Credit Bond Loan Program (Cont'd)

Total amounts available and borrowed under these loans at December 31, 2011 are:

Cooperative Endeavor Agreement between the State and:

Board of Liquidation:

General obligation bonds	\$ 24,713,549
Limited tax bonds	<u>2,903,660</u>
	<u>27,617,209</u>

Downtown Development District	<u>1,600,153</u>
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Audubon Park Commission:

Audubon Park Commission 0.32 Mills	1,091,230
Audubon Park Commission 2.99 Mills	<u>10,759,776</u>
	<u>11,851,006</u>

Sewerage & Water Board	<u>77,465,247</u>
------------------------	-------------------

\$118,533,615

As of December 31, 2011, the \$24,713,549 available for general obligation bonds was borrowed to make fiscal year 2006 debt service payments.

As of December 31, 2011, the \$2,903,660 available for the City of New Orleans Limited Tax bonds was borrowed to make the debt service payment that was due September 1, 2006 and March 1, 2007 debt service payment.

As of December 31, 2011, \$1,600,153 available for the Downtown Development District was borrowed to make the debt service payments due on December 1, 2006, June 1, 2007, December 1, 2007, June 1, 2008, December 1, 2008 and June 1, 2009.

As of December 31, 2011, the \$11,851,006 available for the Audubon Commission was borrowed to make the debt service payments due on October 1, 2006, December 1, 2006, April 1, 2007, June 1, 2007, October 1, 2007, December 1, 2007, April 1, 2008, June 1, 2008, October 1, 2008, December 1, 2008 and June 1, 2009.

In addition to the above loans, the Audubon Park Commission's Cooperative endeavor agreement includes an additional \$4,907,500 for their 1997 Aquarium Revenue Bonds. These bonds are not part of the Board's responsibility; accordingly, the related loan is not included in the accompanying financial statements.

As of December 31, 2011, the entire \$77,465,247 available for the Sewerage & Water Board of New Orleans was borrowed. \$45,965,247 was used to make debt service payments on the Drainage System special tax bonds, Sewerage Service Revenue and Water Revenue bonds that were due on December 1, 2006, June 1, 2007, December 1, 2007, June 1, 2008, and \$31,500,000 was used to make a partial payment on the maturing Sewerage Service Revenue bond anticipation notes that matured on July 26, 2006.

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS
(Continued)
DECEMBER 31, 2011

Gulf Opportunity Tax Credit Bond Loan Program (Cont'd)

Debt service payments made through the Gulf Opportunity Tax Credit Loan Program, if present, are recorded as defeased bonds and listed separately from the outstanding bonds of the Audubon Commission, Downtown Development District, and Sewerage & Water Board of New Orleans.

G. Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund

On February 1, 2010, the Board, Sewerage & Water Board of New Orleans, and Louisiana Department of Health and Hospitals entered into a loan agreement whereby \$3,400,00 of proceeds from the Drinking Water Revolving Loan Fund were borrowed through the issuance of Revenue Bonds, Series 2010A&B. The proceeds are transferred to the Sewerage & Water Board through the Board, acting as custodian for the purpose of paying a portion of the costs of capital improvements to the water system of the City, including, but not limited to, a sodium hypochlorite facility.

Security for the Revenue Bonds, Series 2010A&B, comes from a pledge of Sewerage & Water Board Construction and Extension Fund ad valorem taxes that were on hand with the Board acting as custodian. The funds are restricted to the Debt Administration fund to repay the loan.

The Louisiana Department of Health and Hospitals agrees to forgive 30% of the loan proceeds as the funds are drawn and agrees to set the interest rate at 2.95%. In addition to the interest there is an administrative fee of .50%. The interest and fee are payable on August 1, and February 1, until the loan is repaid. Repayment will be with the funds held in the Board's restricted debt administration account.

H. Audubon Park Commission Aquarium Refunding

On September 22, 2011, the Audubon Park Commission entered into two transactions. First, they issued \$24,370,000 of Aquarium Tax Bonds, Series 2011A-1, tax exempt refunding bonds, for the purpose of refunding outstanding Aquarium Bonds, Series 2001A and 2001B. Second, they issued \$630,000 of Aquarium Tax Bonds, Series 2011A-2, taxable bonds, for the purpose of paying a portion of accrued interest on the Aquarium Bonds, Series 2011A-1.

Proceeds from both issues were placed in the irrevocable cash escrow account to defease outstanding Aquarium 2001A and 2001B bonds and provide amounts sufficient for payment of all principal, interest and premium on the refunded bonds as of the call date, October 3, 2011. Accordingly, the escrow account and refunded bonds are not included on these financial statements. At December 31, 2011, there was no outstanding balance related to the refunded Aquarium limited tax bonds.

I. Louisiana Department of Environmental Quality Revolving Loan Fund

On November 22, 2011, the Board, Sewerage & Water Board of New Orleans, and Louisiana Department of Environmental Quality entered into a loan agreement whereby \$9,000,000 of proceeds from the Revolving Loan Fund were borrowed through the issuance of Sewerage Service Subordinate Revenue Bonds, Series 2011. The proceeds are transferred to the Sewerage & Water Board through the Board acting as custodian. The funds are for the purpose of paying costs of constructing and acquiring improvements and replacements to the public sewerage system.

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS
(Continued)
DECEMBER 31, 2011

Louisiana Department of Environmental Quality Revolving Loan Fund (Cont'd)

Security for the Subordinate Revenue Bonds, Series 2011, comes from a pledge of Sewerage & Water Board sewerage service revenues. Sinking fund payments to the Board, as custodian, are deposited monthly.

The Louisiana Department of Environmental Quality has agreed to set the interest rate at 0.45%. In addition to the interest there is an administrative fee of 0.50%. The interest and fee are payable on May 1, and November 1. The first principal payment is due November 1, 2013.

J. Total (Memorandum Only) Columns

The total columns are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to make financial analysis easier. Data in these columns do not present financial position in accordance with the other comprehensive basis of accounting disclosed in Note B. Interfund eliminations have not been made in the aggregation of this data.

SUPPLEMENTAL INFORMATION

BOARD OF LIQUIDATION, CITY DEBT
DEBT ADMINISTRATION
COMBINING SCHEDULE OF ASSETS, LIABILITIES,
DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS
DECEMBER 31, 2011

	General Obligation Bonds	Capital Improvement Limited Tax	LADHH Loan Revenue Bonds	Drainage System Bonds 6 mill	Drainage System Bonds 9 mill
ASSETS					
Cash (Due to other funds)	\$ (97,976)	\$ 0	\$ 3,957	\$ 80	\$ 23,905
Money market accounts	54,794,278	5,551,683	2,355,376	0	100,575
<i>Total Assets</i>	<u>\$ 54,696,302</u>	<u>\$ 5,551,683</u>	<u>\$ 2,359,333</u>	<u>\$ 80</u>	<u>\$ 124,480</u>
LIABILITIES, DEBT SERVICE AND RESERVE FUNDS					
Interest payable	\$ 40,713	\$ 0	\$ 0	\$ 80	\$ 5,755
Principal payable	82,300	0	0	0	18,150
Cost of Issuance payable	0	0	0	0	0
Tax Credit Bond loan payable	24,713,549	2,903,660	0	0	0
Reserve funds	29,859,740	0	0	0	0
Debt service funds	0	2,648,023	2,359,333	0	100,575
<i>Total Liabilities, Debt Service and Reserve Funds</i>	<u>\$ 54,696,302</u>	<u>\$ 5,551,683</u>	<u>\$ 2,359,333</u>	<u>\$ 80</u>	<u>\$ 124,480</u>

Water Revenue Bonds	Sewerage Service Revenue Bonds	Sewerage & Water Board Maturated Bonds	Audubon Park Commission Bonds	Audubon Park Commission Aquarium Bonds	Downtown Development District Tax Bonds	Defeased Bonds	Total
\$ 7,561	\$ 26,755	\$ 37,142	\$ 710	\$ 25,667	\$ 0	\$ 63,537	\$ 91,338
5,033,696	25,622,937	0	332,443	249,627	311,033	0	94,351,648
<u>\$ 5,041,257</u>	<u>\$ 25,649,692</u>	<u>\$ 37,142</u>	<u>\$ 333,153</u>	<u>\$ 275,294</u>	<u>\$ 311,033</u>	<u>\$ 63,537</u>	<u>\$ 94,442,986</u>
\$ 2,506	\$ 810	\$ 12,142	\$ 710	\$ 0	\$ 0	\$ 27,787	\$ 90,503
5,000	5,000	25,000	0	0	0	35,750	171,200
0	20,628	0	0	25,667	0	0	46,295
0	0	0	0	0	0	0	27,617,209
3,928,380	16,164,124	0	307,088	0	273,869	0	50,533,201
1,105,371	9,459,130	0	25,355	249,627	37,164	0	15,984,578
<u>\$ 5,041,257</u>	<u>\$ 25,649,692</u>	<u>\$ 37,142</u>	<u>\$ 333,153</u>	<u>\$ 275,294</u>	<u>\$ 311,033</u>	<u>\$ 63,537</u>	<u>\$ 94,442,986</u>

BOARD OF LIQUIDATION, CITY DEBT
ACCOUNT OF SEWERAGE & WATER BOARD OF NEW ORLEANS
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND
CUSTODIAL FUNDS--MODIFIED CASH BASIS
DECEMBER 31, 2011

	Drainage System Fund 3 mill	Drainage System Fund 6 mill	Drainage System Fund 9 mill
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ 112,154	\$ 113,401	\$ 727,106
Money market accounts	5,040,720	3,954,438	18,066,507
<i>Total Assets</i>	<u>\$ 5,152,874</u>	<u>\$ 4,067,839</u>	<u>\$ 18,793,613</u>
 <u>LIABILITIES AND CUSTODIAL FUNDS</u>			
Tax Credit Bond loan payable	\$ 0	\$ 0	\$ 4,335,115
Custodial fund balance (deficit)	5,152,874	4,067,839	14,458,498
<i>Total Liabilities and Custodial Funds</i>	<u>\$ 5,152,874</u>	<u>\$ 4,067,839</u>	<u>\$ 18,793,613</u>

<u>Drainage System Bond Proceeds</u>	<u>Water Revenue Bond Proceeds</u>	<u>Sewerage Service Revenue Bond Proceeds</u>	<u>Total</u>
\$ 13,110	\$ 18,914	\$ 143,742	\$ 1,128,427
<u>1,013,753</u>	<u>2,029,137</u>	<u>4,712,539</u>	<u>34,817,094</u>
<u>\$ 1,026,863</u>	<u>\$ 2,048,051</u>	<u>\$ 4,856,281</u>	<u>\$ 35,945,521</u>
\$ 0	\$ 6,807,041	\$ 66,323,091	\$ 77,465,247
<u>1,026,863</u>	<u>(4,758,990)</u>	<u>(61,466,810)</u>	<u>(41,519,726)</u>
<u>\$ 1,026,863</u>	<u>\$ 2,048,051</u>	<u>\$ 4,856,281</u>	<u>\$ 35,945,521</u>

BOARD OF LIQUIDATION, CITY DEBT
ACCOUNT OF DOWNTOWN DEVELOPMENT DISTRICT OF NEW ORLEANS
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND
CUSTODIAL FUNDS-MODIFIED CASH BASIS
DECEMBER 31, 2011

	<u>Special Tax Fund</u>	<u>DDD Bond Proceeds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 79,006	\$ 2,480	\$ 81,486
Money market accounts	2,347,819	355,871	2,703,690
<i>Total Assets</i>	<u>\$2,426,825</u>	<u>\$ 358,351</u>	<u>\$2,785,176</u>
<u>LIABILITIES AND CUSTODIAL FUNDS</u>			
Tax Credit Bond loan payable	\$1,600,153	\$ 0	\$1,600,153
Custodial fund balance	826,672	358,351	1,185,023
<i>Total Liabilities and Custodial Funds</i>	<u>\$2,426,825</u>	<u>\$ 358,351</u>	<u>\$2,785,176</u>

