

In the opinion of Co-Bond Counsel, under existing law, interest on the Bonds is **not** excluded from gross income for Federal income tax purposes. Bondholders should consult their tax advisors with respect to the inclusion of interest on the Bonds in gross income for federal income tax purposes. See "TAX MATTERS" herein. Under Louisiana law, the Bonds are exempt from all taxation for state, parish, municipal, or other purposes.

**\$40,000,000**  
**TAXABLE PUBLIC IMPROVEMENT BONDS, ISSUE OF 2014A**  
**CITY OF NEW ORLEANS, LOUISIANA**

**Dated: Date of Delivery**

**Due: December 1, 2014 to December 1, 2043**

The referenced Taxable Public Improvement Bonds, Issue of 2014A (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 will be payable by Whitney Bank, Baton Rouge, Louisiana, 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 June 1, 2014, and semiannually thereafter on June 1 and December 1 of each year. See Appendix "J"- Book-Entry Only System.

The Bonds maturing December 1, 2024 and thereafter shall be subject to redemption at the option of the City, acting through the Board of Liquidation, City Debt, prior to their stated maturities, on and after December 1, 2023, 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 amount of the Bonds to be redeemed plus accrued interest to the redemption date. Any Bonds made the subject of such call or calls shall be redeemed at the principal amount thereof plus accrued interest to the date fixed for redemption. Bonds are **not** required to be redeemed in inverse order of maturity. If a bidder shall elect to specify term bonds as provided in "BIDDING INFORMATION-Special Bidders' Option" herein, the Bonds subject to mandatory sinking fund redemption shall also be subject to the terms and conditions described in this Official Statement.

**The Bonds are general obligations of the City, for which the full faith and credit of the City is pledged, and are secured by and payable from *ad valorem* taxes upon all the property subject to such taxation within the City in an amount sufficient to pay the principal of and the interest on the Bonds.** The Bonds are the fourth emission of the bonds authorized in a proposition approved by the voters of the City in a special election held on November 2, 2004, and are being issued for the purposes set forth in said proposition, all as more particularly described herein.

**MATURITY SCHEDULE**  
**(Base CUSIP No. 64763F)**

Due Dec. 1	Amount	Interest Rate	Yield	CUSIP	Due Dec. 1	Amount	Interest Rate	Yield	CUSIP
2014	\$ 745,000	2.00%	0.745%	SB6	2022	\$840,000	5.00%	4.300%	SK6
2015	640,000	3.00%	1.500%	SC4	2023	880,000	5.00%	4.500%	SL4
2016	660,000	3.00%	1.900%	SD2	2024	925,000	4.70%	4.700%	SM2
2017	675,000	3.00%	2.400%	SE0	2025	970,000	5.00%	5.000%	SN0
2018	695,000	4.00%	3.000%	SF7	2026	1,015,000	5.20%	5.200%	SP5
2019	725,000	5.00%	3.400%	SG5	2027	1,070,000	5.35%	5.350%	SQ3
2020	760,000	5.00%	3.800%	SH3	2028	1,130,000	5.55%	5.550%	SR1
2021	800,000	5.00%	4.000%	SJ9					

\$2,450,000 5.70%, Term Bonds due Dec. 1, 2030, Yield 5.70%, CUSIP SS9  
\$4,220,000 5.75%, Term Bonds due Dec. 1, 2033, Yield 5.90%, CUSIP ST7  
\$8,880,000 6.05%, Term Bonds due Dec. 1, 2038, Yield 6.05%, CUSIP SU4  
\$11,920,000 6.10%, Term Bonds due Dec. 1, 2043, Yield 6.15%, CUSIP SA8

The Bonds are offered subject to the joint approving opinion of Foley & Judell, L.L.P., New Orleans, Louisiana, and The Cantrell Law Firm, New Orleans, Louisiana, Co-Bond Counsel. 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 January 21, 2014, against payment therefor.



The date of this Official Statement is December 11, 2013. This cover page contain information for quick reference only. They are **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 2013, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ., a part 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 or the Board of Liquidation 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 or the Board of Liquidation. 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 or the Board of Liquidation 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. 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 or the Board of Liquidation and any one or more of the purchasers or registered owners of the Bonds.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE 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 CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

**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.i-dealprospectus.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.

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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"*

LaToya Cantrell, *Councilmember District "B"*

Kristin Gisleson Palmer, *Councilmember District "C"*

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

James Austin Gray II, *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

Henry F. O'Connor, Jr.

Stacy S. Head, *ex officio*

W. Raymond Manning

Mark M. Moody

David W. Gernhauser, *Secretary*

## City Officials

First Deputy Mayor and  
Chief Administrative Officer  
Director of Finance  
City Attorney  
Clerk of Council

Andy Kopplin  
Norman S. Foster  
Sharonda Williams, J.D.  
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*

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## **OFFICIAL STATEMENT**

**\$40,000,000**

### **TAXABLE PUBLIC IMPROVEMENT BONDS, SERIES 2014A**

## **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 December 11, 2013 (the “Bond Resolution”). The Bonds are being issued for various public purposes as described herein.

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.

Additional information about the City and the Parish of Orleans (the “Parish”) is included in Appendix “B” hereto. The audited financial statements of the City for the year ended December 31, 2012 are included in Appendix “C” hereto. The Summary Budget of the City for the year ending December 31, 2014 is included in Appendix “D” hereto. Audited financial statements of the Board of Liquidation for the year ended December 31, 2012, are included in Appendix “E” hereto. Maps indicating the general location of the City in the State of Louisiana (the “State”) 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. Any dealer, broker, salesperson or other persons interested in bidding on the obligations herein described may receive additional copies of this Official Statement prior to the date of sale upon request to the Secretary of the Board of Liquidation, or electronically from the websites of i-Deal Prospectus ([www.i-dealprospectus.com](http://www.i-dealprospectus.com)) or the Board of Liquidation ([www.boardofliquidation.com](http://www.boardofliquidation.com), under the link for Bond Ratings and Sales).

## **Authorization of Bonds**

The Bonds are authorized and issued pursuant to Article VI, Section 33 of the Louisiana Constitution of 1974 (the "Louisiana Constitution"), Part XIV, Chapter 4 of Title 39 and the applicable provisions of Chapter 5 and Chapter 6-A of Title 18 of the Louisiana Revised Statutes of 1950, as amended (the "Act"), and other constitutional and statutory authority. The Bonds were specifically authorized by a special election held in the City on November 2, 2004 (the "Election"). See "DESCRIPTION OF THE BONDS-Results of Election" herein.

The Louisiana State Bond Commission approved the issuance of the Bonds on September 16, 2004.

## **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 State 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 New Orleans City Council (the "City Council") in each year for the payment of general obligation bonds are transferred daily 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.

## **DESCRIPTION OF THE BONDS**

### **Amount of Bonds Being Issued**

Forty Million Dollars (\$40,000,000) of Bonds of the Issuer are being issued, constituting the fourth emission of Two Hundred Sixty Million Dollars (\$260,000,000) of Bonds authorized at the Election.

### **Date of Issue**

The Bonds are dated as of their date of delivery, which is anticipated to be January 21, 2014.

### **Purpose of Issue**

The Bonds are being issued for the purpose of improving streets, parks and playgrounds, public libraries and other public buildings, all as set forth in the proposition approved by the voters on November 2, 2004. (See "DESCRIPTION OF THE BONDS - Results of November 2, 2004 Election" herein.)



## **Average Life**

The average life of the Bonds is approximately 19.1308 years from their dated date.

## **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.

## **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 June 1, 2014 (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**

*Optional Redemption.* The Bonds maturing December 1, 2024, and thereafter, are callable for redemption at the option of the City, acting through the Board of Liquidation, prior to their stated maturities, on and after December 1, 2023, 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 amount of the Bonds to be redeemed plus accrued interest to the redemption date. Any Bonds made the subject of such call or calls shall be redeemed at the principal amount thereof plus accrued interest to the date fixed for redemption. Bonds are not required to be redeemed in inverse order of maturity.

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. Notice of any such redemption shall be given by the Board of Liquidation to the Paying Agent at least forty-five (45) days prior to the date fixed for redemption. Notice of redemption shall be given by the Paying Agent by mailing a copy of the redemption notice by first class mail, postage prepaid, not less than thirty (30) days prior to the redemption date addressed to the registered owner of each bond to be redeemed in whole or in part at the 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.

*Mandatory Redemption.* The Bonds maturing on December 1, 2030 shall be subject to mandatory sinking fund redemption on December 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

<b>Year (Dec. 1)</b>	<b>Principal Amount</b>
2029	\$1,190,000
2030	1,260,000*

\* Final Maturity.

The Bonds maturing on December 1, 2033 shall be subject to mandatory sinking fund redemption on December 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

<b>Year (Dec. 1)</b>	<b>Principal Amount</b>
2031	\$1,330,000
2032	1,405,000
2033	1,485,000*

\* Final Maturity.

The Bonds maturing on December 1, 2038 shall be subject to mandatory sinking fund redemption on December 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

<b>Year (Dec. 1)</b>	<b>Principal Amount</b>
2034	\$1,575,000
2035	1,670,000
2036	1,770,000
2037	1,875,000
2038	1,990,000*

\* Final Maturity.

The Bonds maturing on December 1, 2043 shall be subject to mandatory sinking fund redemption on December 1 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon:

<b>Year (Dec. 1)</b>	<b>Principal Amount</b>
2039	\$2,110,000
2040	2,240,000
2041	2,375,000
2042	2,520,000
2043	2,675,000*

\* Final Maturity.

## **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 and interest on the Bonds will be payable by Whitney Bank, in the City of Baton Rouge, Louisiana, 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.

## **Results of November 2, 2004 Election**

The Bonds are the fourth emission of \$260,000,000 of general obligation bonds authorized as a result of the approval of a proposition by the voters of the City at the Election. \$75,000,000 Public Improvement Bonds, Issue of 2007A, were issued on and dated December 14, 2007, \$40,000,000 Taxable Public Improvement Bonds, Issue of 2010A (Build America Bonds-Federally Taxable-Direct Payment to Issuer), were issued on and dated January 19, 2010, and \$40,000,000 Taxable Public Improvement Bonds, Issue of 2013A, were issued on and dated March 1, 2013. The proposition submitted and the result of said election follow:

### **GENERAL OBLIGATION BOND AUTHORIZATION PROPOSITION**

SUMMARY: AUTHORITY FOR THE CITY OF NEW ORLEANS TO ISSUE UP TO \$260,000,000 OF GENERAL OBLIGATION BONDS FOR UP TO 30 YEARS AND AT INTEREST RATES NOT EXCEEDING 9% PER ANNUM, FOR STREET IMPROVEMENTS AND FOR ACQUIRING, CONSTRUCTING, IMPROVING, EQUIPPING AND/OR RENOVATING PARKS AND RECREATION FACILITIES, PUBLIC LIBRARIES AND PUBLIC BUILDINGS, SAID BONDS TO BE PAYABLE FROM AD VALOREM TAXES.

Shall the City of New Orleans, Louisiana (the "City"), incur debt and issue up to two hundred and sixty million dollars (\$260,000,000) of bonds, in one or more series, said bonds to run up to thirty (30) years from the date thereof, to bear interest at a rate or rates not exceeding nine percent (9%) per annum, and to be general obligations of the City payable from ad valorem taxes to be levied and collected in the manner provided by Article VI, Section 33 of the 1974 Louisiana Constitution and other constitutional and statutory authority, for the following purposes:

\$162,900,000 for improvements to major and minor streets, including rehabilitation, reconstruction, base stabilization, drainage adjustments and related sidewalks, curbing, bridge replacement and improvement, urban systems, traffic signal control, improvements required under the Americans with Disabilities Act, and related administrative and maintenance facilities;

\$43,545,000 for acquiring, constructing, improving, equipping and/or renovating parks, playgrounds and recreation facilities, together with lighting improvements, including without limitation, Brechtel Park, Armstrong Park, City Park, Audubon Park, Ponchartrain Park, the Pan American Stadium and NORD facilities citywide provided that from this amount, \$10,000,000 shall be dedicated to the purpose of

acquisition of equipment and improvements for playgrounds and recreation facilities owned by the City of New Orleans in all five Council districts, including but not limited to swings, playground equipment, basketball courts, safety surfacing, walkways, lighting, fencing, benches, signage, water fountains, landscaping, and trash receptacles. A Citizens Recreation Advisory Committee appointed by the City Council shall make recommendations to the Council and the Executive Branch regarding expenditures of the said \$10,000,000.

\$8,100,000 for acquiring, constructing, improving, equipping and/or renovating public libraries; and

\$45,455,000 for acquiring, constructing, improving, equipping and/or renovating other public buildings and facilities, including, without limitation, City Hall, Criminal Courts Buildings, Vieux Carre Commission Offices, French Market, the New Orleans Museum of Art and police and fire department stations and facilities?

Number of Votes FOR	111,667	66 %
Number of Votes AGAINST	57,459	34 %

**Status of Existing General Obligation Bond Authorization**

Type of Project	Amount Authorized	Previously Issued	2014A Bonds	Remainder
Streets	\$162,900,000	\$92,874,846	\$27,500,000	\$42,525,154
Recreation Facilities	43,545,000	18,603,951	6,541,384	18,399,665
Libraries	8,100,000	5,710,000	1,182,794	1,207,206
Other Public Buildings	45,455,000	37,811,203	4,775,822	2,867,975
<b>TOTALS</b>	<b>260,000,000</b>	<b>155,000,000</b>	<b>40,000,000</b>	<b>65,000,000</b>

**SECURITY FOR THE BONDS**

The Bonds are general obligations of the City and are payable from a special *ad valorem* tax, unlimited as to rate and 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 Louisiana Constitution and laws of the State 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.

Article VI, Section 33(B) of the Louisiana Constitution 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 \$489,463,192 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 “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 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 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.

### **Estimated Millage Required to Service the Bonds**

The Issuer will levy 25.50 mills on the 2014 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 Bonds, and any additional general obligation bonds issued later in calendar year 2014. For additional information, see Appendix "G."

### **Legal Debt Limit**

The total principal amount of general obligation bonds of the City that may be at any time outstanding is limited by Section 39:1034 of the Louisiana Revised Statutes of 1950, as amended, to the greater of \$500,000,000 or 35% of the total assessed valuation of the City. The following table describes the debt limit of the City:

## LEGAL DEBT LIMIT OF THE CITY

2014 Total Assessed Valuation	\$3,579,163,150
35% of Total Assessed Valuation (lowest thousand)	\$1,252,707,103
Less Amount of Outstanding General Obligation Bonds as of December 2, 2013	\$ 489,463,192
Less Amount of Proposed General Obligation Bonds	\$ <u>40,000,000*</u>
Remaining General Obligation Bond Capacity for Capital Improvements	\$ <u><u>723,243,911**</u></u>
Total General Obligation Indebtedness of the City After Giving Effect to the Proposed Bonds	\$ 529,463,192
Percentage of 2014 Total Assessed Valuation	14.79%

\* The City has no principal payments scheduled on its outstanding general obligation bonds between December 2, 2013 and the anticipated delivery date of the Bonds.

\*\* Includes \$65,000,000 of additional bonds authorized on November 2, 2004, but not yet issued.

## BOARD OF LIQUIDATION

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)  
**Henry F. O'Connor, Jr.**--  
Attorney  
(Term: 11/01/2012-12/31/2023)

## THE CITY

### City Government

The City was founded in 1718, incorporated in 1805, and with a population of 369,250, is the largest populated city in the State. The City's system of government is established in its Home Rule Charter (the "Charter"). The Louisiana Constitution prohibits the 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 (the "Aviation Board"), which operates the Louis Armstrong International Airport (the "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 First 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 the State'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 First Deputy Mayor and 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 Fund.

The budgeted revenues of the capital budget for the next five years are as follows:

**CITY OF NEW ORLEANS**

**STATEMENT OF CAPITAL FUND REVENUES 2014-2018**

<b>SOURCE OF FUNDS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>TOTALS</b>
General Obligation Bonds	\$65,000,000	\$0	\$0	\$0	\$0	\$65,000,000
Miscellaneous Capital Funds	\$1,050,000	\$250,000	\$250,000	\$250,000	\$250,000	\$2,050,000
FEMA Reimbursement Funds	\$102,861,214	\$73,700,971	\$51,909,499	\$32,661,821	\$161,091	\$261,294,596
Federal Roadways Funds	\$15,000,000	\$0	\$0	\$0	\$0	\$15,000,000
State Capital Outlay	\$14,375,000	\$0	\$0	\$0	\$0	\$14,375,000
Self Generated Funds	\$49,079,099	\$62,901,152	\$213,254,811	\$311,922,413	\$74,877,458	\$712,034,933
<b>Totals</b>	<b>\$247,365,313</b>	<b>\$136,852,123</b>	<b>\$265,414,310</b>	<b>\$344,834,234</b>	<b>\$75,288,549</b>	<b>\$1,069,754,529</b>

The City's five-year Capital Budget 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>
2014	\$65,000,000
2015	0
2016	0
2017	0
2018	0

The City issued \$75,000,000 of general obligation bonds in 2007, \$40,000,000 of general obligation bonds in 2010 and \$40,000,000 of general obligation bonds in 2013, being the first, second and third emissions of the total \$260,000,000 in general obligation bonds authorized to be issued in the Election. The general obligation bonds issued in 2010 were designated as Build America Bonds, and the City 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 City expects to receive an interest subsidy of 27.8% in connection with the 2010 Build America Bonds, which amount is net of the 7.20% sequestration amounts for the 2014 federal fiscal year. If the City does not receive the direct pay subsidy relative to the Build America Bonds in any year, or if the amount of the subsidy is reduced further, the Board of Liquidation will adjust the general obligation bond millage upward to compensate for the loss of revenue.

### ***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.

A summary of the adopted Budget for the City's General Fund for the fiscal year ending December 31, 2014, follows:

<b>Revenues</b>	<b>Amount</b>	<b>% of Total</b>
Taxes	\$305,460,326	60.49%
Licenses & Permits	55,925,111	11.08%
Intergovernmental	13,311,845	2.64%
Service Charges	73,209,451	14.50%
Other Financing Sources	17,300,562	3.43%
Miscellaneous	11,095,248	2.20%
Fines and Forfeitures	<u>28,633,547</u>	<u>5.67%</u>
<b>Total Revenues</b>	<b><u>\$504,936,090</u></b>	<b>100.00%</b>

<b>Expenditures</b>	<b>Amount</b>	<b>% of Total</b>
Personal Services	\$310,526,124	61.50%
Other Operating	165,875,936	32.85%
Debt Service	<u>28,534,030</u>	<u>5.65%</u>
<b>Total Expenditures</b>	<b><u>\$504,936,090</u></b>	<b>100.00%</b>

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

The Charter further provides that the City Council may amend the budget during the year via ordinance. Typically, 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.

### **Revenues and Expenditures**

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 follows. (2013 numbers are not yet available.)

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

	(All Dollars in Thousands)				
<b><u>GENERAL FUND</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>REVENUES</b>					
Taxes	239,207	244,864	264,326	288,739	295,419
Licenses and permits	60,335	54,136	58,117	57,219	56,612
Intergovernmental	20,126	19,379	22,792	25,801	19,714
Charges for services	44,105	48,189	50,417	72,171	74,164
Fines and forfeits	16,300	24,796	31,578	34,685	34,315
Interest income	9,488	2,072	721	399	85
Miscellaneous	10,733	16,276	33,784	20,272	29,605
Contributions, Gifts & Donations	851	1,185	2,043	395	40
Total revenues	<u>401,145</u>	<u>410,897</u>	<u>436,778</u>	<u>499,681</u>	<u>509,954</u>
<b>EXPENDITURES</b>					
Current:					
General government	144,397	175,310	139,472	147,738	162,785
Public safety	158,456	161,623	215,720	224,641	219,690
Public works	71,427	74,262	63,289	64,811	70,472
Health and human services	13,510	14,391	13,689	17,885	15,905
Culture and recreation	17,385	19,787	20,239	16,633	19,344
Urban development and housing	--	2,012	10	--	--
Capital Outlay	9,618	4,620	6,352	293	1,186
Debt service:					
Principal retirement	25,318	26,738	31,706	35,040	22,661
Interest and fiscal charges	22,362	22,039	21,285	16,817	13,387
Bond issuance costs	--	--	--	113	1,110
Payment to refunded bond escrow agent	--	--	--	--	2,746
Total expenditures	<u>462,473</u>	<u>500,782</u>	<u>511,762</u>	<u>523,971</u>	<u>529,286</u>
Excess (deficiency) of revenues over expenditures	<u>(61,328)</u>	<u>(89,885)</u>	<u>(47,984)</u>	<u>(24,290)</u>	<u>(19,332)</u>
Other financing sources (uses):					
Operating transfers in	13,938	24,648	30,064	18,302	6,060
Operating transfers out	(1,387)	(2,198)	(1,977)	(2,596)	(22,159)
Debt service assistance loan	12,345	8,458	--	--	--
Proceeds from bond issuance	--	7,000	--	15,995	195,885
Proceeds from notes issuance	--	--	--	--	3,500
Payment to refunded bond escrow agent	--	--	--	--	(123,542)
Discount on Bonds issued	--	--	--	--	(328)
Other, net	(173)	334	485	(67)	(10)
Total other financing sources (uses)	<u>24,723</u>	<u>38,242</u>	<u>28,572</u>	<u>31,634</u>	<u>59,406</u>
Special Item					
Termination of interest rate swap	--	--	--	--	(46,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(36,605)</u>	<u>(51,643)</u>	<u>(19,412)</u>	<u>7,344</u>	<u>(5,926)</u>
Fund Balance					
Beginning of year	97,620	59,579	8,351	(11,061)	(3,717)
Prior period adjustment	--	--	--	--	307
Beginning of year as restated	--	--	--	--	(3,410)
End of Year	61,015	7,936	(11,061)	(3,717)	(9,336)

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)

<b><u>SPECIAL REVENUE FUNDS</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>REVENUES</b>					
Taxes	5,984	4,394	6,099	5,640	6,748
Intergovernmental	115,142	113,203	136,469	115,808	154,521
Program Income	68	1,182	145	4,898	82
Fines and forfeits	932	1,823	1,987	4,139	3,451
Interest income	198	1,422	72	72	168
Miscellaneous	18,126	17,830	33,449	21,185	2,708
Contributions, Gifts & Donations	<u>2,261</u>	<u>2,064</u>	<u>1,817</u>	<u>2,347</u>	<u>3,052</u>
Total revenues	142,711	141,918	167,629	154,089	170,730
<b>EXPENDITURES</b>					
Current:					
General government	59,551	56,044	105,479	77,096	74,447
Public safety	41,913	48,577	5,014	5,705	9,767
Public works	4,319	3,589	2,441	--	3,070
Health and human services	6,448	6,291	5,395	3,793	10,880
Culture and recreation	1,825	3,997	1,808	3,415	3,683
Urban development and housing	49,507	45,532	40,104	32,682	32,456
Economic development and assistance	17,102	24,321	10,329	8,680	8,793
Debt Service:					
Principal	726	762	808	280	300
Interest and fiscal charges	879	843	802	74	71
Capital outlays	<u>--</u>	<u>1,951</u>	<u>3,496</u>	<u>1,933</u>	<u>378</u>
Total expenditures	182,270	191,907	175,676	133,658	
Excess (deficiency) of revenue over expenditures	<u>(39,559)</u>	<u>(49,989)</u>	<u>2,147</u>	<u>20,431</u>	<u>26,885</u>
Other financing sources (uses):					
Operating transfers in	1,387	2,196	1,977	2,746	--
Operating transfers out	(13,938)	(22,392)	26,472	(16,250)	(4,710)
Proceeds from bond issuance	34,373	35,269	--	--	--
Total other financing sources (uses)	21,822	15,073	(24,495)	(13,504)	(4,710)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(17,737)</u>	<u>(34,916)</u>	<u>(22,348)</u>	<u>6,927</u>	<u>          </u>
Fund Balance					
Beginning of year	46,144	20,291	(14,625)	(42,790)	(43,090)
End of year	28,407	(14,625)	(36,973)	(35,863)	(20,915)

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)

<b><u>DEBT SERVICE FUND</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>REVENUES</b>					
Taxes	50,451	55,982	63,424	66,565	69,845
Interest income	3,083	1,412	410	213	208
Miscellaneous	--	400	--	--	--
Total revenues	53,534	57,794	63,834	66,778	70,053
<b>EXPENDITURES</b>					
Current:					
General government	430	484	500	490	174
Debt Service:					
Principal retirement	16,124	17,572	20,505	21,455	23,237
Interest and fiscal charges	43,350	43,613	46,334	46,532	44,813
Bond issuance costs	--	--	953	--	1,078
Total expenditures	59,904	61,669	68,292	68,477	69,502
Excess (deficiency) of revenues over expenditures	<u>(6,370)</u>	<u>(3,875)</u>	<u>(4,458)</u>	<u>(1,699)</u>	<u>551</u>
Other financing sources (uses)					
Operating transfers in	--	--	--	--	22,159
Operating transfers out	--	--	(40,000)	--	--
Proceeds from bond issuance	--	--	40,726	--	167,840
Premium on bonds issued	--	--	--	--	26,128
Debt service assistance loan	--	--	--	--	--
Payment to refunded bond escrow agent	--	--	--	--	(195,636)
Federal subsidy-Build America Bonds	--	--	975	--	1,112
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>1,701</u>	<u>--</u>	<u>21,603</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(6,370)</u>	<u>(3,875)</u>	<u>(2,757)</u>	<u>(1,699)</u>	<u>22,154</u>
<b>Fund Balance</b>					
Beginning of year	73,267	67,871	63,596	60,839	59,140
End of year	66,897	63,996	60,839	59,140	81,294

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)

<b><u>CAPITAL PROJECTS FUND</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>REVENUES</b>					
Intergovernmental	26,661	104,888	108,226	71,075	99,222
Interest income	--	--	--	--	--
Miscellaneous	<u>222</u>	<u>295</u>	<u>2,215</u>	<u>351</u>	<u>982</u>
Total revenues	26,883	105,183	110,441	71,426	100,204
<b>EXPENDITURES</b>					
General Government	6,170	--	--	1,194	473
Capital outlays	119,375	145,307	131,080	133,231	93,592
Public Safety	61	163	--	--	--
Public Works	88	--	--	--	858
Health and human services	15	--	--	--	--
Culture and recreation	<u>868</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total expenditures	126,577	145,470	131,080	134,425	94,923
Excess (deficiency) of revenues over expenditures	<u>(99,694)</u>	<u>(40,287)</u>	<u>(20,639)</u>	<u>(62,999)</u>	<u>5,281</u>
<b>Other financing sources (uses)</b>					
Operating transfers in	--	--	40,278	--	--
Operating transfers out	--	(2,254)	(3,870)	(2,202)	(1,350)
Insurance proceeds	5,866	--	--	--	--
Total other financing sources (uses)	5,866	(2,254)	36,408	(2,202)	(1,350)
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(93,828)</u>	<u>(42,541)</u>	<u>15,769</u>	<u>(65,201)</u>	<u>3,931</u>
<b>Fund Balances</b>					
Beginning of year	237,275	156,460	113,919	129,688	64,487
Prior period adjustments	--	--	--	--	(7,258)
Fund Balances - beginning of year as restated	--	--	--	--	57,229
End of year	143,447	113,919	129,688	64,487	61,160

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.

### **Extraordinary Expenditures**

As stated previously, the City Council is required to approve a balanced operating budget each fiscal year. At times, various factors may impact the expenditures to be incurred in a current or future fiscal year, causing the City Council to either increase revenue or decrease other expenditures to achieve a balanced budget. For example, the City is party to a number of consent decrees that require it to accomplish various tasks within a designated period of time, and while the City has made reasonable estimates of the total costs of such tasks, various factors outside of the control of the City may impact the accuracy of such estimates. (See "LITIGATION AFFECTING THE CITY - (NOPD CONSENT DECREE)" and - "(OPP CONSENT DECREE)" herein.) The City's operating budget for 2014 includes the anticipated costs associated with the various consent decrees and other non-recurring expenditures as estimated by the City, and the City presently expects to continue to budget such anticipated costs in future years.

### **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 to the City Council for approval or rejection. 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**

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 Legislature permits firemen employed by the City to become members of FRS after July 1, 1992, 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.

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 Old Police System, 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.*** MPERS is a defined benefit pension plan established by statute. Employees become eligible for retirement under MPERS 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. 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’ System, Old Police System, Old Fire System and New Fire System Descriptions.*** Each plan is a defined benefit pension plan established by 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. 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

**Funding Policies and Annual Pension Costs.** The employer contributions for MPERS and the New Fire System are based on actuarially determined amounts. The employer contribution for the Old Police System 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 Old Fire System is based on amounts necessary to pay current expenses, and, in effect, is being funded on a “pay-as-you-go” basis. The City issued the Pension Bonds to fund the projected unfunded accrued liability of the Old Fire System. Employees covered under MPERS contribute 5% of their earnable compensation to the plan in excess of \$1,200 per year. Employees covered under the Old Fire System and New Fire System 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 Old Police System 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 fiscal year 2012 and related actuarial methods and assumptions for each plan is as follows (amounts in thousands):

	<u>Employees’ System</u>	<u>Old Police System</u>	<u>Old Fire System</u>	<u>New Fire System</u>
Annual required contribution*	\$18,828	–	\$22,461	\$32,213
Annual pension cost*	17,698	–	18,605	29,816
Contributions made*	19,011	–	20,741	11,987
Actuarial valuation date	1/01/2012	12/31/2012	1/01/2012	1/01/2012
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	7.50%	7.00%	7.50%	7.50%
Projected salary increases	5.00%	N/A	5.00%	5.00%

\* Amounts in thousands.