BOARD OF LIQUIDATION, CITY DEBT
ACCOUNT OF AUDUBON PARK COMMISSION OF NEW ORLEANS
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND
CUSTODIAL FUNDS-MODIFIED CASH BASIS
DECEMBER 31, 2011

	Aquarium Tax Fund	Aquarium Bond Proceeds	Special Tax Fund	Total
<u>ASSETS</u>				
Cash	\$ 72,536	\$ 0	\$ 8,740	\$ 81,276
Money market accounts	0	2,153,866	0	2,153,866
<i>Total Assets</i>	<u>\$ 72,536</u>	<u>\$ 2,153,866</u>	<u>\$ 8,740</u>	<u>\$ 2,235,142</u>
<u>LIABILITIES AND CUSTODIAL FUNDS</u>				
Tax Credit Bond loan payable	\$ 10,759,776	\$ 0	\$ 1,091,230	\$ 11,851,006
Custodial fund balance (deficit)	(10,687,240)	2,153,866	(1,082,490)	(9,615,864)
<i>Total Liabilities and Custodial Funds</i>	<u>\$ 72,536</u>	<u>\$ 2,153,866</u>	<u>\$ 8,740</u>	<u>\$ 2,235,142</u>

BOARD OF LIQUIDATION, CITY DEBT
 ACCOUNTS OF SPECIAL TAXING DISTRICTS OF NEW ORLEANS
 COMBINING SCHEDULE OF ASSETS AND
 CUSTODIAL FUNDS-MODIFIED CASH BASIS
 DECEMBER 31, 2011

	Garden District Security Tax District	Huntington Park Subdivision Improvement District	Kingswood Subdivision Improvement District	Lake Bullard Neighborhood Improvement District	Lake Carmel Subdivision Improvement District	Lake Forest Estates Improvement District
<u>ASSETS</u>						
Money market accounts	\$ 1,021,697	\$ 13,743	\$ 145,567	\$ 66,362	\$ 36,263	\$ 96,074
<u>CUSTODIAL FUND</u>						
<u>BALANCE</u>	\$ 1,021,697	\$ 13,743	\$ 145,567	\$ 66,362	\$ 36,263	\$ 96,074

Lake Oaks Subdivision Improvement District	McKendall Estates Neighborhood Improvement District	Spring Lake Improvement District	Touro- Bouligny Security District	Twinbrook Security District	Upper Hurtsville Security District	Total
<u>\$ 61,922</u>	<u>\$ 13,531</u>	<u>\$ 31,571</u>	<u>\$ 268,270</u>	<u>\$ 133,432</u>	<u>\$ 170,563</u>	<u>\$ 2,058,995</u>
<u>\$ 61,922</u>	<u>\$ 13,531</u>	<u>\$ 31,571</u>	<u>\$ 268,270</u>	<u>\$ 133,432</u>	<u>\$ 170,563</u>	<u>\$ 2,058,995</u>

BOARD OF LIQUIDATION, CITY DEBT
DEBT ADMINISTRATION
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN LIABILITIES, DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2011

	General Obligation Bonds	Capital Improvement Limited Tax	LADHH Loan Revenue Bonds	Drainage System Bonds 6 mill	Drainage System Bonds 9 mill
RECEIPTS					
Ad valorem taxes-Current year	\$ 60,291,635	\$ 3,202,414	\$ 0	\$ 0	\$ 0
Ad valorem taxes-Prior years	3,561,745	17,324	0	0	0
Bond proceeds-new issue	0	0	0	0	0
Bond proceeds-cost of issuance	0	0	0	0	0
Debt service funds	0	0	6,655	0	2,297,467
Debt service funds-Federal subsidy-					
Taxable Build America Bonds	1,125,018	0	0	0	0
Interest on investments	212,540	0	0	0	0
Excess reserve and debt service funds	0	0	5,153	0	0
Total receipts	<u>65,190,938</u>	<u>3,219,738</u>	<u>11,808</u>	<u>0</u>	<u>2,297,467</u>
DISBURSEMENTS					
Interest on bonds	45,354,437	1,177,880	16,703	0	896,892
Principal on bonds	19,675,435	1,780,000	25,000	0	1,300,000
Premium on bonds	0	0	0	0	0
Purchase of escrow securities	0	0	0	0	0
Administrative Expenses-LADHH	0	0	2,842	0	0
Personal services	397,877	0	0	0	0
Contractual services	64,890	0	0	0	0
Office expenses	26,981	0	0	0	0
Funds returned to City of New Orleans, Sewerage & Water Board, and Audubon Park Commission	0	0	0	0	0
Cost of issuance	0	0	0	0	0
Total disbursements	<u>65,519,620</u>	<u>2,957,880</u>	<u>44,545</u>	<u>0</u>	<u>2,196,892</u>
Excess (Deficiency) of receipts over disbursements	(328,682)	261,858	(32,737)	0	100,575
Liabilities, Debt Service and Reserve funds at:					
December 31, 2010	55,024,984	5,289,825	2,392,070	80	23,905
December 31, 2011	<u>\$ 54,696,302</u>	<u>\$ 5,551,683</u>	<u>\$ 2,359,333</u>	<u>\$ 80</u>	<u>\$ 124,480</u>

Water Revenue Bonds	Sewerage Service Revenue Bonds	Sewerage & Water Board Matured Bonds	Audubon Park Commission Bonds	Audubon Park Commission Aquarium Bonds	Downtown Development District Tax Bonds	Defeased Bonds	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,494,049
0	0	0	0	0	0	0	3,579,069
0	0	0	0	27,029,619	0	23,985,913	51,015,532
0	98,375	0	0	268,934	0	0	367,309
3,906,599	20,545,292	0	399,072	3,880,055	560,001	0	31,595,141
0	0	0	0	0	0	0	1,125,018
0	0	0	0	0	0	0	212,540
12,992	53,934	0	672	0	553	0	73,304
3,919,591	20,697,601	0	399,744	31,178,608	560,554	23,985,913	151,461,962
1,685,618	8,435,056	0	98,755	1,100,429	287,877	4,072,106	63,125,753
2,220,000	11,815,000	0	275,000	2,530,000	235,000	19,443,572	59,299,007
0	0	0	0	0	0	470,235	470,235
0	0	0	0	24,608,262	0	0	24,608,262
0	0	0	0	0	0	0	2,842
0	0	0	0	0	0	0	397,877
0	0	0	0	0	0	0	64,890
0	0	0	0	0	0	0	26,981
16,849	72,099	0	871	2,421,357	709	0	2,511,885
0	77,747	0	0	243,266	0	0	321,013
3,922,467	20,399,902	0	374,626	30,903,314	523,586	23,985,913	150,828,745
(2,876)	297,699	0	25,118	275,294	36,968	0	633,217
5,044,133	25,351,993	37,142	308,035	0	274,065	63,537	93,809,769
\$ 5,041,257	\$ 25,649,692	\$ 37,142	\$ 333,153	\$ 275,294	\$ 311,033	\$ 63,537	\$ 94,442,986

BOARD OF LIQUIDATION, CITY DEBT
ACCOUNT OF SEWERAGE & WATER BOARD OF NEW ORLEANS
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN LIABILITIES AND CUSTODIAL FUNDS-MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2011

	LADHH Loan Revenue Bonds	Construction & Extention Fund 2 mill	Drainage System Fund 3 mill
<u>RECEIPTS</u>			
Ad valorem taxes-Current year	\$ 0	\$ 0	\$ 11,011,709
Ad valorem taxes-Prior years	0	4,860	867,784
Bond proceeds	1,490,118	0	0
Revenue sharing-State of Louisiana	0	0	323,143
Interest on investments	0	0	18,423
Excess reserve and debt service funds	0	0	0
<i>Total receipts</i>	1,490,118	4,860	12,221,059
<u>DISBURSEMENTS</u>			
Warrants	1,490,118	0	9,474,112
Debt service	0	6,655	0
<i>Total disbursements</i>	1,490,118	6,655	9,474,112
Excess (Deficiency) of receipts over disbursements	0	(1,795)	2,746,947
Liabilities and Custodial Fund Balance at:			
December 31, 2010	0	1,795	2,405,927
December 31, 2011	\$ 0	\$ 0	\$ 5,152,874

Drainage System Fund 6 mill	Drainage System Fund 9 mill	Drainage System Bond Proceeds	Water Revenue Bond Proceeds	Sewerage Service Revenue Bond Proceeds	Total
\$ 11,131,307	\$ 16,685,257	\$ 0	\$ 0	\$ 0	\$ 38,828,273
877,213	1,314,346	0	0	0	3,064,203
0	0	0	0	0	1,490,118
0	0	0	0	0	323,143
27,314	56,360	7,960	5,236	13,301	128,594
0	0	0	8,251	51,244	59,495
<u>12,035,834</u>	<u>18,055,963</u>	<u>7,960</u>	<u>13,487</u>	<u>64,545</u>	<u>43,893,826</u>
12,035,134	22,984,366	4,139,172	659,881	2,959,843	53,742,626
0	2,297,467	0	0	0	2,304,122
<u>12,035,134</u>	<u>25,281,833</u>	<u>4,139,172</u>	<u>659,881</u>	<u>2,959,843</u>	<u>56,046,748</u>
700	(7,225,870)	(4,131,212)	(646,394)	(2,895,298)	(12,152,922)
4,067,139	26,019,483	5,158,075	2,694,445	7,751,579	48,098,443
<u>\$ 4,067,839</u>	<u>\$ 18,793,613</u>	<u>\$ 1,026,863</u>	<u>\$ 2,048,051</u>	<u>\$ 4,856,281</u>	<u>\$ 35,945,521</u>

BOARD OF LIQUIDATION, CITY DEBT
ACCOUNT OF DOWNTOWN DEVELOPMENT DISTRICT OF NEW ORLEANS
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN LIABILITIES AND CUSTODIAL FUNDS-MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2011

	Special Tax Fund	DDD Bond Proceeds	Total
<u>RECEIPTS</u>			
Ad valorem taxes-Current year	\$5,130,239	\$ 0	\$ 5,130,239
Ad valorem taxes-Prior years	220,488	0	220,488
Interest on investments	10,364	776	11,140
Excess reserve and debt service funds	0	709	709
<i>Total receipts</i>	<u>5,361,091</u>	<u>1,485</u>	<u>5,362,576</u>
<u>DISBURSEMENTS</u>			
Warrants	5,363,299	0	5,363,299
Debt service	560,001	0	560,001
<i>Total disbursements</i>	<u>5,923,300</u>	<u>0</u>	<u>5,923,300</u>
Excess (Deficiency) of receipts over disbursements	(562,209)	1,485	(560,724)
Liabilities and Custodial Fund Balance at:			
December 31, 2010	2,989,034	356,866	3,345,900
December 31, 2011	<u>\$2,426,825</u>	<u>\$ 358,351</u>	<u>\$ 2,785,176</u>

BOARD OF LIQUIDATION, CITY DEBT
ACCOUNT OF AUDUBON PARK COMMISSION OF NEW ORLEANS
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN LIABILITIES AND CUSTODIAL FUNDS-MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2011

	Aquarium Tax Fund	Aquarium Bond Proceeds	Special Tax Fund	Total
<u>RECEIPTS</u>				
Ad valorem taxes-Current year	\$ 7,065,559	\$ 0	\$ 756,257	\$ 7,821,816
Ad valorem taxes-Prior years	426,390	0	45,761	472,151
Bond proceeds	0	2,421,357	0	2,421,357
Interest on investments	0	1,549	0	1,549
Excess reserve and debt service funds	0	0	871	871
<i>Total receipts</i>	<u>7,491,949</u>	<u>2,422,906</u>	<u>802,889</u>	<u>10,717,744</u>
<u>DISBURSEMENTS</u>				
Warrants	3,540,000	269,040	396,000	4,205,040
Debt service	3,880,056	0	399,072	4,279,128
<i>Total disbursements</i>	<u>7,420,056</u>	<u>269,040</u>	<u>795,072</u>	<u>8,484,168</u>
Excess of receipts over disbursements	71,893	2,153,866	7,817	2,233,576
Liabilities and Custodial Fund Balance at:				
December 31, 2010	643	0	923	1,566
December 31, 2011	<u>\$ 72,536</u>	<u>\$ 2,153,866</u>	<u>\$ 8,740</u>	<u>\$ 2,235,142</u>

BOARD OF LIQUIDATION, CITY DEBT
 ACCOUNTS OF SPECIAL TAXING DISTRICTS OF NEW ORLEANS
 COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CUSTODIAL FUNDS-MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2011

	Garden District	Huntington Park Improvement District	Kingswood Subdivision Improvement District	Lake Bullard Neighbor- hood Improvement District	Lake Carmel Subdivision Improvement District	Lake Forest Estates Improvement District
RECEIPTS						
Ad valorem taxes- Current year	\$ 897,672	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Ad valorem taxes- Prior years	48,216	0	0	0	0	0
Fee-Current year	0	22,704	73,018	65,333	79,492	83,060
Fee-Prior year	0	3,647	15,190	8,007	19,720	22,235
Interest on investments	2,689	45	350	158	132	246
<i>Total receipts</i>	<u>948,577</u>	<u>26,396</u>	<u>88,558</u>	<u>73,498</u>	<u>99,344</u>	<u>105,541</u>
DISBURSEMENTS						
Warrants	695,000	23,010	50,000	45,000	80,000	80,000
<i>Total disbursements</i>	<u>695,000</u>	<u>23,010</u>	<u>50,000</u>	<u>45,000</u>	<u>80,000</u>	<u>80,000</u>
Excess (Deficiency) of receipts over disbursements	253,577	3,386	38,558	28,498	19,344	25,541
Custodial Fund Balance at:						
December 31, 2010	768,120	10,357	107,009	37,864	16,919	70,533
December 31, 2011	<u>\$ 1,021,697</u>	<u>\$ 13,743</u>	<u>\$ 145,567</u>	<u>\$ 66,362</u>	<u>\$ 36,263</u>	<u>\$ 96,074</u>

Lake Oaks Subdivision Improvement District	McKendall Estates Neighbor- hood Improvement District	Spring Lake Improvement District	Touro- Bouigny Security District	Twinbrook Security District	Upper Hurtsville Security District	Total
\$ 0	\$ 0	\$ 0	\$ 248,369	\$ 0	\$ 0	\$ 1,146,041
0	0	0	28,965	0	0	77,181
95,089	31,975	35,600	0	213,009	176,452	875,812
5,757	2,947	7,292	0	19,308	20,326	124,429
253	41	88	752	474	569	5,797
101,099	34,963	43,060	278,086	232,791	197,347	2,229,260
135,000	32,500	35,000	225,000	165,000	175,000	1,740,510
135,000	32,500	35,000	225,000	165,000	175,000	1,740,510
(33,901)	2,463	8,060	53,086	67,791	22,347	488,750
95,823	11,068	23,511	215,184	65,641	148,216	1,570,245
\$ 61,922	\$ 13,531	\$ 31,571	\$ 268,270	\$ 133,432	\$ 170,563	\$ 2,058,995

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BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF BOND SALES
DECEMBER 31, 2011

Audubon Park Commission Aquarium Refunding Bonds, Series 2011A-1

Sold: August 17, 2011 Delivered: September 22, 2011

Bonds Dated: October 1, 2011, and due October 1, 2014 through October 1, 2021

Average life of issue: 6.846502 years

Net Interest Cost: 3.276%

True Interest Cost: 3.0852075%

Sold to: Loop Capital Markets

Sources:

Bond Proceeds	\$ 24,370,000
Original Issue Premium	2,433,627
Sinking Fund Contribution	442,589
Total	<u><u>\$ 27,246,216</u></u>

Uses:

Deposit to Series 2001A Bonds Defeasance Account	\$ 13,991,143
Deposit to Series 2001B Bonds Defeasance Account	10,437,359
APC Aquarium Bond Proceeds Funds	2,421,357
Cost of Issuance	396,357
Total	<u><u>\$ 27,246,216</u></u>

Audubon Park Commission Aquarium Refunding Bonds, Taxable Series 2011A-2

Sold: August 17, 2011 Delivered: September 22, 2011

Bonds Dated: October 1, 2011, and due October 1, 2014

Average life of issue: 3.025 years

Net Interest Cost: 1.867%

True Interest Cost: 1.8725%

Sold to: Loop Capital Markets

Sources:

Bond Proceeds	\$ 630,000
Total	<u><u>\$ 630,000</u></u>

Uses:

Deposit to Series 2011A-1 Bonds Defeasance Account	\$ 622,349
Cost of Issuance	7,651
Total	<u><u>\$ 630,000</u></u>

Sewerage Service Subordinate Revenue Bonds, Series 2011

Sold: November 16, 2011 Delivered: November 22, 2011

Bonds Dated: November 22, 2011, and due November 1, 2013 through November 1, 2032

Average life of issue: 11.753667 years

Net Interest Cost: .95%

True Interest Cost: .9500105%

Sold to: Louisiana Department of Environmental Quality Drinking Water Revolving Loan Fund

Sources:

Principal sum	\$ 9,000,000
Total	<u><u>\$ 9,000,000</u></u>

BOARD OF LIQUIDATION, CITY DEBT
 SCHEDULE OF BONDED DEBT ADMINISTERED BY THE BOARD OF LIQUIDATION, CITY DEBT
 DECEMBER 31, 2011

	<u>Date of Bonds</u>	<u>Final Serial Maturity</u>	<u>Average Annual Interest Cost</u>
<u>GENERAL OBLIGATION BONDS (Note B.)</u>			
General Obligation Refunding Bonds, Series 1991 (Notes C. and D.)	Sep. 1, 1991	Sep. 1, 2021	7.071%
General Obligation Refunding Bonds, Series 1998	Dec. 1, 1998	Dec. 1, 2026	4.948%
Public Improvement Bonds, Issue of 2001	Apr. 1, 2001	Dec. 1, 2030	5.225%
Public Improvement Bonds, Issue of 2002	Apr. 1, 2002	Dec. 1, 2031	5.307%
General Obligation Refunding Bonds, Series 2002	Apr. 1, 2002	Sep. 1, 2021	5.384%
Public Improvement Bonds, Issue of 2003	Oct. 1, 2003	Oct. 1, 2033	5.021%
Public Improvement Bonds, Issue of 2004	July 13, 2004	Dec. 1, 2033	5.096%
Public Improvement Bonds, Issue of 2005A	May 24, 2005	Dec. 1, 2034	4.347%
General Obligation Refunding Bonds, Series 2005	July 6, 2005	Dec. 1, 2029	5.180%
Public Improvement Bonds, Issue of 2007A	Dec. 14, 2007	Dec. 1, 2036	5.086%
Public Improvement Bonds, Issue of 2010A Taxable Build America Bonds	Jan. 19, 2010	Dec. 1, 2039	8.405%
<u>LIMITED TAX BONDS (Note E.)</u>			
Series 2005	July 6, 2005	Mar. 1, 2021	4.045%
<u>DRAINAGE SYSTEM SPECIAL TAX BONDS (Note F.)</u>			
Drainage System Bonds, Series 1998 (9 mill)	Dec. 1, 1998	Dec. 1, 2018	4.838%
Series 2002 (9 mill)	Oct. 1, 2002	Dec. 1, 2022	4.457%

See accompanying notes.

<u>Principal due 2012</u>	<u>Interest due 2012</u>	<u>Debt Service due 2012</u>	<u>Amount Outstanding (Note A.)</u>
\$ 5,971,942	\$ 19,473,058	\$ 25,445,000	\$ 33,798,556
3,715,000	4,454,162	8,169,162	84,115,000
610,000	995,188	1,605,188	19,610,000
820,000	1,461,393	2,281,393	27,760,000
0	3,018,769	3,018,769	58,415,000
1,005,000	1,774,862	2,779,862	35,395,000
750,000	1,476,787	2,226,787	29,220,000
365,000	636,650	1,001,650	14,380,000
4,370,000	5,032,450	9,402,450	96,920,000
1,580,000	3,593,075	5,173,075	70,645,000
735,000	3,177,693	3,912,693	39,285,000
<u>\$ 19,921,942</u>	<u>\$ 45,094,087</u>	<u>\$ 65,016,029</u>	<u>\$ 509,543,556</u>
<u>\$ 1,860,000</u>	<u>\$ 1,112,200</u>	<u>\$ 2,972,200</u>	<u>\$ 23,360,000</u>
\$ 570,000	\$ 224,785	\$ 794,785	\$ 4,610,000
790,000	621,263	1,411,263	14,380,000
<u>\$ 1,360,000</u>	<u>\$ 846,048</u>	<u>\$ 2,206,048</u>	<u>\$ 18,990,000</u>

BOARD OF LIQUIDATION, CITY DEBT
 SCHEDULE OF BONDED DEBT ADMINISTERED BY THE BOARD OF LIQUIDATION, CITY DEBT
 (CONTINUED)
 DECEMBER 31, 2011

	<u>Date of Bonds</u>	<u>Final Serial Maturity</u>	<u>Average Annual Interest Cost</u>
<u>SEWERAGE SERVICE REVENUE BONDS</u>			
<u>(Note G.)</u>			
Bond Series 1997	June 1, 1997	June 1, 2017	5.359%
Bond Series 1998	Dec. 1, 1998	June 1, 2018	4.817%
Bond Series 2000	May 1, 2000	June 1, 2020	5.478%
Bond Series 2000B	Nov. 1, 2000	June 1, 2020	5.424%
Bond Series 2001	Dec. 1, 2001	June 1, 2021	5.018%
Bond Series 2002	Dec. 1, 2002	June 1, 2022	4.362%
Bond Series 2003	Dec. 3, 2003	June 1, 2023	3.939%
Bond Series 2004	Dec. 16, 2004	June 1, 2024	4.262%
Bond Series 2009	July 14, 2009	June 1, 2029	6.282%
<u>LADHH LOAN REVENUE BONDS (Note G.)</u>			
Series 2010A	Feb. 1, 2010	Feb. 1, 2031	2.950%
Series 2010B	Feb. 1, 2010	Feb. 1, 2031	2.950%
<u>SEWERAGE SERVICE REVENUE</u>			
<u>SUBORDINATE BONDS (Note G.)</u>			
LA Department of Environmental Quality Revolving Loan Fund Series 2011	Nov. 22, 2011	Nov. 1, 2032	0.950%
<u>WATER REVENUE BONDS (Note H.)</u>			
Series 1998	Dec. 1, 1998	Dec. 1, 2018	4.817%
Series 2002	Oct. 1, 2002	Dec. 1, 2022	4.567%
<u>AUDUBON PARK COMMISSION BONDS</u>			
<u>.4 MILL (Note I.)</u>			
Refunding & Improvement Bonds, Series 1997	Jan. 1, 1997	Dec. 1, 2016	5.422%
<u>AUDUBON PARK COMMISSION AQUARIUM</u>			
<u>BONDS 3.8 MILL (Note J.)</u>			
Refunding Bonds, Series 2003A	July 9, 2003	Oct. 1, 2013	3.726%
Refunding Bond Series 2011A-1	Sep. 22, 2011	Oct. 1, 2021	3.085%
Refunding Taxable Bond Series 2011A-2	Sep. 22, 2011	Oct. 1, 2014	1.872%
<u>DOWNTOWN DEVELOPMENT DISTRICT TAX</u>			
<u>BONDS 22.97 MILL (Note K.)</u>			
Limited Tax Bonds Series 2001	July 1, 2001	Dec. 1, 2026	5.193%

See accompanying notes.