- (a) The “Entry Age Normal Cost Method” is used to calculate the funding requirements for MPERS. 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 Old Police System. 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” is used by the New Fire System and 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 Employees’ System, Old Fire System and New Fire System for the fiscal year 2012 are as follows (amounts in thousands):

	<u>Employees’ System</u>	<u>Old Fire System</u>	<u>New Fire System</u>
Annual required contribution	\$ 18,828	\$ 22,461	\$ 32,213
Interest on NPO	1,199	4,368	2,730
Adjustment to annual required contribution	<u>(2,329)</u>	<u>(8,224)</u>	<u>(5,127)</u>
Annual Pension cost	17,698	18,605	29,816
Contributions made	<u>19,011</u>	<u>20,741</u>	<u>12,159</u>
Decrease (increase) in NPO	1,313	2,136	(17,657)
NPO, beginning of year	<u>(15,988)</u>	<u>(58,252)</u>	<u>(36,396)</u>
NPO, end of year	<u>\$ (14,675)</u>	<u>\$ (56,116)</u>	<u>\$ (54,053)</u>

The NPOs were approximately \$14,675,000, \$56,116,000, and \$54,053,000 respectively, at December 31, 2012, and are recorded in the governmental activities of the government-wide statement of net assets. (See Appendix “C”-2012 Annual Financial Report of the City.)

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

	<u>Year ending</u>	<u>APC</u>	<u>Percentage of APC contributed</u>	<u>NPO</u>
Employees’ System	12/31/12	\$17,698	107%	\$14,675
	12/31/11	19,720	101	15,988
	12/31/10	20,686	63	16,186

	<u>Year ending</u>	<u>APC</u>	<u>Percentage of APC contributed</u>	<u>NPO</u>
Old Fire System	12/31/12	18,605	111	56,116
	12/31/11	18,084	116	58,252
	12/31/10	17,892	121	61,125
New Fire System	12/31/12	29,816	41	54,053
	12/31/11	28,087	43	36,396
	12/31/10	24,025	48	20,297

**Investments by Systems.** For more information on the investment selections of the several systems, including interest rate risk, credit quality risk and custodial credit risk, see Appendix “C”- 2012 Annual Financial Report of the City, Note 2-Deposits and Investments, pages 42-46 therein.

#### Schedule of Funding Progress

<u>Actuarial valuation date</u>	<u>Value of assets (a)</u>	<u>Actuarial 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>
Employees’ System:						
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)
12/31/2012	372,050	545,395	(173,345)	68.22	92,881	(186.63)
Old Police System:						
12/31/2010	1,831	Not Known	Not Known	Not Known	--	N/A
12/31/2011	1,805	Not Known	Not Known	Not Known	--	N/A
12/31/2012	1,763	Not Known	Not Known	Not Known	--	N/A
Old Fire System:						
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
12/31/2012	16,565	159,529	(142,964)	10.38	--	N/A
New Fire System:						
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)
12/31/2012	150,640	440,292	(289,652)	34.21	29,688	(975.65)

**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 Firefighters' Pension and Relief Fund (the "Fund"), which operates both the Old Fire System and New Fire System, upon receiving the appropriated funds from the City, 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, 2012, 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, 2012. The City appropriation received did not cover these accounts.

The Fund has calculated the increased benefit owed to the members in their DROP and PLOP accounts. As of December 31, 2012, the amount of DROP benefits owed to members is estimated to be \$18,486,324 and \$3,335,748 for the New Fire System and Old Fire System, respectively. As of December 31, 2012, the amount of PLOP benefits owed to these members is estimated to be \$12,519,974 and \$1,416,061 for the New Fire System and Old Fire System, respectively.

***Firefighters' Pension and Relief Fund Investment Receivable.*** The Fund invested in Series N shares of the FIA Leveraged Fund, an open ended investment fund which is registered as a mutual fund. The FIA Leveraged Fund is a feeder fund to the master fund - Fletcher International, Ltd. On June 27, 2011, the Fund requested a redemption of its shares in the FIA Leveraged Fund in accordance with their agreement. The FIA Leveraged Fund failed to provide the Fund with confirmation on the value of its 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 the FIA Leveraged Fund be wound up (liquidated). The winding-up order was issued by the Grand Court on April 18, 2012, and Liquidators were appointed over the FIA Leveraged Fund to fulfill the redemption. In response to this judgment, the investment manager, Fletcher Asset Management, filed for bankruptcy protection for the master fund. In October 2012, the bankruptcy court issued an order for the appointment of a U.S. Trustee to investigate the assets of the FIA Leveraged Fund and manage its liquidation. Subsequently, information regarding the value of the assets remaining in the FIA Leveraged Fund and any potential recovery is as yet unavailable. As of December 31, 2012, the receivable is valued at \$18,425,727. The receivable may be adjusted based on the progress of the Trustee's investigation and the determination of asset values.

### **Post-Employment Benefits**

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.

Notes 2 and 7 and the Required Supplementary Information to the City’s Annual Financial Report for fiscal year 2012 contains further information regarding the City Pension and other post-employment benefit obligations. See Appendix “C”- 2012 Annual Financial Report of the City, Note 2-Deposits and Investments, pages 42-46 therein; Note 7-Pension Plans and Postretirement Healthcare, pages 57-66 therein; and Required Supplementary Information, pages 76 and 79-80 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.

**Plan Description.** The City’s 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: Employees’ System, MPERS, and the Fund. The maximum DROP period is five years in the Employees’ System and the Fund and three years in MPERS. Retirement (DROP entry) eligibility is as follows: in the Employees’ System, 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 the Fund, age 50 and 12 years of service. However, because of the “back-loaded” benefit formula in the Fund 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.

**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.

**Funding 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 Annual Required Contribution (“ARC”) except to the extent of the current year’s retiree funding costs.

In 2012, the City’s portion of health care funding cost for retired employees totaled approximately \$9,812,000. These amounts were applied toward the net other post-employment benefit (“OPEB”) obligation.

**Annual Required Contribution.** The City’s 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 45) has been used for the post-employment benefits. The total ARC for fiscal year 2012 was \$13,927,389, as set forth below:

Normal Cost	\$ 4,181,402
30-year UAL amortization amount	9,745,987
Annual required contribution (ARC)	<u>\$ 13,927,389</u>



**Net Post-Employment Benefit Obligation (Asset).** The table below shows the City's net OPEB obligation for fiscal year 2012:

Beginning Net OPEB Obligation 1/1/2012	\$ 54,374,713
Annual required contribution	13,927,389
Interest on Net OPEB Obligation	2,174,988
ARC Adjustment	<u>(3,144,495)</u>
OPEB Cost	12,957,882
Contribution	-
Current year retiree premium	<u>9,812,255</u>
Change in Net OPEB Obligation	<u>3,145,627</u>
Ending Net OPEB Obligation 12/31/2012	\$ <u><u>57,520,340</u></u>

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, 2012	\$12,957,882	75.72%	\$57,520,340
December 31, 2011	\$12,482,789	72.78%	\$54,374,713
December 31, 2010	10,652,042	72.30	50,977,345

**Funded Status and Funding Progress.** In fiscal year 2012, 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, 2012 actuarial valuation, the most recent valuation, the AAL at the end of fiscal year 2012 was \$168,529,305 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)	\$ 168,529,305
Actuarial Value of Plan Assets (AVP)	-
Unfunded Act. Accrued Liability (UAAL)	\$ <u><u>168,529,305</u></u>
Funded Ratio (AVP/AAL)	0%
Covered Payroll (active plan members)	\$ 225,508,662
UAAL as a percentage of covered payroll	75%

**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.

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.

Further information on other methods, assumptions and related projections may be found in Appendix “C”- 2012 Annual Financial Report of the City, Note 7-Pension Plans and Postretirement Healthcare, pages 64-65 therein.

## **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 Louisiana 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 Louisiana 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 Louisiana 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 Louisiana 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 Louisiana 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 Louisiana Constitution will be proposed or approved by voters.

## **Homestead Exemptions**

Under the Louisiana 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 12.55% of the total assessed valuation of the Issuer for 2014 represents homestead exempt property. The special *ad valorem* tax is subject to homestead exemption.

## **Tax Rate Adjustment**

The Louisiana 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, or “rolled forward,” to the prior authorized millage rate.

**NOTWITHSTANDING THE FOREGOING, POLITICAL SUBDIVISIONS SUCH AS THE CITY ARE REQUIRED TO CONTINUE TO LEVY WITHOUT LIMITATION *AD VALOREM* TAXES AT SUCH RATES AS MAY BE NECESSARY TO SERVICE GENERAL OBLIGATION BONDS SUCH AS THE BONDS.**

## **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 Section 47:2127 of the Louisiana Revised Statutes of 1950, as amended.)

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. Each April 1, all current year's delinquent *ad valorem* taxes incur an additional penalty of 9.50% of the total tax, statutory interest and 10% delinquent penalty to defray costs of collection by an outside collection agent. The additional 9.50% represents payment to a private collection enterprise now contracted by the City. (See Chapter 5 of Subtitle III of Title 47 of the Louisiana Revised Statutes of 1950, as amended.)

## **Property Tax Collections**

The property taxes for the calendar year 2013 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 the former Board of Assessors for Orleans Parish in 2006.

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.

### **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 Section 39:1034 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 December 2, 2013, the City had \$489,463,192 aggregate principal amount of its general obligation bonds outstanding (excluding the Bonds). The issuance of general obligation bonds subject to this limitation must be approved by the City's voters at an election. See "SECURITY FOR THE BONDS-Legal Debt Limit" herein.

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

As of December 2, 2013, the Law Enforcement District of the Parish of Orleans, State of Louisiana had a total of \$41,800,000 of general obligation bonds outstanding which are secured by and payable from unlimited *ad valorem* taxes.

As of December 2, 2013, the Parishwide School District of the Parish of Orleans, State of Louisiana had a total of \$71,055,000 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 \$88,739,208 of revenue bonds outstanding which are payable from (i) an *ad valorem* tax of 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.

## **Limited Tax Bonds of the City and its Agencies**

As of December 2, 2013, the City had outstanding \$19,550,000 of Limited Tax Bonds, Series 2005 ("2005 Tax Bonds"), dated July 6, 2005, and maturing March 1, 2014 to March 1, 2019, inclusive, and March 1, 2021, 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 December 2, 2013, the City had outstanding (a) \$13,135,000 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, and (b) \$195,885,000 of Taxable Limited Tax Refunding Bonds, Series 2012 ("Series 2012 Refunding Bonds"), issued for the purposes of refunding, restructuring and extending the City's outstanding Taxable Pension Revenue Bonds, Series 2000, and Taxable Bonds, Series 2011. The Series 2004B Certificates and the Series 2012 Refunding Bonds 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 (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 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 December 2, 2013, the Audubon Commission had outstanding \$1,035,000 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 0.40 mills *ad valorem* tax (0.32 mills adjusted due to reassessment), and \$25,000,000 aggregate principal amount of its limited tax bonds outstanding, payable solely from the proceeds of the equivalent of a 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 December 2, 2013, the City had outstanding \$4,900,000 of limited tax bonds for the Downtown Development District, maturing December 1, 2014 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 22.97 mills (14.76 mills 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.

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 December 2, 2013, the City had \$16,205,000 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 December 2, 2013, the City had outstanding \$205,000 of its Certificates of Indebtedness, Series 2005 (the "Series 2005 Certificates"), 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. 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.

### **Revenue Bonds - Sewerage and Water Board**

The City, acting by and through the Board of Liquidation, 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 December 2, 2013, there were outstanding \$27,655,000 of water revenue bonds and \$144,154,000 of sewerage service revenue bonds issued by the City for the Sewerage and Water Board. The Board of Liquidation has given preliminary approval to the refunding of the water revenue bonds and sewerage service revenue bonds of the City.

### **Other Revenue Bonds of Related Entities**

The City is authorized through the Aviation Board to issue revenue bonds which are secured by and payable solely from the revenues derived from the operation of the Airport. As of December 2, 2013, there were \$111,730,000 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 December 2, 2013, there were \$129,230,000 of outstanding passenger facility charge revenue bonds of the Aviation Board. The Aviation Board is considering additional bonds for the purpose of constructing a new terminal at the Airport.

As of December 2, 2013, the Orleans Parish Communication District had outstanding \$4,840,000 of its Revenue Bonds, Series 2004, which are payable from a dedication of the proceeds of the emergency telephone tax and the excess of annual revenues of the District.

On September 29, 2004, the City issued \$11,500,000 of Revenue Bonds (Canal Street Improvements Project) (the “Canal Street Revenue Bonds”) 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. As of December 2, 2013, \$7,610,000 of the Canal Street Revenue Bonds were outstanding.

### **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 Legislature. The City does not presently have any outstanding sales tax bonds; however, the City does have outstanding \$19,450,000 of Sales Tax Increment Bonds which are payable from the City’s portion 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.

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

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 City received loans totaling \$240,000,000; the Sewerage and Water Board received a total of \$61,956,747; the New Orleans Aviation Board received a total of \$10,882,641; and the Orleans Parish Communications District received a total of \$1,270,570.

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, in fact, forgiven the Stafford Act loans made to the City, the Sewerage and Water Board and the New Orleans Aviation Board. FEMA has extended the maturity date of the Orleans Parish Communication District loans to January 17, 2016 and August 27, 2016, respectively. The repayment of Stafford Act loans that have not been forgiven is secured by all available revenues of the recipient entity after payment of debt outstanding at the time of the loan.

### **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, 2012, the outstanding Section 108 loans included \$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 \$6,813,000 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 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 of the City</u>	<u>General Fund Indebtedness</u>	<u>City Total</u>	<u>Limited Tax Bonds of City Agencies</u>
2003	\$470,687,183	\$ 44,170,000	\$254,169,000	\$769,026,183	\$80,668,572
2004	499,852,183	81,824,000	237,005,000	818,681,183	77,898,572
2005	493,683,176	105,340,000	227,345,000	826,368,176	74,108,572
2006	478,419,936	97,635,000	214,805,000	790,859,936	70,633,572
2007	538,514,462	88,795,000	200,155,000	827,464,462	64,338,572
2008	523,955,533	80,650,000	185,375,000	789,980,533	63,213,572
2009	548,018,709	72,620,000	167,330,000	787,968,709	59,248,572
2010	529,218,992	63,360,000	148,490,000	741,068,992	55,118,572
2011	509,543,556	55,690,000	140,990,000	706,223,556	56,335,000
2012*	470,076,614	242,990,000	8,535,000	721,601,614	51,875,000

\* In 2012, the City refunded \$125,155,000 of general fund indebtedness through the issuance of the Series 2012 Refunding Bonds, which are included as Limited Tax Bonds of the City.

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.

More than eight years removed from the storms, the City is experiencing an economic recovery. The estimated population of the City in 2012 (the last estimate available from the U.S. Census) was 369,250, reflecting a 7.4% growth over the 2010 Census. The pre-Katrina population of the City was approximately 435,000. City sales tax revenues in fiscal year 2012 were 106% of those in fiscal year 2004. Tourism continues to show steady growth with over 9.01 million tourists visiting the City in 2012, 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 over an estimated \$6 billion in the City in 2012, 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.”

### **Hurricane Isaac**

Hurricane Isaac made landfall on August 29, 2012, the 7th anniversary of Hurricane Katrina, as a Category 1 storm. The eye passed just west of the City. The City was largely spared significant damage from the storm. All indications suggest the levees described below performed as designed. The City currently estimates it has incurred approximately \$26,700,000 in additional expenditures resulting from debris removal, clean up costs and extraordinary maintenance resulting from Hurricane Isaac; however, FEMA will pay 75% of such expenditures. As a result, the City expects to pay approximately \$6,675,000 as a result of Hurricane Isaac and has instituting measures to pay such costs without negatively impacting its operating budget.

The City does not does not expect any long-term material impact on its financial condition as a result of Hurricane Isaac.

### **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.

### **Limitations on Remedies Available to Bondholders**

Under State law, no political subdivision of the State, including the City, may file for protection under Chapter 9 of the federal bankruptcy code unless such filing is approved by the Louisiana State Bond Commission and the Governor and Attorney General of the State. Further, no political subdivision of the State, after filing for bankruptcy protection, may carry out a plan of readjustment of debts approved by the bankruptcy court until such plan is approved by the Louisiana State Bond Commission and the Governor and Attorney General of the State.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the City in issuing the Bonds, are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect to the extent constitutionally applicable; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the exercise of the sovereign police powers of the State or its governmental bodies. Consistent with the Contracts Clauses of the Louisiana and United States Constitutions, in a City bankruptcy proceeding or due to the exercise of powers by the federal or State government, bondowners could be subject to judicial discretion and the interpretation of their rights in bankruptcy or otherwise, which consequently may entail risks of delay, limitation, or modification of their rights.

## **TAX MATTERS**

### **Federal Taxes**

In the opinion of Foley & Judell, L.L.P., New Orleans, Louisiana, and The Cantrell Law Firm, New Orleans, Louisiana, Co-Bond Counsel, interest on the Bonds (including original issue discount, as discussed below) is **not** excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). (See Appendix "H".) Co-Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

### **Tax Treatment of Original Issue Premium**

The Bonds maturing December 1, 2014 to December 1, 2023, inclusive (the "Premium Bonds"), are being offered and sold to the public at prices in excess of their stated principal amounts.

Except as may be provided by regulation, amortized premium on the Premium Bonds will be allocated among, and treated as an offset to, interest payments on such bonds. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Regulations have been issued dealing with certain aspects of federal income tax treatment of premium, but such regulations do not fully address the method to be used to amortize premium on obligations such as 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.

### **Tax Treatment of Original Issue Discount**

The Term Bonds maturing December 1, 2033 and 2043 (the "OID Bonds"), are sold to their original owners at a discount. The difference between the initial public offering prices and their stated amounts constitutes original issue discount treated as interest which is **not** excluded from gross income for federal income tax purposes.

Owners of OID Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such OID Bonds as of any date, including the date of disposition of an OID Bond and with respect to the state and local tax consequences of owning OID Bonds.

### **Federal Income Taxes**

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses the Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Bonds.

### **Medicare Contribution Tax**

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Bonds should consult with their tax advisor concerning this additional tax as it may apply to interest earned on the Bonds as well as gain on the sale of a Bond.

### **Market Discount**

Any owner who purchases a Bond at a price which includes market discount in excess of a prescribed de minimis amount (*i.e.*, at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain

rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the owner held the Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

### **Sale or Redemption of the Bonds**

A bondowner's tax basis for a Bond is the price such owner pays for the Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Bond, measured by the difference between the amount realized and the Bond basis as so adjusted, will generally give rise to capital gain or loss if the Bond is held as a capital asset (except as discussed above under "Market Discount"). The defeasance of the Bonds may result in a deemed sale or exchange of such Bonds under certain circumstances; owners of such Bonds should consult their tax advisors as to the Federal income tax consequences of such an event.

### **Defeasance**

The legal defeasance of the Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

### **Backup Withholding**

A bondowner may, under certain circumstances, be subject to "backup withholding." This withholding generally applies if the owner of a Bond (a) fails to furnish the Paying Agent or other payor with its taxpayer identification number; (b) furnishes the Paying Agent or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Paying Agent or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments

made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the Bonds will be reported to the bondowners and to the IRS.

### **Nonresident Bondowners**

Under the Code, interest and original issue discount income with respect to the Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons (“Nonresidents”) generally will not be subject to the United States withholding tax (or backup withholding) if the Paying Agent (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

### **ERISA**

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA; however, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Issuer or any dealer of the Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code.

Prohibited transactions within the meaning of ERISA and the Code may arise if the Bonds are acquired by such plans or arrangements with respect to which the Issuer or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Bonds. The sale of the Bonds to a plan is in no respect a representation by the Issuer or the Purchaser that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

### **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. In addition, such legislation (whether currently proposed, proposed in the future or enacted) could affect the market value or marketability of the Bonds. For example, ongoing negotiations between the Executive and Legislative Branches of the United States government to resolve federal budget conflicts may result in the enactment of tax legislation that could significantly reduce the benefit of, or otherwise affect, the exclusion of gross income for federal income tax of interest on all state and local obligations, including the Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether if enacted such proposals 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. Prospective purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

The opinions expressed by Co-Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Co-Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending or proposed federal or state tax legislation, regulations or litigation.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL AND STATE INCOME TAX CONSEQUENCES IS PROVIDED FOR GENERAL INFORMATION ONLY. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES TO THEM IN LIGHT OF THEIR OWN PARTICULAR INCOME TAX POSITION, OF ACQUIRING, HOLDING OR DISPOSING OF THE BONDS.

### **FINANCIAL ADVISORS**

This Official Statement has been prepared under the direction of the Issuer and with the assistance of Public Financial Management, Inc., Memphis, Tennessee, and CLB Porter, LLC, New Orleans, Louisiana, who have been employed by the Issuer 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 Issuer, 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.

## **LITIGATION AFFECTING THE CITY**

Like all political subdivisions in the State, the City may sue and be sued in its official capacity for a variety of causes. The following narrative summarizes the major litigation threatened and or filed that may affect the financial position of the City:

### ***New Orleans Firefighters Local No. 632, et al v. The City of New Orleans, et al, Civil District Court No. 95-14225:***

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 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 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, the 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 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.

This case has been litigated for over 30 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 engaged in settlement negotiations presently to resolve this matter and estimates liability between \$56 million and \$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 the former Agriculture Street Landfill brought class action against the City, its housing authority (HANO), Orleans Parish School Board and liability insurers to recover for negligence in converting the municipal landfill into a residential area. The class included current and former business owners, employees and students 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 its 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 Pittsburgh, PA, Republic Insurance Company, Louisiana Insurance Guaranty Association as successor in interest to Southern American Insurance Company, and United States Fire Insurance Company. The 4<sup>th</sup> Circuit Court of Appeals affirmed the percentage of fault, but reduced all emotional distress awards 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 Judgment (*National Union Fire Insurance Company of Pittsburgh, PA, Et AL. v. the City of New Orleans*, USDC # 09-6598). This judgment has been placed on the City's Unpaid Settlement/Judgment List.

In 2011, the trial court scheduled trials for the next seventy six (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. In 2011, the plaintiffs made a demand on the defendants for approximately \$96,000,000.00 not including judicial interest. In late 2012 the Supreme Court affirmed the appointment of Retired Judge Nadine Ramsey to preside over the case. The insurance coverage issues were remanded back to trial court. Several trials on the issue of insurance were set and continued pending co-defendants' settlement negotiations with petitioners in 2013.

Of the original 76 first flight plaintiffs set for trial 61 went to a non-jury trial beginning on March 13, 2013 and ending on April 29, 2013. The court issued its first Judgment on September 6, 2013. After several motions the court issued an amended order on November 4, 2013. The total awards for the sixty one (61) plaintiffs is \$ 1,431,520.00 plus judicial interests from August 31, 1993 until paid, with 50% liability to the City of New Orleans in solido and in virile share with the HANO and HANO's former insurers. The court also ordered that the defendants are each liable for a fourth of the plaintiffs' costs and expenses for the trial.

Prior to the trial, National Union Fire Insurance Company of Pittsburgh, PA settled with the plaintiffs for a total of \$ 6,800,000.00 for the entire class claims including attorney's fees, costs, administrative fees. On November 12, 2013, National Union Fire Insurance Company of Pittsburgh, PA and the Plaintiffs failed a joint Motion for Preliminary Approval of Class-Wide Settlement Between Plaintiffs and filed for Notice of Class Action Fairness Hearing, which is set for hearing on December 11, 2013.

After the 2013 trials United States Fire Insurance Company settled with the plaintiffs for the entire class claims but the amount is unknown. All other defendants have now settled with plaintiffs except for the City of New Orleans and HANO. HANO and the City of New Orleans have filed motions to take suspensive appeals respectively on November 19 and 20th 2013. The City estimates the financial impact could range from \$38,000,000 upwards plus interest.

***Dorthea Walker, et al v. Amid/Metro, et al, Civil District Court 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 was held in the above-referenced matter. On August 24, 2011, Judge Bagneris granted plaintiffs' Motion. Since that time, defendants appealed the Court's certification of the class, which the 4<sup>th</sup> Circuit upheld. The potential exposure to the City could range between \$2,326,281.90 and \$11,419,979.60. The parties, however, are actively engaged in settlement discussions, and it is anticipated that this matter will be settled before the end of the year, with the City's exposure being less than \$2,000,000.00.

***Bartholomew/Holmes/Madison, United States District Court No. 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 New Orleans 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 the City estimates that it could equal or exceed \$10 million.

***Succession of Henry Glover, et al v. City of New Orleans, et al, United States District Court No. 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. The plaintiffs allege that Mr. Glover was wrongfully shot and killed by a former NOPD Officer who then conspired with numerous other officers to cover up the facts of the shooting. There have been numerous federal indictments arising out of the case, which remain open and pending. In all likelihood, the civil case will be stayed pending resolution of the criminal charges. The City estimates that potential liability could exceed \$50,000,000.

***FOP v. CNO, Civil District Court No. 80-7924:***

This class action lawsuit by police officers for millage payments for the years 1980-2003 that allegedly should have been used for police protection rather than paid into the general fund. 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. The City estimates that potential liability could exceed \$5 million.

***New Orleans Fire Fighters Pension and Relief Fund; William M. Carrouche; Richard J. Hampton, Jr.; Nicholas G. Felton v. City of New Orleans et al, Civil District Court No. 12-7061:***

On July 19, 2012, the New Orleans Firefighters' Pension and Relief Fund ("NOFF") filed a Petition for Writ of Mandamus. The Petition prayed that a writ of mandamus issue against the City, directing the City to budget and fully fund the Annual Required Contribution of \$29,424,359 for the fiscal year ending December 31, 2012, by appropriating \$17,524,359 and paying this amount to the firefighters' pension fund ("the Fund").

The City argued that NOFF improperly sought a writ of mandamus to compel the City to appropriate funds in the amount of \$17,524,359. This matter was heard before Judge Robin Giarusso on January 7 and 8, 2013. On March 28, 2013, Judge Giarusso ruled that the mandamus would issue, and that the City was required to make the \$17,000,000 contribution to the Fund.

The City appealed Judge Giarusso's order to the Louisiana Fourth Circuit Court of Appeals. The parties attended oral argument on September 10, 2013, and the matter remains under advisement at the Fourth Circuit. In addition to appealing the mandamus action, the City has also filed a reconventional demand against NOFF, which Judge Giarusso dismissed. The dismissal of the City's reconventional demand is also being appealed.

***Brown v. City of New Orleans, United States District Court No. 2012-cv-01180:***

Members of the New Orleans Police Department (the "NOPD") are seeking class certification to bring a class action lawsuit in federal court under the Fair Labor Standards Act and the MPERS. In particular, the plaintiffs have alleged that amounts that they were paid under the Education Pay Incentive program were not included in determining overtime pay or in making MPERS contributions. In addition, the plaintiffs allege that annual rates of pay for certain special NOPD units, such as bomb squad, tactical unit, and mounted patrol, were not considered for overtime calculations and pension contributions. The lawsuit was recently filed, and the City has filed a motion to dismiss the lawsuit. If the lawsuit proceeds and the class is certified, this matter could result in liability of \$1 million to \$2 million.

***Stuart Smith, et al v. City of New Orleans, et al (Parking Meters) Civil District Court, Civil Action No. 05-5453, Div. B, Sec. 15:***

The Fourth Circuit upheld the Civil District Court's decision against the City regarding the installation of "parking meters" without first amending the ordinance relative to parking enforcement. The result is that the City will be liable to persons who received parking tickets from the new parking meters between July 14, 2005 and August 8, 2005.

In early 2005, the City altered the method of payment from the traditional coin-operated meters to the Parkeon System pay stations (the Green pay stations presently in place). The City transitioned to the Parkeon System without amending the relevant ordinance. On August 8, 2005, the City passed M.C.S., Ord. No. 22,035 (the Ordinance), which effectively (1) ratified the use of the Parkeon System, and (2) provided for the enforcement of citations issued pursuant to their operation as of July 14, 2005.

Plaintiffs filed suit alleging that the Ordinance violated *ex post facto* laws and could not be applied retroactively. The District Court found that there was a substantive change in the Ordinance and therefore does *not* apply retroactively. The district court further held that the Ordinance has an *ex post facto* effect.

On July 6, 2011, the Fourth Circuit rendered an opinion affirming the ruling of the District Court, holding that the Ordinance does not apply retroactively and is to be applied prospectively only beginning on August 8, 2005. The Court agreed with the District Court that the installation and implementation of the Parkeon System pay stations in January 2005 changed the parking meter system through the City. Therefore, citizens were entitled to notice that the Parkeon System pay stations were being used to issue citations in lieu of the coin-operated meters. The Court also found that because the Ordinance is civil, not criminal, it does *not* offend the prohibition against *ex post facto* laws. The only issues remaining before the Court are (1) class certification (determining who was issued tickets between July 14, 2005 and August 8, 2005), and (2) damages.

As the City has already been found to be liable, the only issue left is the amount of damages. The total amount of fines that were collectable for citations issued from Parkeon System pay stations from January through August 2005 was \$1,156,803.00. The total amount paid to date is \$731,589.00; therefore, the amount of damages owed by the City is likely between \$731,589.00 and \$1,156,803.00.

On February 20, 2013, the district court issued a judgment and written reasons for judgment, granting class certification in this matter. The City and ACS appealed the class certification judgment to the 4<sup>th</sup> Circuit Court of Appeal. The case was orally argued on October 28, 2013. The 4<sup>th</sup> Circuit has not yet issued an opinion.

***Geoffrey Clayton v. Officer David Zullo, et al, United States District Court No. 2010-01228:***

The plaintiff, a sergeant in the Marine Corps., alleges that he experienced an acute onset of Post-Traumatic Stress Disorder and approached a City police officer for help, who instead used a Taser, causing the Plaintiff to fall and hit his head. The officer subsequently arrested the Plaintiff for public intoxication and resisting arrest. Plaintiff alleges that he has brain damage as a result and has demanded \$4,000,000.