Principal due 2012	Interest due 2012	Debt Service due 2012	Amount Outstanding (Note A.)
\$ 1,840,000	\$ 632,128	\$ 2,472,128	\$ 12,715,000
1,445,000	530,194	1,975,194	11,660,000
1,385,000	826,984	2,211,984	15,890,000
1,060,000	619,355	1,679,355	12,055,000
1,615,000	960,093	2,575,093	19,985,000
2,645,000	1,863,625	4,508,625	38,595,000
250,000	150,721	400,721	3,780,000
1,430,000	1,004,100	2,434,100	24,315,000
730,000	1,275,488	2,005,488	21,990,000
<u>\$ 12,400,000</u>	<u>\$ 7,862,688</u>	<u>\$ 20,262,688</u>	<u>\$ 160,985,000</u>
\$ 53,000	\$ 17,192	\$ 70,192	\$ 800,000
37,000	23,772	60,772	1,600,000
<u>\$ 90,000</u>	<u>\$ 40,964</u>	<u>\$ 130,964</u>	<u>\$ 2,400,000</u>
\$ 0	\$ 80,512	\$ 80,512	\$ 9,000,000
\$ 925,000	\$ 358,643	1,283,643	\$ 7,460,000
1,400,000	1,233,750	2,633,750	24,955,000
<u>\$ 2,325,000</u>	<u>\$ 1,592,393</u>	<u>\$ 3,917,393</u>	<u>\$ 32,415,000</u>
<u>\$ 290,000</u>	<u>\$ 84,730</u>	<u>\$ 374,730</u>	<u>\$ 1,635,000</u>
\$ 2,565,000	\$ 263,000	\$ 2,828,000	\$ 5,260,000
0	1,116,379	1,116,379	24,370,000
0	10,978	10,978	630,000
<u>\$ 2,565,000</u>	<u>\$ 1,390,357</u>	<u>\$ 3,955,357</u>	<u>\$ 30,260,000</u>
<u>\$ 250,000</u>	<u>\$ 272,368</u>	<u>\$ 522,368</u>	<u>\$ 5,450,000</u>

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO SCHEDULE OF BONDED DEBT ADMINISTERED
BY THE BOARD OF LIQUIDATION, CITY DEBT
DECEMBER 31, 2011

- Note A. Amount Outstanding - Amount excludes balances recorded as liabilities in the Combining Statement of Assets, Liabilities, and Custodial, Debt Service and Reserve Funds-Modified Cash Basis.
- Note B. General Obligation Bonds - Legal Debt Limit: \$1,168,903,891; Debt Service Coverage: Unlimited Ad Valorem Tax Levy; Reserve Fund: Sufficient to cover 1/2 of the high year's Principal and Interest due.
- Note C. Refunded General Obligation Bonds (1998) - A portion of these Issues Refunded in 1998. Debt Service guaranteed by Escrow Agreement.
- Note D. Refunded General Obligation Bonds (2002) - A portion of these Issues Refunded in 2002. Debt Service guaranteed by Escrow Agreement.
- Note E. Limited Tax Bonds - Debt Service Coverage: 2011 Tax Yield 100% of Debt Service due.
- Note F. Drainage System Bonds - Debt Service Coverage: 2011 Tax Yield 756% of Debt Service Due - 9 mill.
- Note G. Sewerage Service Revenue Bonds - Bond Debt Service Coverage: Rates sufficient to produce revenues over and above the amount required for operation and maintenance of the system which shall be not less than 130% of the maximum of Debt Service due in any calendar year on all outstanding bonds. Bond Reserve Fund: 125% average aggregate debt service. LADHH Loan Revenue Bonds 2010A and B are payable February and August as loan proceeds are drawn from Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund. At December 31, 2011, \$2,157,835 was drawn from the loan fund. LEDEQ Sewerage Service Subordinate Revenue Bonds, Series 2011 payable May and November as loan proceeds drawn not to exceed \$9,000,000 from the LA State Revolving Loan Program. At December 31, 2011, \$98,375 was drawn from the loan fund.
- Note H. Water Revenue Bonds - Debt Service Coverage: Rates sufficient to produce revenues over and above the amount required for operation and maintenance of the system which shall be not less than 130% of the maximum of Debt Service due in any calendar year on all outstanding bonds. Reserve Fund: Highest year's principal and interest due.
- Note I. Audubon Park Commission .4 Mill Bonds - Debt Service Coverage: 2011 Tax Yield 201% of Debt Service due. Reserve Fund: Sufficient to cover 1/2 of high year's Principal and Interest due.
- Note J. Audubon Park Commission 3.8 Mill Bonds - Debt Service Coverage: 2011 Tax Yield 221% of Debt Service due. Reserve Fund: None.
- Note K. Downtown Development District Bonds - Debt Service Coverage: 2011 Tax Yield 982% of Debt Service due. Reserve Fund: Sufficient to cover The high year's Principal and Interest due.

BOARD OF LIQUIDATION, CITY DEBT
 SCHEDULE OF DEDICATED AD VALOREM TAX MILLAGE
 AVAILABLE FOR SERVICING OF BONDED DEBT
 DECEMBER 31, 2011

	Millage (Note A.)							
	1992	1993 through 2002	2003 through 2005	2006	2007	2008	2009	2010 through 2012
<u>DEBT SERVICE</u>	26.90	26.90	28.40	38.20	31.70	23.80	23.80	25.50
<u>CAPITAL IMPROVEMENT LIMITED TAX (Note B.)</u>	N/A	2.50	2.50	2.50	2.50	1.82	1.82	1.82
<u>SEWERAGE & WATER BOARD:</u>								
Operation, Maintenance and Construction & Extension of Drainage System	6.40	6.40	6.40	6.40	6.40	4.66	4.54	4.66
Operation, Maintenance and Construction of Drainage System	6.48	6.48	6.48	6.48	6.48	4.71	4.6	4.71
Operation, Maintenance and Construction of Drainage System	9.71	9.71	9.71	9.71	9.71	7.06	6.89	7.06
<u>AUDUBON PARK COMMISSION:</u>								
Audubon Park Zoo	0.44	0.44	0.44	0.44	0.44	0.32	0.32	0.32
Audubon Park Aquarium	4.11	4.11	4.11	4.11	4.11	2.99	2.99	2.99
<u>DOWNTOWN DEVELOPMENT DISTRICT</u>	15.68	15.90	15.90	15.90	15.90	14.76	14.76	14.76

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO SCHEDULE OF DEDICATED AD VALOREM TAX MILLAGE
AVAILABLE FOR SERVICING OF BONDED DEBT
DECEMBER 31, 2011

Note A. Millage is approved in December of each year by the City Council of New Orleans for the new tax year.

Note B. The 2.5 mills for Capital Improvement Limited Tax is in effect for the first time in 1996.

BOARD OF LIQUIDATION, CITY DEBT
 SCHEDULE OF SEWERAGE & WATER BOARD MATURED BONDS-DEBT ADMINISTRATION
 DECEMBER 31, 2011

	Sewerage, Water & Drainage Bonds 2 mill *	Drainage System Bonds 3 mill 6.40	Total
<u>ASSETS</u>			
Cash	\$ 30,243	\$ 6,899	\$ 37,142
<i>Total Assots</i>	<u>\$ 30,243</u>	<u>\$ 6,899</u>	<u>\$ 37,142</u>
<u>LIABILITIES</u>			
Interest payable	\$ 10,243	\$ 1,899	\$ 12,142
Principal payable	20,000	5,000	25,000
<i>Total Liabilities</i>	<u>\$ 30,243</u>	<u>\$ 6,899</u>	<u>\$ 37,142</u>

* Tax expired December 31, 1991.

BOARD OF LIQUIDATION, CITY DEBT
 SCHEDULE OF DEFEASED BONDS-DEBT ADMINISTRATION
 COMBINING SCHEDULE OF ASSETS AND LIABILITIES-MODIFIED CASH BASIS
 DECEMBER 31, 2011

	General Obligation Bonds	Sewerage Service Revenue Bonds	Water Revenue Bonds	Audubon Park Commission Improvement Bonds	Total
<u>ASSETS</u>					
Cash	\$ 38,678	\$ 14,320	\$ 8,320	\$ 2,219	\$ 63,537
<u>LIABILITIES</u>					
Interest payable	\$ 15,463	\$ 1,785	\$ 8,320	\$ 2,219	\$ 27,787
Principal payable	23,215	12,535	0	0	35,750
<i>Total Liabilities</i>	<u>\$ 38,678</u>	<u>\$ 14,320</u>	<u>\$ 8,320</u>	<u>\$ 2,219</u>	<u>\$ 63,537</u>

BOARD OF LIQUIDATION, CITY DEBT
 SCHEDULE OF DEFEASSED BONDS-DEBT ADMINISTRATION
 COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
 LIABILITIES-MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Revenue Bonds</u>			<u>Audubon Park Commission</u>		<u>Total</u>
	<u>General Obligation Bonds</u>	<u>Sewerage Service</u>	<u>Water</u>	<u>Improve- ment Bonds</u>	<u>Aquarium Bonds</u>	
<u>RECEIPTS</u>						
Escrow Debt service funds:						
Interest	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,072,106	\$ 4,072,106
Principal	0	0	0	0	19,443,572	19,443,572
Premium	0	0	0	0	470,234	470,234
<i>Total Receipts</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,985,912</u>	<u>23,985,912</u>
<u>DISBURSEMENTS</u>						
Refunded bonds:						
Interest	0	0	0	0	4,072,106	4,072,106
Principal	0	0	0	0	19,443,572	19,443,572
Premium	0	0	0	0	470,234	470,234
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,985,912</u>	<u>23,985,912</u>
Excess of receipts over disbursements	0	0	0	0	0	0
<u>LIABILITIES</u>						
December 31, 2010	38,678	14,320	8,320	2,219	0	63,537
December 31, 2011	<u>\$ 38,678</u>	<u>\$ 14,320</u>	<u>\$ 8,320</u>	<u>\$ 2,219</u>	<u>\$ 0</u>	<u>\$ 63,537</u>

BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF ITEMIZED DISBURSEMENTS-INTEREST, PREMIUM AND PRINCIPAL PAID
FOR THE YEAR ENDED DECEMBER 31, 2011

	Interest	
	Debt Service Fund	Federal Subsidy Taxable BAB
<u>GENERAL OBLIGATION BONDS</u>		
Public Improvement Bonds, Issue of 2001	\$ 1,032,887	\$ 0
Public Improvement Bonds, Issue of 2002	1,501,367	0
Public Improvement Bonds, Issue of 2003	1,825,788	0
Public Improvement Bonds, Issue of 2004	1,505,387	0
Public Improvement Bonds, Issue of 2005A	655,900	0
Public Improvement Bonds, Issue of 2007A	3,668,825	0
Public Improvement Bonds, Issue of 2010A	2,089,319	1,125,018
General Obligation Refunding Bonds, Series 1991	19,044,565	0
General Obligation Refunding Bonds, Series 1998	4,646,662	0
General Obligation Refunding Bonds, Series 2002	3,018,769	0
General Obligation Refunding Bonds, Series 2005	5,239,950	0
<i>Total General Obligation Bonds</i>	<u>44,229,419</u>	<u>1,125,018</u>
<u>SPECIAL TAX BONDS</u>		
Limited Tax Bonds, Series 2005	1,177,880	0
<u>SEWER & WATER BOARD SPECIAL TAX BONDS</u>		
Drainage System Bonds, Series 1998	249,582	0
Drainage System Bonds, Series 2002	647,310	0
Total Drainage System 9 mill bonds	<u>896,892</u>	<u>0</u>
<u>SEWER & WATER BOARD REVENUE BONDS</u>		
Sewerage Service Revenue Bonds, Series 1997	726,234	0
Sewerage Service Revenue Bonds, Series 1998	594,660	0
Sewerage Service Revenue Bonds, Series 2000	899,278	0
Sewerage Service Revenue Bonds, Series 2000B	670,980	0
Sewerage Service Revenue Bonds, Series 2001	1,032,807	0
Sewerage Service Revenue Bonds, Series 2002	1,992,500	0
Sewerage Service Revenue Bonds, Series 2003	160,769	0
Sewerage Service Revenue Bonds, Series 2004	1,054,081	0
Sewerage Service Revenue Bonds, Series 2009	1,303,747	0
Total Sewerage Service Revenue Bonds	<u>8,435,056</u>	<u>0</u>
Water Revenue Bonds, Series 1998	398,468	0
Water Revenue Bonds, Series 2002	1,287,150	0
Total Water Revenue Bonds	<u>\$ 1,685,618</u>	<u>\$ 0</u>

	Premium	Principal	
Total	Debt Service Fund	Debt Service Fund	Total Interest, Premium and Principal
\$ 1,032,887	\$ 0	\$ 580,000	\$ 1,612,887
1,501,367	0	780,000	2,281,367
1,825,788	0	970,000	2,795,788
1,505,387	0	715,000	2,220,387
655,900	0	350,000	1,005,900
3,668,825	0	1,515,000	5,183,825
3,214,337	0	715,000	3,929,337
19,044,565	0	6,400,435	25,445,000
4,646,662	0	3,500,000	8,146,662
3,018,769	0	0	3,018,769
5,239,950	0	4,150,000	9,389,950
<u>45,354,437</u>	<u>0</u>	<u>19,675,435</u>	<u>65,029,872</u>
<u>1,177,880</u>	<u>0</u>	<u>1,780,000</u>	<u>2,957,880</u>
249,582	0	545,000	794,582
647,310	0	755,000	1,402,310
<u>896,892</u>	<u>0</u>	<u>1,300,000</u>	<u>2,196,892</u>
726,234	0	1,745,000	2,471,234
594,660	0	1,380,000	1,974,660
899,278	0	1,305,000	2,204,278
670,980	0	1,005,000	1,675,980
1,032,807	0	1,545,000	2,577,807
1,992,500	0	2,510,000	4,502,500
160,769	0	245,000	405,769
1,054,081	0	1,375,000	2,429,081
1,303,747	0	705,000	2,008,747
<u>8,435,056</u>	<u>0</u>	<u>11,815,000</u>	<u>20,250,056</u>
398,468	0	885,000	1,283,468
1,287,150	0	1,335,000	2,622,150
<u>\$ 1,685,618</u>	<u>\$ 0</u>	<u>\$ 2,220,000</u>	<u>\$ 3,905,618</u>

BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF ITEMIZED DISBURSEMENTS-INTEREST, PREMIUM AND PRINCIPAL PAID
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

	Interest	
	Debt Service Fund	Federal Subsidy Taxable BAB
<u>LADHH LOAN REVENUE BONDS</u>		
Revenue Bonds, Series 2010A, Taxable ARRA	\$ 3,679	\$ 0
Revenue Bonds, Series 2010B, Taxable ARRA	13,024	0
Total Revenue Bonds-LADHH	16,703	0
 <u>AUDUBON COMMISSION SPECIAL TAX BONDS</u>		
Audubon Park Commission Improvement Bonds, Series 1997	98,755	0
Audubon Park Commission Aquarium Bonds, Series 2001A	690,224	0
Audubon Park Commission Aquarium Bonds, Series 2001B	24,955	0
Audubon Park Commission Aquarium Bonds, Series 2003A	385,250	0
Total Audubon Park Commission Aquarium Bonds	1,100,429	0
 <u>DOWNTOWN DEVELOPMENT DISTRICT</u>		
Special Tax Bonds, Series 2001	287,877	0
 <u>DEFEASED BONDS</u>		
Audubon Park Commission Aquarium Bonds, Series 2001A	3,831	0
Audubon Park Commission Aquarium Bonds, Series 2001B	4,068,275	0
Total Audubon Park Commission Aquarium Bonds	4,072,106	0
<i>Total Itemized Disbursements-Interest, Principal and Premium Paid</i>	\$ 62,000,735	\$ 1,125,018

	Premium	Principal	
Total Interest	Debt Service Fund	Debt Service Fund	Total Interest, Premium and Principal
\$ 3,679	\$ 0	\$ 1,000	\$ 4,679
13,024	0	24,000	37,024
<u>16,703</u>	<u>0</u>	<u>25,000</u>	<u>41,703</u>
98,755	0	275,000	373,755
690,224	0	15,000	705,224
24,955	0	70,000	94,955
385,250	0	2,445,000	2,830,250
<u>1,100,429</u>	<u>0</u>	<u>2,530,000</u>	<u>3,630,429</u>
287,877	0	235,000	522,877
3,831	267,200	13,360,000	13,363,831
4,068,275	203,035	6,083,572	10,151,847
<u>4,072,106</u>	<u>470,235</u>	<u>19,443,572</u>	<u>23,515,678</u>
<u>\$ 63,125,753</u>	<u>\$ 470,235</u>	<u>\$ 59,299,007</u>	<u>\$ 122,424,760</u>

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INDEPENDENT AUDITOR'S REPORT

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

Mrs. Mary K. Zervigon, President, and Members
Board of Liquidation, City Debt
New Orleans, Louisiana

We have audited the financial statements of the Board of Liquidation, City Debt as of and for the year ended December 31, 2011, and have issued our report thereon dated March 8, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Liquidation, City Debt's internal control over financial reporting as a basis for designing our auditing procedures 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 Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Mrs. Mary K. Zervigon, President, and Members
Board of Liquidation, City Debt

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Liquidation, City Debt's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a 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*.

This report is intended solely for the information and use of management, the members of the Board, the City of New Orleans, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Paciera, Gautreau & Priest, LLC

March 8, 2012

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APPENDIX “F”

DEBT STATEMENT

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**STATEMENT OF DIRECT AND UNDERLYING BONDED DEBT
AS OF JULY 2, 2012**

(The accompanying notes are an integral part of this statement)

<u>Notes</u>	<u>Name of Issuer & Issue</u>	<u>Interest Rates (%)</u>	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Principal Outstanding</u>	<u>Principal Amount Due Within One Year</u>
(1)	<u>Direct Debt of the City of New Orleans, Louisiana*</u>					
(2)	General Obligation Refunding Bonds, Series 1991	0.0	9/15/91	9/01/18	\$33,798,556**	\$5,971,942
(2)	General Obligation Refunding Bonds, Series 1998	4.75-5.5	12/01/98	12/01/26	84,115,000 ^(a)	3,715,000
(2)	Public Improvement Bonds, Issue of 2001	5.0-5.125	4/01/01	12/01/30	19,610,000 ^(b)	610,000
(2)	General Obligation Refunding Bonds, Series 2002	5.125-5.375	4/01/02	9/01/21	58,415,000 ^(c)	0
(2)	Public Improvement Bonds, Issue of 2002	5.125-5.35	4/01/02	12/01/31	27,760,000 ^(d)	820,000
(2)	Public Improvement Bonds, Issue of 2003	5.0-5.25	10/02/03	12/01/33	35,395,000 ^(e)	1,005,000
(2)	Public Improvement Bonds, Issue of 2004	4.0-5.5	7/13/04	12/01/33	29,220,000 ^(f)	750,000
(2)	Public Improvement Bonds, Issue of 2005A	4.0-5.5	5/24/05	12/01/34	14,380,000	365,000
(2)	General Obligation Refunding Bonds, Series 2005	5.0-5.25	7/06/05	12/01/29	96,920,000	4,370,000
(2)	Public Improvement Bonds, Issue of 2007A	5.0-5.25	12/14/07	12/01/36	70,645,000	1,580,000
(2)	Taxable Public Improvement Bonds, Issue of 2010A (Build America Bonds - Federally Taxable - Direct Payment to Issuer)	5.55-8.8	1/19/10	12/01/39	39,285,000	735,000
(3)	Certificates of Indebtedness, Series 2005	3.59	7/11/05	12/01/14	615,000	205,000
(4)	Taxable Pension Revenue Bonds, Series 2000	6.95	12/19/00	9/01/30	115,760,000	6,600,000
(4A)	Taxable Bonds, Series 2011	5.95	11/30/11	3/01/13	15,995,000	15,995,000
(5)	Taxable Limited Tax Certificates of Indebtedness, Series 2004B	4.6-4.75	12/23/04	3/01/14	25,605,000	12,470,000
(6)	Sales Tax Increment Revenue Bonds (St. Thomas Economic Development District), Series 2003	8.125	11/03/03	4/01/50	19,575,000	80,000
(7)	Variable Rate Revenue Bonds (Canal Street Improvements Project), Series 2004	variable	9/29/04	8/01/24	8,620,000	495,000
(8)	Limited Tax Bonds, Series 2005	5.0	7/06/05	3/01/21	21,500,000	1,950,000
(9)	Revenue Bond, Series 2010A	3.45	2/12/10	2/01/31	772,000	29,000
(9)	Revenue Bond, Series 2010B	3.45	2/12/10	2/01/31	1,543,000	59,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana (Certificates of Indebtedness, Capital leases, LCDA Bonds)	4.64	6/19/06	7/15/26	52,268,594	0
(A)	Cooperative Endeavor Agreement with the State of Louisiana (General Obligation Bonds)	4.64	6/19/06	7/15/26	24,713,549	1,176,666
(A)	Cooperative Endeavor Agreement with the State of Louisiana (Capital Improvement Bonds)	4.64	6/19/06	7/15/26	2,903,660	138,250
(10)	<u>Underlying Debt of the Orleans Parish School Board, State of Louisiana</u>					
(11)	Public School Refunding Bonds, Series 1991	--	12/19/91	2/01/15	6,511,529*	3,047,321
(11)	Public School Refunding Bonds, Series 2011 (Taxable)	1.47-2.30	12/01/11	2/01/15	9,225,000	3,005,000
(11)	Revenue Bonds (Taxable QSCB), Series 2011B	4.4	12/20/11	2/01/21	79,055,000	(g)
(12)	Promissory Note (CDL Federal Program) [†]	2.93	8/28/06	8/27/16	11,348,388	(h)

* Excludes Section 108 HUD loans.

** Original principal amount of compound interest bonds.

(a) Includes \$22,955,000 of bonds to be refunded.

(b) Includes \$19,610,000 of bonds to be refunded.

(c) Includes \$58,415,000 of bonds to be refunded.

(d) Includes \$26,940,000 of bonds to be refunded.

(e) Includes \$33,350,000 of bonds to be refunded.

(f) Includes \$25,975,000 of bonds to be refunded.

(g) Various amounts are required to be deposited annually into a sinking fund.

(h) Subject to prepayment, extension and/or cancellation.