***Tyrilyn Harris, et al v. NOPD, et al, United States District Court No. 11-752:***

Plaintiffs filed a wrongful death and survival action alleging constitutional violations for the death of Brian Harris. Plaintiffs allege the NOPD used excessive force when they used a Taser and shot Harris. Harris was armed with a knife, threatened suicide and refused to comply with the Officers' orders to drop the knife at the time of his death. Plaintiffs sought \$3,000,000.00 in damages. The City filed a motion for summary judgment seeking dismissal of the case, and the City's motion was granted. Plaintiffs have appealed the dismissal of the lawsuit to the U.S. Fifth Circuit Court of Appeal. The Plaintiffs also have filed a related lawsuit in Civil District Court related to this incident.

***Earl and Justin Sipp v. Former NOPD Officer Jason Giroir et al, United States District Court No. 13-360***

On March 1, 2012, brothers Earl and Justin Sipp engaged in a shootout with two City police officers behind a Burger King in Mid-City. The officers were conducting a traffic stop of the two brothers when the brothers began shooting at the officers. The officers suffered severe injuries, and Justin Sipp was killed in the cross fire. A lawsuit has been filed by the family members. If the officers' actions are found to constitute excessive force, then the City estimates the potential liability could be substantial and well over \$1,000,000.00.

***NaTasha Allen, et al v. CNO, et al, United States District Court No. 13-0422***

On March 7, 2012 police executed a search warrant for narcotics at the home of Wendal Allen, who was shot and killed by Officer Joshua Colclough during the execution of the warrant by a City police officer. Allen was not in possession of a firearm or any other weapon at the time of the shooting. Allen's family filed suit against the City and Officer Colclough in federal court alleging excessive force and other violations under Section 1983. Colclough pled guilty to Manslaughter for the death of Allen and is currently serving four (4) years in prison. If the City is found to be liable for Colclough's actions, then the potential liability could be substantial and well over \$1,000,000.00.

***United States Of America V. City Of New Orleans, United States District Court No. 12-1924 (NOPD CONSENT DECREE)***

The U.S. Department of Justice ("USDOJ") filed a lawsuit against the City alleging that the New Orleans Police Department was engaging in practices of unconstitutional policing. After much litigation, the U.S. District Court for the Eastern District of Louisiana, Judge Susie Morgan, entered a Consent Decree on January 11, 2013 resolving the lawsuit. The City moved to vacate the Court's order, which motion was denied. The City appealed the order to the U.S. Fifth Circuit Court of Appeal, and the City's appeal was denied. Accordingly, the Consent Decree became effective on August 9, 2013. The Consent Decree monitor was approved to begin work, and the monitor estimates a total maximum cost of \$8.5 million over the term of the Consent Decree for its services. This amount is included in the estimated \$55 million to implement the Consent Decree over a 5-year period.

***LaShawn Jones, et al v. Marlin Gusman, et al, United States District Court No. 12-0859 (OPP CONSENT DECREE)***

The USDOJ intervened in this lawsuit filed by Plaintiff inmates at Orleans Parish Prison alleging unconstitutional conditions at the jail. The Plaintiffs, the Sheriff, Marlin Gusman, and the USDOJ executed a Consent Decree to settle the lawsuit. The Sheriff filed a Third Party Demand against the City alleging that any additional amounts to pay to implement the Consent Decree must be funded by the City. After extensive litigation, the City and the Sheriff entered into an agreement to settle the Sheriff's Third Party claim as to funding until the end of 2013. In that agreement, the City agreed to pay the Sheriff \$1,888,652.07 in 2013. In the budget process for 2014, the Sheriff and the City agreed that the City would pay an additional \$2,050,000 related to the consent decree in 2014. The Court, however, will retain jurisdiction over any disputes related to funding.

THE LITIGATION INFORMATION RELATING TO THE CITY IS PROVIDED FOR GENERAL INFORMATION PURPOSES. THE ABOVE LITIGATION DOES NOT AFFECT THE SECURITY FOR THE BONDS. THERE ARE NO KNOWN ADDITIONAL RELEVANT LITIGATION THAT HAS BEEN THREATENED AGAINST THE CITY BUT NOT YET FILED.

### **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 Purchaser upon the issuance of the Bonds.

The approving opinion of Co-Bond Counsel is limited to the matters set forth therein, and Co-Bond Counsel is 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 assumes 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 third parties, the courts or regulatory bodies; 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 Purchaser 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 MATTERS." The compensation of Co-Bond Counsel is contingent upon the sale and delivery of the Bonds.

### **FINANCIAL STATEMENTS**

The audited financial statements of the City for the year ended December 31, 2012, 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 27, 2013. 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, 2012, 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 22, 2013. 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.

## **GOVERNING AUTHORITY**

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

## **CONTINUING DISCLOSURE**

The City and the Board of Liquidation 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, 2014 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, as set forth in the Continuing Disclosure Certificate. The Dissemination Agent ("Dissemination Agent") designated in such Continuing Disclosure Certificate will be the Secretary of the Board of Liquidation, Room 8E17, City Hall, 1300 Perdido Street, New Orleans, Louisiana 70112 (telephone 504-565-6280).

The Annual Report will be filed by the Dissemination Agent with the MSRB (and with any future officially-designated State Information Depository in the State). 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 Dissemination Agent with the MSRB (and with any future officially-designated State Information Depository in the State). 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 Purchaser in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Except as provided in the Continuing Disclosure Certificate, the Issuer, acting through the Dissemination Agent, has not undertaken to provide all information investors may desire to have in making decisions to hold, sell or buy the Bonds.

The City has filed the Annual Reports required by the prior undertakings to which the Dissemination Agent is a party for fiscal years 2008 to 2012. The City's Annual Report for the fiscal year ended December 31, 2010 was filed by the Dissemination Agent with the MSRB on September 29, 2011 due to a delay in delivery of the City's audited financial statements; however, the Dissemination Agent did file the Notice of Failure to File Annual Report required by the outstanding undertakings on August 31, 2011. The Continuing Disclosure Reports for Fiscal Year 2008, 2009, 2011 and 2012 were filed on August 24, 2009, August 30, 2010, September 4, 2012, and August 16, 2013 respectively.

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.



## **PURCHASE OF THE BONDS**

Raymond James & Associates, Inc., New Orleans, Louisiana, acting for and on behalf of itself and such other securities dealers as it may designate (collectively, the “Purchaser”), has agreed, pursuant to a competitive sale held in accordance with the Notice of Bond Sale published by the Issuer, to purchase the Bonds for an aggregate purchase price of \$39,593,436.60, which amount equals par, less Underwriter’s discount of \$588,928.00, plus net original issue premium of \$182,364.60.

The Purchaser may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the inside cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Purchaser.

## **BOND RATINGS**

Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and Fitch Ratings have assigned their ratings of “A3” (negative outlook), “BBB+” (Stable outlook), and “A-” (negative outlook), respectively, to the Bonds. Such ratings reflect only the views of such organizations and are not a recommendation to buy, sell or hold the Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, Plaza of the Americas, Suite 2165, 600 N. Pearl Street, Dallas, TX, telephone 214-220-4350; Standard & Poor’s Public Finance Ratings, Lincoln Plaza, Suite 3200, 500 N. Akard, Dallas, TX 75201, telephone 214-871-1400; or Fitch Ratings, 111 Congress Avenue, Suite 2010, Austin, TX 78701, telephone 888-262-4820. 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. Such circumstances may be outside the control of the Issuer and may include, but are not limited to, general economic conditions in the United States and other political and economic developments that may affect the financial condition of the United States government and its instrumentalities, and, as a result, obligations issued by state and local governments, such as the Bonds. Any such changes or withdrawals of any rating could have an adverse effect on the market price for the Bonds.

## **ADDITIONAL INFORMATION**

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.

## **CERTIFICATION AS TO OFFICIAL STATEMENT**

At the time of payment for and delivery of the Bonds, the City will furnish the Purchaser a certificate signed by the Secretary of the Board of Liquidation and 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 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 (d) other than as set forth herein, there has been no material adverse change in the financial condition of the City since December 31, 2012, the date of the last audited financial statements of the City appearing in the Official Statement.

### **MISCELLANEOUS**

This Official Statement has been deemed to be final by the Issuer as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, except for the permitted omissions under said Rule.

This Official Statement has been prepared in connection with the initial offering and sale of the Bonds to the Purchaser 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.

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

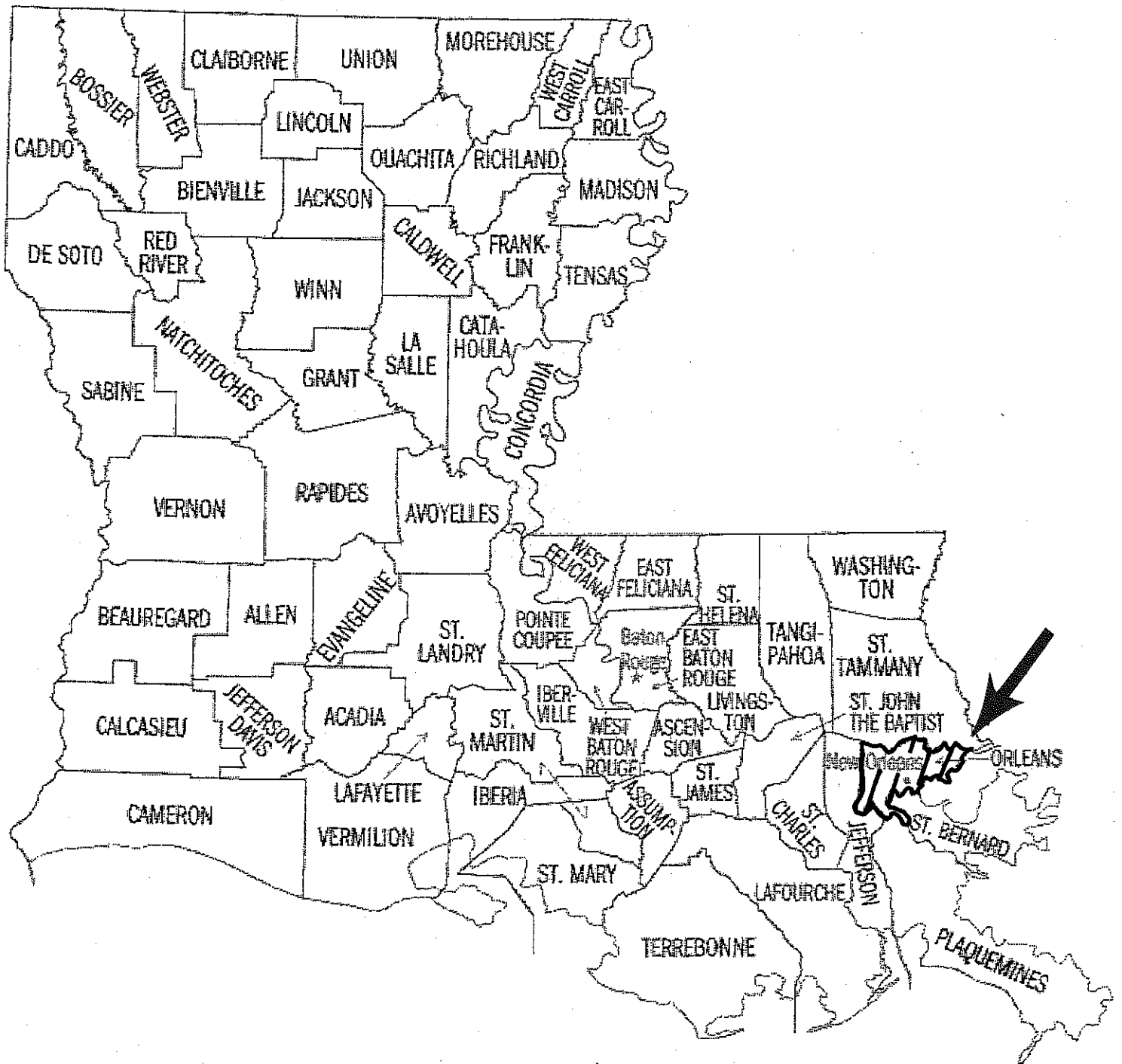
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**David W. Gernhauser**  
**Secretary**  
**Board of Liquidation, City Debt**

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**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"**

**OFFICIAL NOTICE OF BOND SALE**

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**OFFICIAL NOTICE OF BOND SALE**

**\$40,000,000  
CITY OF NEW ORLEANS, LOUISIANA  
TAXABLE PUBLIC IMPROVEMENT BONDS,  
ISSUE OF 2014A**

**Electronic bids via PARITY®  
will be received until eleven o'clock a.m.,  
New Orleans, Louisiana (Central) Time  
on Wednesday, December 11, 2013**

Electronic bids via PARITY® will be received at the office of the Board of Liquidation, City Debt (the "Board"), Room 8E17, City Hall, 1300 Perdido Street, New Orleans, Louisiana 70112-2197 for the purchase of the above described Bonds aggregating \$40,000,000 (the "Bonds").

**Date of Sale:** Wednesday, December 11, 2013 (or such other date as may be determined by the President and Secretary of the Board and advertised by Munifacts Disclosure Service).

**Hour of Sale:** Eleven (11:00) o'clock a.m., New Orleans, Louisiana (Central) Time.

**Place of Sale:** Office of the Board of Liquidation, City Debt, Room 8E17, City Hall, 1300 Perdido Street, New Orleans, Louisiana 70112-2197, telephone (504) 658-1410.

**Date of Bonds:** Delivery date of the Bonds.

**Form and Denomination:** The Bonds will be issued 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 will be in the denomination of Five Thousand Dollars (\$5,000) each.

**Maximum Interest Rate Allowable:** Eight per centum (8%) per annum.

**Paying Agent and Registrar:** Whitney Bank, in Baton Rouge, Louisiana.

**Interest Payment Dates:** June 1 and December 1. The Bonds will bear interest from their delivery date until paid, payable on June 1, 2014 and semiannually on each June 1 and December 1 thereafter.

**Manner and Place of Payment:** Principal of the Bonds will be payable in lawful money of the United States of America by Whitney Bank, in Baton Rouge, Louisiana.

**Maturity Schedule:** Bonds will mature on December 1 of each of the following years and in the principal amounts as follows:

<u>DUE</u> <u>(DEC. 1)</u>	<u>PRINCIPAL</u> <u>AMOUNT *</u>	<u>DUE</u> <u>(DEC. 1)</u>	<u>PRINCIPAL</u> <u>AMOUNT *</u>
2014	\$ 825,000	2029	\$1,165,000
2015	690,000	2030	1,235,000
2016	695,000	2031	1,305,000
2017	710,000	2032	1,385,000
2018	725,000	2033	1,470,000
2019	745,000	2034	1,560,000
2020	770,000	2035	1,660,000
2021	795,000	2036	1,760,000
2022	825,000	2037	1,870,000
2023	860,000	2038	1,990,000
2024	900,000	2039	2,115,000
2025	945,000	2040	2,245,000
2026	990,000	2041	2,385,000
2027	1,045,000	2042	2,540,000
2028	1,100,000	2043	2,695,000

\*Preliminary, subject to adjustment.

Prior to accepting bids, the Board reserves the right to change the principal amount of the Bonds being offered, and certain terms of the Bonds as described herein, to postpone the sale to a later date, or to cancel the sale of the Bonds based upon market conditions as discussed herein. Notice of a change or cancellation will be announced via Thomson Municipal News at the internet website address [www.tm3.com](http://www.tm3.com) not later than 10:00 a.m., Central Time, on the business day preceding the bid opening. Such notice will specify the revised principal amount or feature, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight (48) hours' notice via Thomson Municipal News service at the internet website address [www.tm3.com](http://www.tm3.com).

**Adjustment of Maturity Schedule:** The schedule of maturities set forth above (the "Maturity Schedule") represents an estimate of the principal amounts and maturities of the Bonds which will be sold. If, after final computation of the bids, the Board determines that the maturities of the Bonds should be adjusted after consideration of the winning bidder's coupon structure in order to achieve the Board's structuring goals, the Board reserves the right to either increase or decrease the principal amount of any maturity of the Bonds, provided that in any such adjustment the Board shall not increase or decrease the principal amount maturing in any year more than 10% of the amount for such year set forth above.

In the event of any such adjustment of the Maturity Schedule for the Bonds as described herein, no rebidding or recalculation of the bids submitted will be required or permitted. Nevertheless, the award of the Bonds will be made to the bidder whose proposal produces the lowest true interest cost solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of the Bonds pursuant to this paragraph. Any such adjustment made will hold constant the bidder's spread on a per bond basis.

**Redemption:** The Bonds maturing December 1, 2024 and thereafter shall be subject to redemption at the option of the City, acting through the Board, prior to their stated maturities, on and after December 1, 2023, 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. Any Bonds made the subject of such call or calls shall be redeemed at the principal amount thereof plus accrued interest to the date fixed for redemption. Bonds are not required to be redeemed in inverse order of maturity.

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. In the event of redemption of less than all of 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.

Notice of any such redemption shall be given by the Board to the Paying Agent at least thirty-five (35) days prior to the date fixed for redemption. Notice of redemption shall be given by the Paying Agent by mailing a copy of the redemption notice by first class mail (postage prepaid) not less than thirty (30) days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register.

If a Bidder shall elect to specify Term Bonds as provided in "Special Bidders' Option" below, the Bonds subject to mandatory sinking fund redemption shall also be subject to the terms and conditions described in the Official Statement.

**Security:** The Bonds will be general obligations of the City and are authorized by Part XIV, Chapter 4, Title 39 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 39:1031 to 1043, inclusive), and other constitutional and statutory authority, and proceedings of the Council of the City of New Orleans and of the Board. The Bonds were specifically authorized by special election held in the City on November 2, 2004, the results of which election have been duly promulgated in accordance with law. The full faith and credit of the City of New Orleans (the "City") is pledged for the payment of the principal of and interest on the Bonds, and the City is obligated under the aforesaid provisions of law to impose and collect annually in excess of all other taxes, a tax on all the property subject to such taxation in the City, in the manner prescribed by such provisions, in an amount sufficient to pay such principal and interest.

**Bond Insurance:** If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor, the purchase of any such insurance policy or the issuance of any such commitment therefor shall be at the sole option and expense of such bidder and any increased costs of issuance of the Bonds resulting by reason of the same, shall be paid by such bidder. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued, shall not constitute cause for a failure or refusal by the purchaser of the Bonds to accept delivery of and pay for said Bonds in accordance with terms of the purchase contract.

**Electronic Bids:** Electronic bids will be received via PARITY<sup>®</sup>, in the manner described below, until 11:00 o'clock a.m., New Orleans, Louisiana time, on Wednesday, December 11, 2013.

Bids may be submitted electronically via PARITY<sup>®</sup> pursuant to this Official Notice of Bond Sale until 11:00 o'clock a.m., local New Orleans, Louisiana time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY<sup>®</sup> conflict with this Official Notice of Bond Sale, the terms of this Official Notice of Bond Sale shall control. For further information about PARITY<sup>®</sup>, potential bidders may contact PARITY<sup>®</sup> at i-Deal (212) 849-5021.

**Disclaimer:** Each prospective electronic bidder shall be solely responsible to register to bid via PARITY<sup>®</sup> as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY<sup>®</sup> for the purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the Board nor PARITY<sup>®</sup>, shall have any duty or obligation to provide or assure access to PARITY<sup>®</sup> to any prospective bidder, and neither the Board nor PARITY<sup>®</sup> shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY<sup>®</sup>. The Board is using PARITY<sup>®</sup> as a communication mechanism, and not as the Board's agent, to conduct the electronic bidding for the Bonds. No other form of electronic bid or provider of electronic bidding services will be accepted. The Board is not bound by any advice and determination of PARITY<sup>®</sup> to the effect that any particular bid complies with the terms of this Official Notice of Bond Sale and in particular the "Bid Requirements" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via PARITY<sup>®</sup> are the sole responsibility of the bidders; and the Board is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, he should telephone PARITY<sup>®</sup> at i-Deal or (212) 849-5021 and notify the Board's Financial Advisors, Public Financial Management (901) 682-8356, 530 Oak Court Drive, Suite 160, Memphis, Tennessee 38117, and CLB Porter, L.L.C. (504) 299-3433, 650 Poydras Street, Suite 1400, New Orleans, Louisiana 70130.

**Electronic Bidding Procedures:** Electronic bids must be submitted for the purchase of the Bonds (all or none) via PARITY<sup>®</sup>. Bids will be communicated electronically to the Board at 11:00 o'clock am., local New Orleans, Louisiana time, on Wednesday, December 11, 2013. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via PARITY<sup>®</sup>, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via PARITY<sup>®</sup> to the Board, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on PARITY<sup>®</sup> shall constitute the official time.

**Bid Requirements:** Each bid (i) shall be for the full amount of \$40,000,000 in aggregate principal amount of the Bonds, (ii) shall name the rate or rates of interest to be borne by the Bonds, (iii) shall prescribe one rate of interest, not to exceed eight per centum (8%) per annum, for the Bonds of any one maturity, (iv) shall limit the interest due on each Bond for each interest period to a single rate and (v) shall be unconditional. No bid for less than 99% of the principal amount of the Bonds will be accepted.

**Special Bidders' Option:** Bidders may specify that all the principal amount of Bonds on any two or more consecutive annual payment dates on or after December 1, 2024, may, *in lieu* of maturing on each of such dates, be combined to comprise one or more maturities of Bonds scheduled to mature on the latest of such annual payment dates and be subject to redemption through mandatory sinking fund installments at the principal amount thereof in the manner described in the Official Statement, on each of the annual payment dates, except for that principal amount of Bonds scheduled to mature on the latest such annual payment date, which Bonds shall mature on such annual payment date ("Term Bonds"). Bidders may specify one or more of such Term Bonds.

**Award of Bid:** The Bonds will be awarded to the bidder whose bid offers the lowest "true interest cost" to the City, to be determined by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments on the Bonds from the payment dates to the date of delivery of the Bonds, such that the sum of such present values is equal to the price bid, including any premium bid or less any discount (the preceding calculation is sometimes referred to as the "Canadian Interest Cost Method" or "Present Value Method"). In the case of a tie bid, the winning bid will be awarded by lot.

**Reoffering Prices:** As soon as practical after award of the Bonds to the successful bidder or bidders (the "Purchaser"), but in any case no later than 2:00 p.m. Louisiana time on the third business day after the date of sale, the Purchaser shall furnish to the Board a certificate acceptable to Co-Bond Counsel to the Board stating (i) either, (A) in the case of Bonds that the Purchaser intends to reoffer, the reoffering prices, expressed as a percentage of par, to the public of each maturity of the Bonds (the "Reoffering Prices") or (B) the specific Bonds that the Purchaser intends to retain; (ii) that, in the case of Bonds described in (i)(A), the Purchaser has made a *bona fide* public offering of the Bonds at the Reoffering Prices; (iii) that a substantial amount of the Bonds have been sold or were reasonably expected to be sold to the public (excluding bond houses, brokers and other intermediaries) at such Reoffering Prices; and (iv) that, at the time that the Purchaser submitted its bid, based upon prevailing market conditions, the Purchaser had no reason to believe that any of the Bonds would be initially sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices greater than the Reoffering Prices represented in (i)(A). Co-Bond Counsel to the Board advises that (i) such certificate must be made on the best knowledge, information and belief of the Purchaser; (ii) the sale to the public of 10% or more in par amount of the Bonds of each maturity at (or below) the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Bonds; and (iii) reliance on other facts as a basis for such certification would require evaluation by Co-Bond Counsel to the Board to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

**Costs Paid by Board:** The costs of preparing, selling and delivering the Bonds shall be paid by the Board.

**Rejection of Bids:** The Board reserves the right to reject any and all bids.

**Waiver of Informalities:** The Board reserves the right to waive any informalities or irregularities in any bid.

**Good Faith Deposit:** In the event a bid for the Bonds is accepted, the acceptance of such bid shall be subject to the receipt of a good faith deposit (the "Deposit") by such successful bidder (the "Purchaser"). The Deposit shall be made via wire transfer to the Board in the amount of one percent (1%) of the principal amount of the Bonds (\$400,000) by 3:30 o'clock p.m., New Orleans, Louisiana (Central) Time, on the day of the sale. The Deposit of the Purchaser will be deposited and the proceeds credited against the purchase price of the Bonds, or in the case of neglect or refusal to comply with such bid, will be forfeited to the Board as and for liquidated damages. No interest will be allowed on the amount of the Deposit.

Wiring instructions for the account to which the Purchaser should send the Deposit are:

Bank: Whitney Bank  
ABA# 065000171

Credit to: Board of Liquidation, City Debt  
Account# 02465506-Fiscal Agent Account

**Delivery of the Bonds:** The Bonds will be delivered to DTC on or as soon as practicable after January 21, 2014, in "book-entry only" form. The Purchaser shall pay in Federal Funds on the date of delivery the balance of the purchase price of the Bonds, plus accrued interest, if any. The Bonds will be delivered in New Orleans, Louisiana, or in New York, New York, at the option of the Purchaser, unless another place shall be mutually agreed upon.

**Legal Opinion of Co-Bond Counsel and Closing Documents:** The approving legal opinion of Foley & Judell, L.L.P. and The Cantrell Law Firm, Co-Bond Counsel, who have supervised the proceedings, the Bonds and the transcript of record as passed upon will be furnished without cost to the Purchaser. Said transcript will contain the usual closing proofs, including (i) a certificate that up to the time of delivery no litigation has been filed questioning the validity of the Bonds or the taxes necessary to pay the same, and (ii) a Continuing Disclosure Certificate as hereinafter described.

**CUSIP Numbers:** It is anticipated that the American Bankers' Association Committee on Uniform Security Identification Procedures (CUSIP) identification numbers will be printed on the Bonds, but the failure to print such numbers shall not constitute cause for refusal by the Purchaser to accept delivery of and to pay for the Bonds. No CUSIP identification number shall be deemed to be part of any Bond or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City or the Board or any of the officers or agents thereof because of or on account of such numbers. All expenses in relation to the printing of the CUSIP identification numbers on the Bonds shall be paid by the Board. However, the CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid by the Purchaser.

**Continuing Disclosure:** In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the City and the Board will undertake, pursuant to the resolution providing for the issuance of the Bonds and a Continuing Disclosure Certificate, to provide annual reports and notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement. The Continuing Disclosure Reports for Fiscal Year 2008, 2009, 2010, 2011 and 2012 were filed on August 24, 2009, August 30, 2010, September 29, 2011, September 4, 2012, and August 16, 2013 respectively.

**Additional Information and Official Statements:** Further information and particulars, including the required bid form and an Official Statement relating to the Bonds, will be furnished upon application to the undersigned. The purchaser will be furnished a reasonable number of final official statements on or before the seventh business day following the sale of the Bonds.

The Official Statement and Notice of Sale will be available in electronic format on the following websites: <http://www.i-dealprospectus.com> and [www.bolcd.com](http://www.bolcd.com).

**Participation by Minority-Owned and Women-Owned Firms:** The City and the Board strongly encourage the participation of minority-owned and women-owned firms as bidders or as members of syndicates submitting bids for the purchase of the Bonds. Each bidder is strongly encouraged to make a good faith effort to include minority-owned and women-owned business enterprises in their bidding syndicates.

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

**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 New Orleans Metropolitan Statistical Area (the “MSA”), 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. A history of the population of the City and the MSA is provided below. The decline in population between the 2000 Census and the 2012 estimate is largely a result of Hurricane Katrina.

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

	<b><u>1950</u></b>	<b><u>1960</u></b>	<b><u>1970</u></b>	<b><u>1980</u></b>	<b><u>1990</u></b>	<b><u>2000</u></b>	<b><u>2010</u></b>	<b><u>2012</u></b>
New Orleans	570,445	627,525	593,471	557,927	496,938	484,674	343,829	369,250
MSA*	754,856	969,326	1,125,058	1,282,717	1,264,391	1,316,510	1,167,764	1,227,096

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

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

## Assessed Valuations

The following table sets forth the assessed value of taxable property in the City and homestead exemptions for the years 2005-2014.

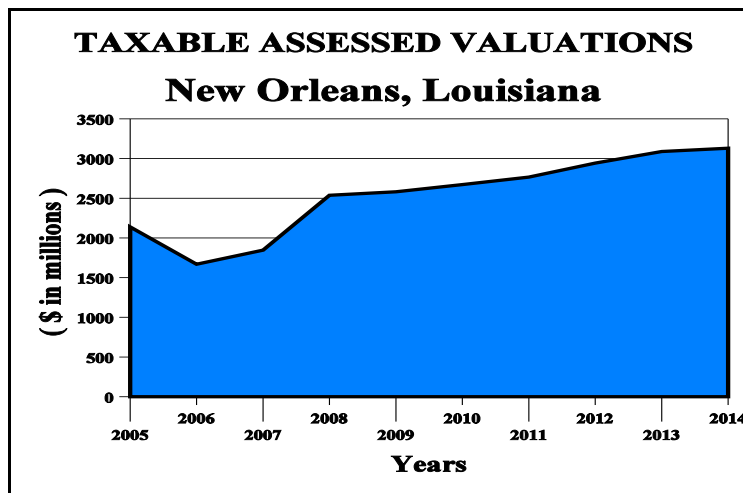
### Assessed Value of Property in the City

<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>
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	392,534,175	2,942,394,867
2013	2,915,068,780	413,120,240	193,722,510	3,521,911,530	433,616,519	3,088,295,011
<b>2014</b>	<b>2,992,593,440</b>	<b>405,514,430</b>	<b>181,055,280</b>	<b>3,579,163,150</b>	<b>448,696,881</b>	<b>3,130,466,269</b>

Sources: Tax Commission (2005-2007); Department of Finance, City of New Orleans (2008-2014).