Notes	Name of Issuer & Issue	Interest Rates (%)	Dated Date	Final Maturity Date	Principal Outstanding	Principal Amount Due Within One Year
(13)	<u>Underlying Debt of Parishwide School District of the Parish of Orleans, State of Louisiana</u>					
(2)	General Obligation School Refunding Bonds, Series 2010	2.5-5.0	9/01/10	9/01/20	\$89,005,000	\$8,805,000
(14)	<u>Underlying Debt of the Audubon Commission</u>					
(15)	Audubon Commission Improvement and Refunding Bonds, Series 1997	5.1-5.2	1/01/97	12/01/16	1,635,000	290,000
(16)	Audubon Commission Aquarium Refunding Bonds, Series 2003A	5.0	7/09/03	10/01/13	5,260,000	2,565,000
(16)	Audubon Commission Aquarium Tax Bonds, Series 2011A-1	3.0-5.0	9/22/11	10/01/21	24,370,000	0
(16)	Audubon Commission Aquarium Tax Bonds, Series 2011A-2 (Taxable)	1.7	9/22/11	10/01/14	630,000	0
(A)	Cooperative Endeavor Agreement with the State of Louisiana (Revenue Bonds)	4.64	6/19/06	7/15/26	4,907,500	0
(A)	Cooperative Endeavor Agreement with the State of Louisiana (4.11 Mill Tax Bonds)	4.64	6/19/06	7/15/26	10,759,776	512,297
(A)	Cooperative Endeavor Agreement with the State of Louisiana (.44 Mill Tax Bonds)	4.64	6/19/06	7/15/26	1,091,230	51,956
(17)	<u>Underlying Debt of the Sewerage and Water Board</u>					
(18)	Drainage System Bonds, Series 1998	4.65-5.0	12/01/98	12/01/18	4,610,000	570,000
(18)	Drainage System Bonds, Series 2002	3.55-4.65	10/01/02	12/01/22	14,380,000	790,000
(19)	Water Revenue Bonds, Series 1998	4.65-4.9	12/01/98	12/01/18	7,460,000	925,000
(19)	Water Revenue Bonds, Series 2002	4.0-5.0	10/01/02	12/01/22	24,955,000	1,400,000
(20)	Sewerage Service Revenue Bonds, Series 1997	5.25-5.4	6/01/97	6/01/17	10,875,000	1,940,000
(20)	Sewerage Service Revenue Bonds, Series 1998	4.7-5.0	12/01/98	6/01/18	10,215,000	1,510,000
(20)	Sewerage Service Revenue Bonds, Series 2000	5.375-5.5	5/01/00	6/01/20	14,505,000	1,465,000
(20)	Sewerage Service Revenue Bonds, Series 2000B	5.1-5.5	11/01/00	6/01/20	10,995,000	1,120,000
(20)	Sewerage Service Revenue Bonds, Series 2001	4.8-5.2	12/01/01	6/01/21	18,370,000	1,685,000
(20)	Sewerage Service Revenue Bonds, Series 2002	5.0	12/01/02	6/01/22	35,950,000	2,790,000
(20)	Sewerage Service Revenue Bonds, Series 2003	3.6-5.0	12/03/03	6/01/23	3,530,000	260,000
(20)	Sewerage Service Revenue Bonds, Series 2004	4.0-5.0	12/16/04	6/01/24	22,885,000	1,485,000
(20)	Sewerage Service Revenue Refunding Bonds, Series 2009	4.5-6.25	7/14/09	6/01/29	21,260,000	765,000
(20)	Sewerage Service Subordinate Revenue Bonds, Series 2011	0.95	11/22/11	11/01/32	9,000,000	0
(12)	Promissory Note (CDL Federal Program)†	2.93	8/16/06	01/2016	25,166,747	(h)
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	6/19/06	7/15/26	77,465,247	3,688,291
(21)	<u>Underlying Debt of the Regional Transit Authority</u>					
(22)	Sales Tax Revenue Bonds, Series 1991	0.0	12/01/91	12/01/21	6,687,783 *	377,856
(22)	Sales Tax Revenue Refunding Bonds, Series 1998A	7.95-8.0	12/01/98	12/01/13	5,420,000	2,605,000
(22)	Sales Tax Revenue Bonds, Series 2010	3.0-5.0	10/14/10	12/01/30	73,470,000	2,045,000
(23)	LCDA Revenue Bonds (Canal Streetcar Project), Series 2000	variable	9/12/00	2/28/22	22,594,200	1,248,800
(23)	LCDA Revenue Bonds (Desire Streetcar Project), Series 2000A	variable	9/12/00	2/28/22	24,759,656	893,500
(12)	Promissory Note (CDL Federal Program)†	2.93/3.0	8/08/06	8/07/16	9,134,556	(h)
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	6/19/06	7/15/26	35,867,738	0

* Includes \$7,990,733 original principal amount of Capital Appreciation Bonds.

(h) Subject to prepayment, extension and/or cancellation.

Notes	Name of Issuer & Issue	Interest Rates (%)	Dated Date	Final Maturity Date	Principal Outstanding	Principal Amount Due Within One Year
(24)	<u>Underlying Debt of Law Enforcement District of the Parish of Orleans, State of Louisiana*</u>					
(2)	General Obligation Bonds, Series 2008	3.70-4.05	12/01/08	9/01/18	\$7,000,000	\$1,000,000
(2)	General Obligation Bonds, Series 2009	3.45-3.80	3/01/09	9/01/18	8,105,000	1,010,000
(2)	General Obligation Bonds, Series 2010	3.0-4.0	3/01/10	9/01/24	13,930,000	760,000
(2)	General Obligation Bonds, Series 2011	2.97	11/30/11	9/01/26	5,000,000	300,000
(2)	General Obligation Bonds, Series 2012	2.85	4/27/12	9/01/26	5,000,000	250,000
(25)	Revenue Anticipation Notes, Series 2012	1.72	6/29/12	6/30/13	4,900,000	4,900,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	6/19/06	7/15/26	17,256,120	821602
* Excludes \$4,900,000 Revenue Anticipation Notes, Series 2012, sold May 24, 2012, but not yet delivered.						
(26)	<u>Underlying Debt of the New Orleans Aviation Board</u>					
(27)	Revenue Bonds (Passenger Facility Charge Projects), Series 2007A	5.0-5.5	11/20/07	1/01/38	61,740,000	1,165,000
(27)	Revenue Refunding Bonds (Passenger Facility Charge Projects), Series 2007B-1	5.25	11/20/07	1/01/20	4,295,000	0
(27)	Revenue Refunding Bonds (Passenger Facility Charge Projects), Series 2007B-2	5.0-5.25	11/20/07	1/01/19	12,455,000	1,735,000
(27)	Gulf Opportunity Zone Revenue Bonds (Passenger Facility Charge Projects), Series 2010A	4.25-5.25	5/26/10	1/01/41	52,355,000	0
(27)	Gulf Opportunity Zone Revenue Bonds (Passenger Facility Charge Projects), Series 2010B	5.125	5/26/10	1/01/38	1,285,000	0
(28)	Revenue Refunding Bonds (Restructuring GARBs), Series 2009A-1	4.25-6.0	2/03/09	1/01/23	73,960,000	0
(28)	Revenue Refunding Bonds (Restructuring GARBs), Series 2009A-2	4.25-6.0	2/03/09	1/01/23	23,055,000	0
(28)	Revenue Refunding Bonds (Restructuring GARBs), Series 2009B (Taxable)	4.75-5.1	2/03/09	1/01/15	23,210,000	8,495,000
(29)	Gulf Opportunity Zone CFC Revenue Bonds (Consolidated Rental Car Project), Series 2009A	4.625-6.5	12/09/09	1/01/40	96,515,000	0
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	6/19/06	7/15/26	35,371,990	0
(30)	<u>Underlying Debt of the Orleans Levee District</u>					
(31)	Public Improvement Bonds, Series 1986	5.95	8/29/86	11/01/15	11,095,000	2,500,000
(32)	Levee Improvement Bonds, Series 1986	5.95	8/28/86	11/01/14	14,790,000	4,575,000
(32)	Levee Improvement Refunding Bonds, Series 1996	6.25	10/29/96	11/01/12	475,000	475,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	6/19/06	7/15/26	26,125,671	0
(33)	<u>Underlying Debt of the Orleans Parish Communications District, State of Louisiana</u>					
(34)	Revenue Bonds, Series 2004	3.95-4.35	9/24/04	9/01/19	6,180,000	655,000
(12)	Promissory Note (CDL Federal Program)†	2.93	8/28/06	8/27/16	471,154	(h)
(12)	Promissory Note (CDL Federal Program)†	2.68	1/18/06	1/17/16	799,416	(h)
(35)	<u>Underlying Debt of the French Market District</u>					
(36)	Taxable Revenue Bonds, Series 2005A	6.15	8/03/06	5/01/25	3,047,000	434,000

(h) Subject to prepayment, extension and/or cancellation.

<u>Notes</u>	<u>Name of Issuer & Issue</u>	<u>Interest Rates (%)</u>	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Principal Outstanding</u>	<u>Principal Amount Due Within One Year</u>
(37)	<u>Underlying Debt of the Downtown Development District of the City of New Orleans</u>					
(38)	Downtown Development District Limited Tax Refunding Bonds, Series 2012	2.68	6/13/12	12/01/26	\$5,485,000	\$280,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	6/19/06	7/15/26	1,600,153	76,187
(39)	<u>Underlying Debt of the Public Belt Commission for the City of New Orleans</u>					
(40)	Taxable Indebtedness, Series 2012	2.955	4/20/12	6/01/17	1,500,000	280,000

NOTES

- (A) On July 19, 2006, the State of Louisiana issued \$200,000,000 General Obligation Gulf Tax Credit Bonds, Series 2006-A; \$194,475,000 General Obligation Match Bonds, Series 2006-B; and \$200,000,000 General Obligation Refunding Bonds, Series 2008. In conjunction therewith, certain debt issuing entities in the City and the State entered Cooperative Endeavor Agreements in which the State agreed to make loans to the entities from the proceeds of any combination of the said bonds of the State pursuant to Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006 (“Act 41”) for the following purposes:
- Paying debt service of the City on outstanding debt for general obligation and special limited tax bonds.
 - Paying outstanding debt for special tax bonds of the Downtown Development District, Audubon Commission, and Sewerage and Water Board.
 - Paying outstanding sewerage revenue and water revenue bonds of the Sewerage and Water Board.
 - Paying outstanding bonds of the Orleans Parishwide School District; the Orleans Parish School Board; the Orleans Law Enforcement District; the New Orleans Aviation Board; the Orleans Levee District; the New Orleans Exhibition Hall Authority, and the Board of Commissioners of the Port of New Orleans.
- (1) The 2012 taxable assessed valuation for City purposes is approximately \$2,949,672,237. Certain City taxes are levied on the total assessed value of the City, which is approximately \$3,334,929,042 for 2012.
- (2) Secured by and payable from unlimited *ad valorem* taxation.
- (3) Secured by and payable as to principal and interest from a pledge and dedication of the excess of annual revenues of the issuer above statutory, necessary and usual charges in each of the fiscal years during which the obligations are outstanding.
- (4) Secured by and payable solely from moneys of the City that are available after payment of contractual and statutory obligations and other required expenses, including the payment of outstanding Certificates of Indebtedness of the City, in each of the fiscal years during which the bonds are outstanding, any Issuer Derivative Payments are due or any amounts are owed under the Bond Facility, as provided in the resolutions adopted, as amended, by the City Council on August 3, 2000, September 21, 2000, November 16, 2000, and December 1, 2000. These bonds are now held in a liquidity facility by JPMorgan Chase Bank (the “Bank”) because of failed remarketings. The Bank has agreed to extensions of the liquidity facility, but no assurance may be given that it will continue to do so. If not, the City would be required to begin accelerated amortization of the outstanding bonds over ten semiannual payments. The City expects to refinance these bonds.
- (4A) Secured by and payable solely from moneys available to the City after payment of contractual and statutory obligations and other required expenses, including the Issuer’s Taxable Pension Revenue Bonds, Series 2000, and the Certificates of Indebtedness, Series 2005, in each of the fiscal years during which the bonds are outstanding.
- (5) Secured by and payable from an irrevocable pledge and dedication of the funds to be derived by the issuer from the levy and collection of a special tax of thirteen and ninety-one hundredths (13.91) mills (subject to adjustment from time to time due to reassessment) (the “Tax”). The issuer is authorized to impose and collect the Tax in each year during which the certificates are outstanding. The Tax is authorized to be levied on all the property subject to taxation within the corporate boundaries of the issuer and is authorized to be levied for general purposes.
- (6) Secured by and payable solely from an irrevocable pledge and dedication of the City’s two and one-half percent (2 ½%) tax collected each year on the sale at retail, use, the lease or rental, the consumption and storage for use and consumption of tangible personal property, and the sales of services, all as defined in R. S. 47:301 *et seq.* and