(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 2010 through 2014:

<u>Purpose</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(\$ per \$1,000 of Taxable Assessed Value)				
<b>City:</b>					
<b>General Purposes*</b>	10.85	13.91	13.91	13.91	13.91
City Services	0.87	1.19	1.19	1.19	1.19
Debt Service on General Obligation Bonds	25.50	25.50	25.50	25.50	25.50
Fire and Police	4.66	6.40	6.40	6.40	6.40
Police (1)	3.98	5.26	5.26	5.26	5.26
Fire (1)	5.21	5.21	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 Parkway & Recreation	1.82	1.82	1.82	1.82	1.82
Streets (Traffic Control Devices)	2.18	3.00	3.00	3.00	3.00
Sewerage and Water Board: Drainage System (Act 617 of 1977)	1.38	1.90	1.90	1.90	1.90
Drainage System (Ord. 6289, M.C.S.)	4.71	4.71	4.71	4.71	4.71
Drainage System (R-81-29)	4.66	4.66	4.66	4.66	4.66
<b>Total City Tax Rates</b>	<b>7.06</b>	<b>7.06</b>	<b>7.06</b>	<b>7.06</b>	<b>7.06</b>
Orleans Law Enforcement District	2.90	2.90	2.90	2.90	2.90
Orleans Parish School Board	44.12	44.12	44.12	44.81	45.31
<b>Total Parishwide Tax Rates</b>	<b>128.17</b>	<b>135.91</b>	<b>135.91</b>	<b>136.60</b>	<b>137.10</b>
Orleans Levee District (Eastbank)	11.67	11.67	11.67	11.67	11.67
Algiers Levee District (Westbank)	12.76	12.76	12.76	12.56	12.56
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	--	--
Garden District Security	11.62	16.00	16.00	11.00	11.00
Touro Bouligny	7.80	7.80	7.80	7.80	7.80

\* Tax securing the proposed bonds.

(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. Parcel fees are not listed above.

## Property Taxpayers

The following list includes the names and the 2013 assessed valuations of the ten largest property taxpayers in the City:

	<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>[2013] Assessed Valuation</u>
1.	Entergy	Utility	\$115,782,760
2.	BellSouth	Utility	49,844,690
3.	Capital One, National Association	Financial Services	47,365,790
4.	Harrah's New Orleans Casino & Hotel	Tourism	28,391,510
5.	Marriott Hotel	Hotel	25,079,450
6.	International Rivercenter	Retail Shopping; Hotel	19,082,620
7.	Whitney Bank	Financial Services	17,748,180
8.	JPMorgan Chase Bank, N.A.	Financial Services	17,589,680
9.	C S & M Associates	Commercial Real Estate	15,555,050
10.	Folgers Coffee Company	Coffee Roasting Plant	13,346,640
	Total		<u>\$349,786,370</u>

Source: Department of Finance, City of New Orleans.

The ten largest property taxpayers accounted for approximately 11.33% of the City's 2013 taxable assessed valuation. Figures for 2014 are currently unavailable.

## Property Tax Collections

The following table shows property tax levied in each year from 2003 through 2013 and the amounts collected, and the percentage of such levy that has been collected since the date the taxes were imposed (through October 31, 2013), as reported by the City Finance Department:

### Property Tax Levies and Collections (Amounts in Thousands)

<u>Tax Year</u>	<u>Total Levied</u>	<u>Collected through October 31, 2013 (includes cleared receivables)</u>		<u>Balance Due at October 31, 2013</u>		<u>Collected During 2013 Amount</u>
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
<u>Real Estate Taxes</u>						
2004*	247,328	245,505	99.26	1,823	0.74	371
2005	267,327	263,985	98.75	3,342	1.25	81
2006**	219,991	217,810	99.01	2,181	0.99	55
2007	250,462	247,274	98.73	3,188	1.27	357
2008	269,746	266,475	98.79	3,271	1.21	392
2009	275,869	272,140	98.65	3,729	1.35	322
2010	309,800	305,292	98.54	4,508	1.46	775
2011	339,370	333,554	98.29	5,816	1.71	1,782
2012	362,262	353,909	97.69	8,353	2.31	11,661
2013	382,902	361,403	94.39	21,499	5.61	354,494

\* 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 October 31, 2013 (includes cleared receivables)</u>		<u>Balance Due at October 31, 2013</u>		<u>Collected During 2013</u>
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
<u>Personal Property Taxes</u>						
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	66,562	95.18	3,373	4.82	21
2010	74,530	70,535	94.64	3,995	5.36	79
2011	78,996	75,391	95.44	3,605	4.56	391
2012	81,685	78,871	96.56	2,814	3.44	596
2013	87,058	83,213	95.58	3,845	4.42	82,947

*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.

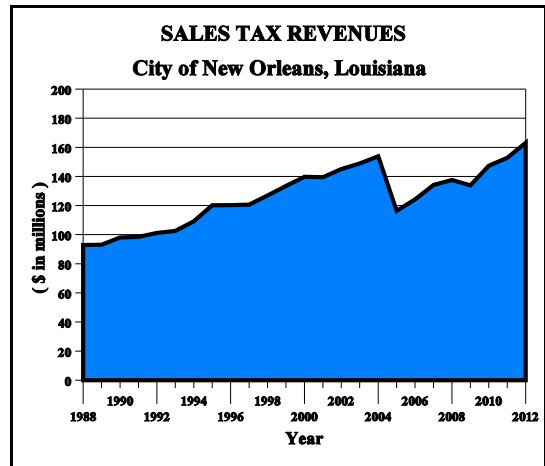
Six public agencies share in the taxation of hotel/motel rooms in the Parish. The rate of taxation of each of the respective agencies is as follows: (a) the State - 2%, (b) the Louisiana Stadium and Exposition District (the “LSED”) - 4%, (c) the City - 1½%, (d) the School Board - 1½%, (e) the Regional Transit Authority (the “RTA”) - 1% and (f) the Ernest N. Morial-New Orleans Exhibition Hall Authority (the “NOEH”) - 3%, 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	2001	139,511
1989	93,063	2002	145,009
1990	98,077	2003	148,855
1991	98,483	2004	153,851
1992	101,221	2005	116,339
1993	102,530	2006	124,229
1994	109,167	2007	134,114
1995	120,229	2008	137,581
1996	120,240	2009	133,868
1997	120,652	2010	147,300
1998	126,899	2011	152,840
1999	133,490	2012	163,128
2000	139,770		



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

### **Default Record**

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, 2012, audited by of Postlethwaite & Netterville, A Professional Accounting Corporation, and their report, dated as of June 27, 2013, is included therein. 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 “D” to this Official Statement is a summary of the general fund budget, as adopted, for the City for the fiscal year ending December 31, 2014. The City’s Operating Budget in its entirety has been approved by the City Council and signed by the Mayor. It will be posted, when available, on the City's website ([www.nola.gov/finance](http://www.nola.gov/finance)).

### **Balances**

The City reported the following balances in its various funds and accounts as of September 30, 2013:

<u>Name of Fund</u>	<u>Balances</u>		
	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
General Fund	\$ 358,277	\$ 877,603	\$1,235,880
Cap Projects Oper Fund	882,691	--	882,691
Neighborhood Housing Impr.	719,091	--	719,091
NO Economic Development	1,997,668	--	1,997,668
Environmental Disaster Litigation	319,519	--	319,519
Environmental Impr. Revlving Fund	(304,200)	805,667	501,467
Miscellaneous Donations	227,968	--	227,968
Housing & Environment Improvmt	1,347,486	--	1,347,486
Sidewalk Pavement Rev. Fund	(1)	2,070	2,069
NO Special Events Fd	227	--	227
Adopt-A-Pothole/Streets	283	--	283
NOPD Crime Prevention	937	--	937
Sanitation Recycling Exp.	4,283	70,192	74,475
NO Film Comm. Trust	(4,274)	157,725	153,451
National League of Cities	5,851	--	5,851
Music & Entertainment Comm.	12,189	115,917	128,106
Mayor's Off. of Tourism & Arts	227,281	--	227,281
Parking Management Fund	247,697	617,350	865,047
Library Special Revenue Fund	<u>10,717,913</u>	--	<u>10,717,913</u>
Totals	<u>\$16,760,886</u>	<u>\$2,646,524</u>	<u>\$19,407,410</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 November 2013 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Orleans Parish	\$47,757	\$40,920	\$41,172	\$42,371	\$43,030
Louisiana	37,799	36,378	37,217	38,623	40,057
United States	40,873	39,357	40,163	42,298	43,735

\* *The City has experienced the Nation's fastest Per Capita Personal Income growth since 2005.* Source: Forbes.  
Source: U.S. Department of Commerce, Bureau of Economic Analysis. November 26, 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	131,880	124,713	7,167	5.4	4.4
2009	144,959	133,792	11,167	7.7	6.6
2010	146,327	133,426	12,901	8.8	7.4
2011	150,104	137,150	12,954	8.6	7.3
2012	151,058	139,212	11,846	7.8	6.4

The preliminary figures for October 2013 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>
10/13	151,740	140,233	11,507	7.6	6.1*

The preliminary figures for the New Orleans - Metairie - Kenner Metropolitan Statistical Area (“MSA”) for October 2013 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>
10/13	547,180	512,886	34,294	6.3	6.1*

\* Seasonally adjusted rate was 6.5.

Source: Louisiana Workforce Commission. November 27, 2013.

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 Oct. 2012</u>	<u>Revised Sept. 2013</u>	<u>Preliminary Oct. 2013</u>
Mining & Logging	7.9	8.4	8.4
Construction	31.7	32.8	32.7
Manufacturing	29.8	29.7	29.0
Trade, Transportation, & Utilities	106.7	106.5	108.1
Information	8.1	8.3	8.2
Financial Activities	26.9	26.8	26.9
Professional and Business Services	70.1	71.5	73.8
Education and Health Services	80.1	77.0	78.8
Leisure and Hospitality	75.9	76.3	78.4
Other Services	18.1	18.3	18.5
Government	77.1	74.8	75.1
<b>Total</b>	<b><u>532.4</u></b>	<b><u>530.4</u></b>	<b><u>537.9</u></b>

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>
Tulane University	Higher Education	4,149
Whitney Bank	Financial Services	1,671
Harrah's New Orleans Casino & Hotel	Tourism	1,639
Superior Energy Services	Oilfield	1,600
Children's Hospital	Health Care	1,508
Boh Bros. Construction Co. LLC	General Contractor	1,400
Touro Infirmary	Health Care	1,285
Loyola University New Orleans	Higher Education	808
Hilton New Orleans Riverside	Tourism	800

Source: New Orleans CityBusiness 2012-2013 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 remainder of this page intentionally left blank.)*

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, 2009, 2010, 2011, 2012 AND FIRST QUARTER 2013** (All data not seasonally adjusted.)

<b>ORLEANS PARISH</b>					
<b>EMPLOYMENT</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013:1</b>
<b>Total</b>	<b>168,587</b>	<b>170,413</b>	<b>173,986</b>	<b>177,038</b>	<b>178,549</b>
Agriculture, Forestry, Fishing, and Hunting	26	22	32	39	43
Mining	3,618	3,253	2,867	2,391	2,392
Utilities	1,163	918	906	921	942
Construction	5,285	5,388	5,419	5,357	5,364
Manufacturing	5,929	4,959	4,536	4,031	3,937
Wholesale Trade	4,002	3,881	3,896	3,750	3,575
Retail Trade	12,284	12,057	12,428	12,926	13,199
Transportation and Warehousing	7,885	7,827	8,259	8,448	8,609
Information	3,033	3,644	3,724	4,700	4,431
Finance and Insurance	5,546	5,475	5,468	5,409	5,174
Real Estate and Rental and Leasing	2,222	2,241	2,460	2,587	2,634
Professional and Technical Services	13,815	14,410	14,709	14,671	14,887
Management of Companies and Enterprises	3,404	3,335	3,396	3,348	2,933
Administrative and Waste Services	9,248	9,338	9,439	9,864	9,755
Educational Services	20,530	20,829	20,997	21,303	22,419
Health Care and Social Assistance	20,858	20,796	21,171	21,239	20,758
Arts, Entertainment, and Recreation	4,696	4,955	4,975	5,056	5,702
Accommodation and Food Services	27,309	28,949	31,410	33,162	34,008
Other Services, except Public Administration	5,046	5,082	5,277	5,509	5,435
Public Administration	12,222	12,796	12,308	12,154	12,145
<b>EARNINGS (\$ in Thousands)</b>	<b>Annual</b>	<b>Annual</b>	<b>Annual</b>	<b>Annual</b>	<b>Quarterly</b>
<b>Total</b>	<b>\$8,345,790</b>	<b>\$8,495,490</b>	<b>\$8,695,793</b>	<b>\$8,681,404</b>	<b>\$2,240,159</b>
Agriculture, Forestry, Fishing, and Hunting	651	582	832	925	310
Mining	464,398	457,342	468,700	378,313	119,982
Utilities	75,613	62,992	59,338	60,962	16,653
Construction	282,951	277,992	303,632	280,623	70,098
Manufacturing	371,651	347,694	312,078	246,665	65,447
Wholesale Trade	259,132	256,367	261,481	257,833	69,179
Retail Trade	327,778	329,070	337,523	358,194	90,302
Transportation and Warehousing	438,754	432,784	442,060	460,806	113,461
Information	179,392	219,928	212,131	252,275	46,088
Finance and Insurance	402,903	421,229	447,832	460,077	130,763
Real Estate and Rental and Leasing	87,414	90,643	99,529	105,506	27,339
Professional and Technical Services	1,034,419	1,097,435	1,134,831	1,138,698	270,722
Management of Companies and Enterprises	277,857	253,922	302,939	284,757	86,268
Administrative and Waste Services	335,288	373,362	388,368	374,450	96,267
Educational Services	1,068,251	1,090,133	1,110,765	1,134,340	301,884
Health Care and Social Assistance	976,605	944,806	957,888	969,161	237,621
Arts, Entertainment, and Recreation	195,013	210,190	193,151	202,420	55,916
Accommodation and Food Services	647,413	694,634	750,433	809,174	219,335
Other Services, except Public Administration	164,896	168,093	174,815	180,855	45,937
Public Administration	740,668	758,141	725,732	719,794	175,297

Source: Louisiana Workforce Commission.