- as specified in Ordinance 24,072 MCS derived by the City solely from Wal-Mart or any replacement or successor national retailer occupying the improvements which are expected to be occupied by a Wal-Mart to be located within the St. Thomas Economic Development District.
- (7) Payable from (i) money received from a draw on a Letter of Credit issued by Hibernia Bank, (ii) payments made by Canal Street Development Corporation and Downtown Development District pursuant to a Cooperative Endeavor Agreement, and (ii) payments made by the City from the General Fund.
 - (8) Secured by and payable from a pledge and dedication of the funds to be derived from the levy and collection of a special *ad valorem* tax of two and one-half (2½) mills (subject to adjustment from time to time due to reassessment), which the City is authorized to collect for a period of twenty-six (26) years, approved in an election held in the City on July 15, 1995.
 - (9) Secured solely by a pledge of monies on deposit in the Board of Liquidation's Debt Administration Account Construction and Extension Fund in the name of the Sewerage and Water Board of New Orleans.
 - (10) The total 2012 assessed valuation of the Orleans Parish School Board is approximately \$3,334,929,042, of which approximately \$2,949,672,237 is taxable.
 - (11) Payable from (i) a constitutional millage twenty-seven and sixty-five hundredths (27.65) mills and (ii) the net revenues from a one-half of one percent (½%) sales and use tax authorized in an election held on November 4, 1980.
 - (12) Secured by a pledge of the issuer's revenues for each fiscal year after payment of outstanding bonded indebtedness.
 - (13) The total 2012 assessed valuation of Parishwide School District of the Parish of Orleans is approximately \$3,334,929,042, of which approximately \$2,949,672,237 is taxable.
 - (14) The Audubon Commission is a related entity of the City established by state act and the City Charter.
 - (15) Secured by and payable solely from the tax revenues derived from the levy and collection of a thirty-two hundredths (.32) mill tax upon all taxable property in the City.
 - (16) Secured by and payable solely from an irrevocable pledge and dedication of the funds to be derived from the levy and collection of a two and ninety-nine hundredths (2.99) mills special *ad valorem* tax subject to taxation within the City authorized to be collected for a period of thirty-five (35) years, beginning in 1987, in an election held on November 4, 1986.
 - (17) The Sewerage and Water Board is the agency responsible for the sewerage, water and drainage systems of the City.
 - (18) Limited tax bonds, secured by the avails of the equivalent of a seven and six hundredths (7.06) mills *ad valorem* tax (subject to adjustment from time to time due to reassessment).
 - (19) Secured by and payable solely from net revenues derived from the imposition of water rates.
 - (20) Secured by and payable solely from revenues of the system, including revenues received from the imposition of sewerage rates.
 - (21) The Regional Transit Authority ("RTA") is primarily located in the City of New Orleans (Orleans Parish) and is parishwide.
 - (22) Secured by and payable from the Pledged Tax Revenues, i.e. primarily the net revenues derived from the levy and collection of one-half of a one percent (½%) sales and use tax levied by the Authority upon the items and services subject to the sales and use tax, and a pledge upon moneys held in the funds and accounts held under the General Indenture dated September 1, 1997.
 - (23) Under agreements with the Louisiana Local Government Environmental Facilities and Community Development Authority ("LCDA"), RTA may borrow not exceeding \$65,820,000 in funds to finance the local match portion of the costs expected to be incurred in the construction of the Canal Street Corridor and Desire Street Corridor Projects. The funds are provided from a portion of the proceeds of a Master Indenture Agreement and the sale of revenue bonds by LCDA. The principal amounts shown in this debt statement represent the amounts drawn down currently, and will be amortized over the remaining life of the agreement.
 - (24) The Law Enforcement District of the Parish of Orleans is parishwide and has a 2012 taxable assessed valuation of approximately \$2,949,672,237.
 - (25) Secured by and payable from a pledge of all revenues accruing to the Sheriff's general fund.
 - (26) The New Orleans Aviation Board is responsible for the management and operation of the New Orleans International Airport, owned by the City and located in Kenner, Louisiana.
 - (27) These bonds are special, limited obligations of the Aviation Board, payable from and secured by (i) Net PFC Revenues generated from passenger facility charges approved by the Federal Aviation Administration (the "Approved PFC") and imposed and collected by the Aviation Board for the use of the New Orleans International Airport, subject to the Aviation Board's obligation to make payments into the Arbitrage Rebate Fund of the first Supplemental Indenture, (ii) the proceeds of any reserve asset and of any additional securities, and (iii) amounts on deposit in certain funds and accounts, included within the stand alone PFC Trust Estate. The Series 2010A

and Series 2010B Bonds are subject to the Aviation Board's obligation to make payments into the Arbitrage Rebate Fund of the third Supplemental Indenture.

- (28) These bonds are special, limited obligations of the Aviation Board, payable from and secured by (i) general airport revenues subject to the Aviation Board's obligation to pay the operation and maintenance expenses of the Airport and make payments into the Arbitrage Rebate Fund of the first Supplemental Indenture, (ii) the proceeds of any reserve asset and of any additional securities as further described in the official statement, and (iii) amounts on deposit in certain funds and accounts.
- (29) These bonds are special, limited obligations of the Aviation Board, payable from and secured by (i) revenues primarily to be derived from a customer facility charge imposed by the Aviation Board and secondarily from contingent rent derived from the initial facilities leases executed by the companies and other supplemental facility charges, if established pursuant to the CFC Master Indenture, (ii) the proceeds of any reserve asset, and (iii) amounts on deposit in the pledged funds.
- (30) The Orleans Levee District is parishwide and has a 2012 taxable assessed valuation of approximately \$2,949,672,237.
- (31) Payable from the Orleans Levee District's five and forty-six hundredths (5.46) mills constitutional *ad valorem* tax (subject to adjustment from time to time due to reassessment).
- (32) Payable from the Orleans Levee District's five and forty-six hundredths (5.46) mills special levee improvement *ad valorem* tax (subject to adjustment from time to time due to reassessment).
- (33) The Orleans Parish Communications District is parishwide.
- (34) Payable solely from and secured by a pledge and dedication of (i) the proceeds of the emergency telephone tax imposed pursuant to law, and (ii) the excess of annual revenues of the District above statutory, necessary and usual charges in each of the fiscal years during which the Bonds are outstanding.
- (35) The French Market Corporation is a non-profit corporation owned by the City of New Orleans.
- (36) Payable from the revenues of the French Market.
- (37) The 2012 taxable assessed valuation of the Downtown Development District is \$386,948,870.
- (38) Secured by and payable from an irrevocable pledge and dedication of the funds to be derived from the levy and collection of a special *ad valorem* tax not exceeding twenty-two and ninety-seven hundredths (22.97) mills upon all the taxable real property located in The Downtown Development District of the City of New Orleans, authorized in elections held on December 8, 1979 and April 7, 2001. The Tax is currently being levied at a rate of fourteen and seventy-six hundredths (14.76) mills.
- (39) The Public Belt Commission for the City of New Orleans is parishwide.
- (40) Secured by and payable solely from moneys that are available after the payment of contractual and statutory obligations and other required expenses, in each of the fiscal years during which the obligations are outstanding, including specifically amounts payable under a Cooperative Endeavor Agreement dated December 15, 2011, the Promissory Note dated January 25, 2012, and a Limited Guaranty Agreement.

(NOTE: The above statement excludes certain outstanding indebtedness of the New Orleans Home Mortgage Authority; New Orleans Exhibition Hall Authority; Greater New Orleans Expressway Commission; New Orleans Finance Authority; New Orleans Industrial Development Board, Inc.; New Orleans Housing Development Corporation; Transportation Center Authority; New Orleans Regional Loan Corporation; Upper Pontalba Building Restoration Corp.; Louisiana Stadium and Exposition District; Board of Commissioners of the Port of New Orleans, and all operating and capital leases.)

† On January 19, 2010, the Department of Homeland Security Federal Emergency Management Agency published Federal Register Document 2010-925, which establishes procedures and requirements for Special Community Disaster Loan recipients to apply for cancellation of their loan as authorized by the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007. This rule will not cancel all Special Community Disaster Loans but rather provides a process for such cancellation. It is unknown at this time whether any such recipients will apply for such cancellation, or which Special Community Disaster Loans, if any, will actually be cancelled.

APPENDIX "G"

DEBT SERVICE REQUIREMENTS

**ANNUAL DEBT SERVICE REQUIREMENTS ON OUTSTANDING DEBT
CITY OF NEW ORLEANS, LOUISIANA
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012**

CALENDAR YEAR	OUTSTANDING BONDS (a)			SERIES 2012 BONDS (b)			TOTAL REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL	(12/1) PRINCIPAL	(6/1; 12/1) INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2012	19,311,941.50	27,516,098.50	46,828,040.00	750,000.00	2,093,223.33	2,843,223.33	20,061,941.50	29,609,321.83	49,671,263.33
2013	18,663,422.60	35,330,177.40	53,993,600.00	1,950,000.00	8,087,800.00	10,037,800.00	20,613,422.60	43,417,977.40	64,031,400.00
2014	17,871,925.60	35,021,009.40	52,892,935.00	2,995,000.00	8,048,800.00	11,043,800.00	20,866,925.60	43,069,809.40	63,936,735.00
2015	18,190,364.70	34,697,212.80	52,887,577.50	3,355,000.00	7,958,950.00	11,313,950.00	21,545,364.70	42,656,162.80	64,201,527.50
2016	17,623,778.70	34,371,946.30	51,995,725.00	4,395,000.00	7,824,750.00	12,219,750.00	22,018,778.70	42,196,696.30	64,215,475.00
2017	17,998,227.20	33,965,137.80	51,963,365.00	4,580,000.00	7,648,950.00	12,228,950.00	22,578,227.20	41,614,087.80	64,192,315.00
2018	18,458,896.00	33,504,419.00	51,963,315.00	4,315,000.00	7,465,750.00	11,780,750.00	22,773,896.00	40,970,169.00	63,744,065.00
2019	23,200,000.00	11,121,440.00	34,321,440.00	19,080,000.00	7,250,000.00	26,330,000.00	42,280,000.00	18,371,440.00	60,651,440.00
2020	24,460,000.00	9,867,002.50	34,327,002.50	19,745,000.00	6,296,000.00	26,041,000.00	44,205,000.00	16,163,002.50	60,368,002.50
2021	25,760,000.00	8,542,780.00	34,302,780.00	20,700,000.00	5,308,750.00	26,008,750.00	46,460,000.00	13,851,530.00	60,311,530.00
2022	7,605,000.00	7,143,993.75	14,748,993.75	8,645,000.00	4,273,750.00	12,918,750.00	16,250,000.00	11,417,743.75	27,667,743.75
2023	7,990,000.00	6,730,363.75	14,720,363.75	9,090,000.00	3,841,500.00	12,931,500.00	17,080,000.00	10,571,863.75	27,651,863.75
2024	8,395,000.00	6,295,121.25	14,690,121.25	9,455,000.00	3,402,000.00	12,857,000.00	17,850,000.00	9,697,121.25	27,547,121.25
2025	8,825,000.00	5,834,258.75	14,659,258.75	9,935,000.00	2,929,250.00	12,864,250.00	18,760,000.00	8,763,508.75	27,523,508.75
2026	9,285,000.00	5,348,965.00	14,633,965.00	8,770,000.00	2,432,500.00	11,202,500.00	18,055,000.00	7,781,465.00	25,836,465.00
2027	9,765,000.00	4,849,515.00	14,614,515.00	6,010,000.00	1,994,000.00	8,004,000.00	15,775,000.00	6,843,515.00	22,618,515.00
2028	7,515,000.00	4,319,110.00	11,834,110.00	6,310,000.00	1,693,500.00	8,003,500.00	13,825,000.00	6,012,610.00	19,837,610.00
2029	7,895,000.00	3,895,272.50	11,790,272.50	6,615,000.00	1,378,000.00	7,993,000.00	14,510,000.00	5,273,272.50	19,783,272.50
2030	5,950,000.00	3,449,960.00	9,399,960.00	6,940,000.00	1,047,250.00	7,987,250.00	12,890,000.00	4,497,210.00	17,387,210.00
2031	6,255,000.00	3,095,238.75	9,350,238.75	5,810,000.00	700,250.00	6,510,250.00	12,065,000.00	3,795,488.75	15,860,488.75
2032	6,570,000.00	2,722,427.50	9,292,427.50	4,115,000.00	409,750.00	4,524,750.00	10,685,000.00	3,132,177.50	13,817,177.50
2033	6,905,000.00	2,330,842.50	9,235,842.50	4,280,000.00	204,000.00	4,484,000.00	11,185,000.00	2,534,842.50	13,719,842.50
2034	7,250,000.00	1,919,350.00	9,169,350.00				7,250,000.00	1,919,350.00	9,169,350.00
2035	6,540,000.00	1,482,062.50	8,022,062.50				6,540,000.00	1,482,062.50	8,022,062.50
2036	6,870,000.00	1,065,937.50	7,935,937.50				6,870,000.00	1,065,937.50	7,935,937.50
2037	2,265,000.00	628,760.00	2,893,760.00				2,265,000.00	628,760.00	2,893,760.00
2038	2,380,000.00	429,440.00	2,809,440.00				2,380,000.00	429,440.00	2,809,440.00
2039	2,500,000.00	220,000.00	2,720,000.00				2,500,000.00	220,000.00	2,720,000.00
TOTALS	322,298,556.30	325,697,842.45	647,996,398.75	167,840,000.00	92,288,723.33	260,128,723.33	490,138,556.30	417,986,565.78	908,125,122.08

(a) Outstanding: Unrefunded Issue 2002, dated 4/1/02; Unrefunded Issue 2003, dated 10/2/03, Unrefunded Issue 2004, dated 7/13/04, Issue 2005A, dated 5/24/05, Issue 2007, dated 12/14/07; Taxable Public Improvement Bonds, Issue of 2010A, dated 1/19/10; General Obligation Refunding Series 1991, dated 9/15/91, Unrefunded Refunding Series 1998, dated 12/1/98; and Refunding Series 2005, dated 7/6/05.

(b) Dated 8/28/2012.

**FORM OF LEGAL OPINION
OF
FOLEY & JUDELL, L.L.P.
AND
THE CANTRELL LAW FIRM,
CO-BOND COUNSEL**

(FORM OF LEGAL OPINION)

Board of Liquidation, City Debt
City of New Orleans, Louisiana
New Orleans, Louisiana

\$167,840,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012
CITY OF NEW ORLEANS, LOUISIANA

We have acted as co-bond counsel in connection with the issuance of the captioned bonds (the “Bonds”). The Bonds are in fully registered form, are dated, bear interest at the rates, are subject to redemption, and mature on the dates and in the principal amounts as set forth in the Resolution (hereinafter defined).

The Bonds have been issued by the City of New Orleans, Louisiana (the “City”) Issuer pursuant to a resolution adopted by the Board of Liquidation, City Debt (the “Board”) on July 25, 2012 (the “Resolution”), for the purpose of refunding certain of the City’s (i) General Obligation Refunding Bonds, Series 1998; (ii) General Obligation Refunding Bonds, Series 2002; (iii) Public Improvement Bonds, Issue of 2001; (iv) Public Improvement Bonds, Issue of 2002; Public Improvement Bonds, Issue of 2003; and Public Improvement Bonds, Issue of 2004 (collectively, the “Refunded Bonds”), and paying the costs of issuance of the Bonds, under the authority of Chapter 4, Part XIV and Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, as amended (the “Act”), and other constitutional and statutory authority.

In accordance with the Resolution, the Issuer has entered into a Defeasance and Escrow Deposit Agreement (the “Escrow Agreement”) with The Bank of New York Mellon Trust Company, N.A., in the City of Dallas, Texas (the “Escrow Agent”), pursuant to which (i) a portion of the proceeds of the Bonds, together with certain additional moneys provided by the Board, have been deposited in trust with the Escrow Agent and (ii) the Escrow Agent has simultaneously purchased with such moneys Defeasance Obligations (as defined in the resolutions pursuant to which the Refunded Bonds were issued) for the purpose of providing moneys to pay the Refunded Bonds to the applicable optional redemption dates, as set forth in the Resolution; irrevocable provision having been made in the Resolution for the call for redemption of the Refunded Bonds on said dates.

We have examined the provisions of the Constitution and statutes of the State of Louisiana, a certified transcript of the proceedings relating to the issuance of the Bonds, and such other documents, proofs and matters of law as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

On the basis of the foregoing examinations, we are of the opinion, as of the date hereof and under existing law, that:

1. The Bonds are valid and binding general obligations of the City, and the full faith and credit of the City is pledged for the payment of the Bonds.
2. All taxable property within the City is subject to the levy of an ad valorem tax for the payment of the principal of and interest on the Bonds, without limit as to rate or amount.
3. The Escrow Agreement has been duly authorized, executed and delivered by, and constitutes a legal, valid and binding obligation of, the City.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings.

5. Under the Act, the Bonds are exempt from all taxation for state, parish, municipal, or other purposes.

In rendering the opinion expressed in numbered paragraph 4, we have relied on representations of the City and the Board with respect to questions of fact material to our opinion without undertaking to verify same by independent investigation and have assumed continuing compliance with covenants in the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the City or the Board fail to comply with the foregoing covenants in the Resolution, interest on the Bonds could become included in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Escrow Agreement and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforceability may also be subject to the exercise of the sovereign police powers of the State of Louisiana, or its governmental bodies, and the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

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**FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

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FORM OF CONTINUING DISCLOSURE CERTIFICATE
\$167,840,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012
OF THE
CITY OF NEW ORLEANS, LOUISIANA

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of New Orleans, Louisiana (the “City”), acting through its duly elected Mayor and the Board of Liquidation, City Debt (the “Board”), the entity created and charged by Act No. 133 of the 1880 Regular Session, as amended by Act 628 of the 1995 Regular Session of the Louisiana Legislature, with the issuance and administration of the general obligation debt of the City, acting through its duly authorized President in connection with the issuance of the above captioned issue of General Obligation Refunding Bonds, Series 2012 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board on July 25, 2012 (the “Resolution”), and are described in that certain Official Statement dated July 25, 2012 (the “Official Statement”) which contains certain information concerning the City, the *ad valorem* taxes securing the Bonds, and certain financial and other information relating thereto. The City and the Board covenant and agree as follows:

SECTION 1. *Definitions.* In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**Dissemination Agent**” shall mean the Board, or any successor Dissemination Agent designated by the City, acting through its duly appointed Secretary, whose mailing address is Room 8E17, City Hall, 1300 Perdido Street, New Orleans, Louisiana 70112.

“**Listed Events**” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the single centralized repository for the collection and availability of continuing disclosure documents for purposes of the Rule. The continuing disclosure documents must be provided to the MSRB in portable document format (PDF) to the following:

Municipal Securities Rulemaking Board
Electronic Municipal Market Access Center
<http://emma.msrb.org>

“**Official Statement**” shall mean the Official Statement with respect to the Bonds, the City and the Board dated July 25, 2012.

“**Participating Underwriter**” shall mean the original Purchaser (as defined in the Resolution) of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“**Repositories**” shall mean the MSRB and the State Information Depository, if any.

“**Resolution**” shall mean the bond resolution as adopted by the Board on July 25, 2012, authorizing the issuance of the Bonds.

“Rule” shall mean Rule 15c2-12 (b) (5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Information Depository” shall mean any public or private depository or entity designated by the State of Louisiana as a state depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Information Depository.

SECTION 2. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the City and the Board for the benefit of the owners of the Bonds, including owners of beneficial interests in the Bonds, and the Participating Underwriter, and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 3. *Provision of Annual Reports.*

- (a) The City shall, or shall cause the Dissemination Agent to, in each year no later than eight (8) months from the end of the City's first fiscal year ending after issuance of the Bonds, with the first such report to be due not later than August 31, 2013, provide to the Repositories, an Annual Report which is consistent with the requirements set forth below. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as set forth below; *provided* that the audited financial statements of the City and the Board may be submitted separately from the balance of the Annual Report.
- (b) If the Dissemination Agent is unable to provide to the Repositories an Annual Report by the date required in (a) above, the City, acting through the Board, shall send a Notice of Failure to File Annual Report to each of the Repositories, in substantially the form attached as Exhibit A.
- (c) The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of each of the Repositories.

SECTION 4. *Content of Annual Reports.* The Annual Report shall contain or incorporate by reference the following:

1. Audited financial statements of both the City and the Board for the preceding fiscal year. If the City's or the Board's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
2. Basis of accounting used by the City and the Board in reporting their financial statements. The City and the Board follow GAAP principles and mandated Louisiana statutory accounting requirements as in effect from time to time. In the event of any material change in such requirements the impact of such changes will be described in the Annual Report of the year such change occurs.
3. The total amount of debt of the City, as well as any general obligation debt which has been authorized but not yet issued.
4. Any material changes in the assessment procedures and the homestead exemption as authorized by law.

5. The assessed value of taxable property in the City and homestead exemptions for the most recent tax year available from the Louisiana Tax Commission
6. The *ad valorem* tax levies and collections of the City for the prior tax year.
7. The millage rates for the prior tax year.
8. A listing of the ten largest *ad valorem* taxpayers within the City for the prior tax year.
9. Updated Trend of Indebtedness section.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a deemed final official statement, it shall be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. *Reporting of Listed Events.* (a) This section shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City;
- (xiii) The consummation of a merger, consolidation, or acquisition involving an City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City or the Board obtains knowledge of the occurrence of a Listed Event, the City, acting through the Board, shall direct the Dissemination Agent as soon as possible, but in no event more than ten business days after the occurrence of the event, to file a notice of such occurrence with the MSRB and with any State Information Depository.

SECTION 6. *Management Discussion of Items Disclosed.* If an item required to be disclosed as part of the Annual Report or the Listed Events would be misleading without discussion, the City shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in light of the circumstances in which it is made.

SECTION 7. *Termination of Reporting Obligation.* The obligations of the City under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. *Dissemination Agent.* The City, acting through the Board, may, from time to time, appoint or engage a successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Certificate, the Board, acting on behalf of itself and the City, may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if:

- (a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;
- (b) This Disclosure Certificate, as amended, or the provision, as waived, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by an opinion of a nationally recognized bond counsel or by approving vote of the holders of the Bonds pursuant to the terms of the Resolution at the time of the amendment.

In the event of any such amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report relating to the City and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of change of accounting principles, on the presentation) of financial information or operating data being presented by or in respect of the City.

SECTION 10. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the City or the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City or the Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, neither the City nor the Board shall have any obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. *Default.* In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Bond owner (including any owner of a beneficial interest in the Bonds) or the Participating Underwriter may take such actions as may be necessary and appropriate, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the City, the Board, the Dissemination Agent, the Participating Underwriter and owners (including any owner of a beneficial interest in the Bonds) from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. *Other Stipulations.* Any document submitted to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB. Any document submitted to the MSRB pursuant to this Disclosure Certificate shall be word-searchable (without regard to diagrams, images and other non-textual elements).

SECTION 14. *Governing Law.* This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State of Louisiana, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State of Louisiana. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities law and official interpretations thereof.

IN FAITH WHEREOF, the undersigned have executed this Disclosure Certificate on this, the _____ day of _____, 2012.

CITY OF NEW ORLEANS, LOUISIANA

By: _____
Mayor

BOARD OF LIQUIDATION, CITY DEBT

By: _____
President

ATTEST:

By: _____
Secretary

EXHIBIT A
to Continuing Disclosure Certificate

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of New Orleans, Louisiana

Name of Bond Issue: \$167,840,000 General Obligation Refunding Bonds, Series 2012

Date of Issuance: _____, 2012

NOTICE IS HEREBY GIVEN that neither the City of New Orleans, Louisiana, nor the Board of Liquidation, City Debt (the "Board"), has provided an Annual Report as required by the Bond Resolution of the Board adopted on July 25, 2012, providing for the issuance of the above bonds. The City anticipates that its Annual Report will be filed by _____.

Date: _____

BOARD OF LIQUIDATION, CITY DEBT

By: _____
Secretary

APPENDIX “J”

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Bonds initially will be issued solely in book-entry only form to be held in the system maintained by DTC. So long as such book-entry only system is used, only DTC will receive or have the right to receive physical delivery of the Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Bond Resolution.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. The Issuer makes no representations, warranties or guarantees with respect to its accuracy or completeness.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will

be the responsibility of such Participant and not of DTC, Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the Bonds are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE ISSUER AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS; (ii) CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS; OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE ISSUER, THE UNDERWRITERS NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR INTEREST OR PREMIUM, IF ANY, ON THE BONDS; (3) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO BONDHOLDERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

APPENDIX “K”

**SPECIMEN MUNICIPAL BOND
INSURANCE POLICY**



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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