## Construction

The New Orleans CityBusiness Top Construction Projects 2013, published on February 22, 2013, 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
Valero Hydrocracker	\$1.5 Billion
Huey P. Long Bridge Expansion	\$1.2 Billion
Public Housing Rebuild	\$1.6 Billion
University Medical Center	\$1.6 Billion
New Orleans Street Repairs	\$1.0+ Billion
Veterans Affairs Hospital	\$995 Million
Nine Mile Point Power Plant	\$721 Million
Nucor Plant	\$750 Million
The National World War II Museum	\$325 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 2013 (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 2011 and 2012 rose at an average of just under 8% from \$238,153 to \$257,140. 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. Unit sales in the Parish rose 5.8% from 2,150 in 2011 to 2,274, in 2012, while at the same time aggregate dollar volume of sales increased 14.2%, from \$512.0 million to \$584.7 million

Average prices rose in six of seventeen MLS neighborhoods comprising Central Orleans at appreciation rates ranging from 11% in the Garden District (from \$369,514 to \$410,00) to just over 15% in the Peoples/St. Bernard area (\$93,513 to \$107,579). Double digit price appreciation for broker assisted sales also occurred in the Lakefront area (21.4%), Marigny/Bywater (2.8%) and City Park (12.9%). Some neighborhoods experienced fairly significant price compression through 2012. This included neighborhoods such as the Uptown/Fountainbleau area (-0.47%).

In Eastern New Orleans, between 2011 and 2012 unit sales fell from 381 to 361 (5.2%) and aggregate dollar volume dropped from \$38.4 million to \$38.2 million (1.4%). At the same time average prices rose by just over 4.0% (from \$101,675 to \$105,819) and average marketing time extended from 121 days in 2011 to 129 days in 2012 or by just under 7%. Average prices declined in three of the six MLS neighborhoods that encompass Eastern New Orleans ranging from 0.6% (from \$95,669 to \$95,102) in East New Orleans to 21.6% (from \$74,833 to \$58,647) in the West Chef Menteur Highway neighborhood. In the East Chef Menteur Highway neighborhood average prices among 84 broker assisted sales recorded just under approximately 4.5% (from \$99,222 to \$94,780), while in Morrison Road, average prices among 74 units sold rose by 1.5% from \$76,004 in 2011 to \$77,153 in 2012. The Lake Forest Neighborhood accounted for the largest volume of unit and dollar volume of sales. In this MLS average home prices rose 3.8% (from \$143,178 to 148,660). 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 2011 and 2012 fell by 11.0% and 9.9% in units and aggregate dollar volume, respectively. At the same time, the average price of a single family home edged up 1.3% from \$135,389 to \$137,159 as average marketing time shortened from 113 to 107 days. Average prices in the Algiers and English Turn MLS neighborhoods rose by 9.7% and 9.7%, respectively, while in the Lakewood area average prices among 211 broker assisted sales fell by approximately 0.67% (from \$127,701 to \$126,851). 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
2009-10	39,966	40,308.7	37,126.5
2010-11	41,630	41,771.3	38,820.7

\* 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 18,556 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 43,630 public school students in the City.

Institutions of higher education located in the City include:

<u>Institution</u>	<u>Fall Enrollment</u>					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
University of New Orleans	11,436	11,724	11,276	10,903	10,071	--
Tulane University	11,157	11,799	12,622	13,359	13,401	13,462
Loyola University New Orleans	4,634	4,910	4,982	5,179	5,105	4,864
Southern University at New Orleans	3,105	3,141	3,166	3,245	3,480	3,176
Xavier University of Louisiana	3,204	3,320	3,391	3,399	3,177	3,121
Dillard University	851	1,017	1,188	1,249	1,307	1,183
Our Lady of Holy Cross College	1,296	1,305	1,260	1,212	1,171	1,260
	<u>35,683</u>	<u>37,216</u>	<u>37,885</u>	<u>38,643</u>	<u>37,712</u>	<u>27,066*</u>

\* Total does not include data from the University of New Orleans. Data is currently unavailable.

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 2013 Fall enrollment of 18,684, the LSU Health Sciences Center-New Orleans, with a 2013 Fall enrollment of 2,831, 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 2012, 9.01 million visitors, reaching 89% of the Pre-Katrina figure. Visitor's spent over \$6 billion in 2012, 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 2013 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 fourth consecutive year that the City has been named to the list. The City has also made the domestic (10<sup>th</sup>) list of TripAdvisor's 2013 Travelers' Choice Destination List. In Travel+Leisure magazine's Best of 2012 Awards, the City was named Number 1 Favorite City and Best City to Visit. The City's music scene also ranked Number 1.

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 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 Pelicans**, 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 Pelicans, \$50 million in improvements are planned for the Arena to be complete in two phases. The completion of phase one was completed in October 2013, and includes 16 new loge boxes in the lower level, upgraded concession stands, new 12,000 square foot Chairmans club, expanded Capital One club, 56 suites upgraded and new locker rooms. Phase two is expected to begin in the spring of 2014, after the Pelicans’ season ends, and will include outside renovations.

The **National World War II Museum**, formally the **D-Day Museum** (the “Museum”), is an attraction with great attendance. Veterans from every military service have attended this world class facility. A \$300 million expansion is currently under way, and is expected to be completed in 2015. This expansion will quadruple the size of the original Museum. 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 was held in the City in 2013. Adults may continue to find entertainment in the river boat and land based **casinos** located in the area. Harrah’s Casino is located in the Heart of the City and includes more than 3,800 slot machines, casino table games and more than 20 poker tables. 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 6<sup>th</sup> 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 \$52 million renovation project on the Convention Center began in December 2011, and was completed in January 2013. The NFL Shop of Super Bowl XLVII opened immediately after a ribbon cutting ceremony that included representatives from the City of New Orleans and the NFL.

## **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 8.6 million in 2012. 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 2012 was 8,600,989.

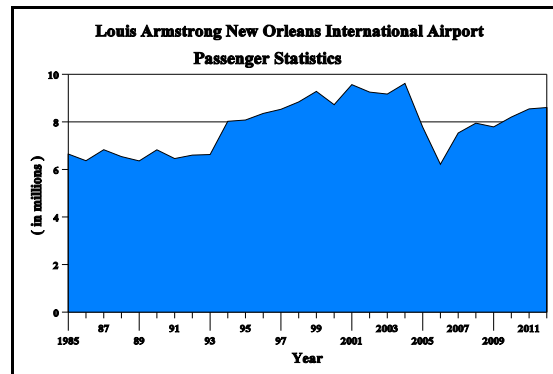
The Airport is currently served by the following domestic carriers: American Airlines; Air Tran Airways; Delta Air Lines; Frontier; JetBlue; Midwest; Southwest; United Airlines; and US Airways. Of these, Southwest accounts for approximately 32% of the Airport’s passenger market and is classified as the 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 2012, the Airport offered 137 daily departures to 36 cities across the United States, with an average daily seat capacity of 16,948.

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



Domestic freight and mail is handled at the Airport by American, Delta, Frontier, Southwest, United, US Airways, Federal Express, and UPS. Air Cargo for 2004 totaled approximately 80,938.35 metric tons, compared to approximately 31,265.00 metric tons handled in 2012.

Prior to Super Bowl XLVII, the Airport completed a \$300 million modernization and expansion project, which included expanding its ticketing lobby, an additional six gates and a consolidated rental car facility.



## 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 October 2013, the Norwegian Jewel debuted in New Orleans. The 2,376 - passenger ship will offer cruises starting on October 13, 2013 to April 13, 2014. Not only has the City reached Pre-Katrina numbers, but it also set a new passenger record with 777,703 passengers in 2012.

In addition to the large cruise lines, inland cruising has returned to the City, with options to cruise various segments of the Mississippi River from New Orleans to St. Paul, Minnesota.

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 near the Napoleon Terminal Complex, is currently underway. A new riverfront cold storage facility at the Henry Clay Avenue Terminal was completed and opened in July 2012. Additional design and construction projects are to begin within the year.

Activity at the Port may be limited or decrease as a result of factors outside the control of the City, such as labor relations, tariffs, economic and river conditions and other matters.

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## Recent National Recognition of the City and Region

The City and the Greater New Orleans Region have recently been recognized by multiple publications for various achievements and accomplishments, including the following:

### General

- GNO, Inc. was ranked as the #2 Economic Development Organization in the U.S. in 2013 [*Business Facilities*]
- Greater New Orleans is the #2 Boomtown in America in 2013, due to population and GDP growth [*Bloomberg*]
- New Orleans was ranked the #2 “Aspirational” City in the USA based on economy, demographics and quality of life [*Daily Beast, July 30, 2013*]
- New Orleans was named the #1 City (of 475) for Employment, Income, and Population [*NerdWallet, June 10, 2013*]
- Greater New Orleans was named the 2012 #3 Big City Winning IT Jobs Battle [*Forbes*]
- Greater New Orleans was named the #1 Most Improved Metro in the USA [*Wall Street Journal*]
- Greater New Orleans was named #2 in Post - Recession Performance in the USA in 2013 [*Brookings Inst.*]

### Talent / Workforce

- New Orleans was ranked No. 2 on the list of Best Cities for Working Mothers, 2012 [*Forbes*]
- New Orleans grew faster than any other major U.S. city in the 15 months after the 2010 decennial headcount [*U.S. Census Bureau*]
- New Orleans was ranked #1 on the list of “America’s Biggest Brain Magnets” for attracting people under 25 with college degrees [*Forbes*]
- New Orleans MSA was named the #2 Best Big City for a Job [*Forbes*]
- Greater New Orleans was ranked #4 Employment Market in the Country [*Manpower*]
- New Orleans named Top 10 City for Relocation [*Forbes*]
- Tulane University was ranked #1 in total number of college applications [*US News & World Report*]

## Entrepreneurship

- Louisiana ranked #1 in Economic Growth Potential [*Business Facilities' 2012 State Rankings Report*]
- New Orleans was ranked the #6 Best City for Young Entrepreneurs [*Under30CEO.Com*]
- New Orleans Leads the USA by 56% in number of startups-per-capita [*GNO Community Data Center*]
- Louisiana was rated the #2 State in the USA to Start a Company [*Tax Foundation + KPMG*]

## Quality of Life

- New Orleans received the 2012 World Tourism Award [*Reed Travel Exhibitions*]
- New Orleans named America's Overall Favorite City of 2012 [*Travel + Leisure*]
- New Orleans named the 2012 Best American City to Visit [*Travel + Leisure*]
- New Orleans was ranked in the Top 10 Cities in the U.S. in the 2012 Readers' Choice Awards [*Condé Nast Traveler*]
- New Orleans was ranked #5 destination in Top U.S. Cities in the U.S. & Canada [*Travel + Leisure*]
- New Orleans was ranked #1 Nightlife Destination in the World [*Travel + Leisure*]
- New Orleans was named "Americas Best City for School Reform" [*Thomas B. Fordham Institute*]
- New Orleans ranked in the Top 5 "Most Affordable Cities for Households" in the USA [*Intuit*]

For further information, see the website of Greater New Orleans, Inc., a regional economic development alliance, at <http://gnoinc.org/news/awards-and-rankings/>.

**ANNUAL FINANCIAL STATEMENTS  
OF THE  
CITY OF NEW ORLEANS, LOUISIANA  
FOR THE YEAR ENDED  
DECEMBER 31, 2012**

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**CITY OF NEW ORLEANS, LOUISIANA**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**  
**(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

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

Release Date AUG 07 2013

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& Netterville

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**CITY OF NEW ORLEANS, LOUISIANA**

**Basic Financial Statements**

**December 31, 2012**

**(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:

### **Report on the Financial Statements**

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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 19% 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 86% of the assets and 63% of the additions and revenues of the aggregate remaining fund information; and the Board of Liquidation, City Debt, which is a major fund and 17% and 8% of assets and revenues of the governmental activities, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates 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, is based solely on the report 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 from material misstatement.

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

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

### *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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, 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.

### *Required Supplementary Information*

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 4 through 15 and 76 through 80 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, 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* in considering the City's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

New Orleans, Louisiana  
June 27, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF NEW ORLEANS**  
Management's Discussion and Analysis  
December 31, 2012

**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, 2012. 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 position balance on the government-wide basis was approximately \$38.6 million at December 31, 2012.
- The government-wide statement of activities reported a decrease in net position of \$72.7 million.
- 2012 general fund tax revenues increased by \$6.7 million, or 2.3%, compared to 2011.
- The general fund reported an excess of expenses and other financing uses over revenues and other financing sources of \$5.9 million for a total ending fund balance deficit at December 31, 2012 of \$9.3 million. The general fund's unassigned fund balance at December 31, 2012 is a deficit of \$20.0 million.
- Total governmental funds reported an excess of revenues and other financing sources over expenses and other financing uses of \$42.3 million.
- Total cash and investments of governmental funds amounted to \$180.6 million at December 31, 2012, a decrease of \$2.7 million compared to December 31, 2011.
- Total bonded debt amounted to \$695.6 million, an increase of \$22.3 million over the beginning of the year total.

**Overview of the Financial Statements**

The discussion and analysis provided here are 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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

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The statement of activities presents information showing how the City's net position changed during the year ended December 31, 2012. All changes in net position 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 61 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.

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**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 position over time, may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by approximately \$38.6 million at December 31, 2012.

**Net Position**

December 31, 2012 and 2011

(Amounts in thousands)

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 291,858	\$ 312,128
Capital assets	1,474,291	1,457,647
Total assets	<u>1,766,149</u>	<u>1,769,775</u>
Long-term liabilities	1,580,162	1,438,459
Other liabilities	147,368	220,010
Total liabilities	<u>1,727,530</u>	<u>1,658,469</u>
Net position:		
Invested of capital assets, net of related debt	890,521	826,219
Restricted	81,294	59,140
Unrestricted (deficit)	<u>(933,196)</u>	<u>(774,053)</u>
Total net position	<u>\$ 38,619</u>	<u>\$ 111,306</u>



## CITY OF NEW ORLEANS

### Management's Discussion and Analysis

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The City's statement of net position 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 \$890.5 million at December 31, 2012. 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 \$81.3 million at December 31, 2012 to provide for the servicing of annual interest and principal payments on bonds and are classified in restricted net position. The unrestricted deficit net position in the amount of \$933.2 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 \$159.1 million, which is primarily due to the change in net position described below.

#### **Governmental Activities**

Total revenue increased by \$24.0 million or 3.0% from \$808.1 million in 2011 to \$832.1 million in 2012. This increase is primarily attributable to an increase of \$14.2 million in income from investments. The City recognized a loss on investments of \$11.1 million in 2011 for the change in value of the derivative instrument, as compared to a gain of \$1.1 million in 2012. Sales tax revenues increased by \$9.2 million, or 6.0%, due to an increase in general and hotel sales tax revenue as a result of the City hosting the Bowl Championship Series (BCS), national college football championship in January 2012, the NCAA SEC basketball tournament, and also the NCAA Final Four basketball championship. Capital grants and contributions increased by \$14.7 million, or 19.4%, due to the increase in revenues from the FEMA disaster grant. Miscellaneous revenues decreased by \$17.6 million, or 37.3%, due to one-time payments related to the Early Retirement Reimbursement Program and transfer of available balances from component units to the City.

Total expenses were \$904.8 million in 2012, an increase of \$149.9 million, or 19.9%, compared to \$754.9 million in 2011. General government expense increased \$136.2 million, or 56.2%, from \$242.4 million in 2011 to \$378.6 million in 2012 primarily due primarily to increases in the estimate for legal claims (\$98.9 million), an increase in the number of households serviced by the Sanitation Department, the collapse of previously reported non-major funds into the General Fund. Public safety expense decreased \$2.3 million, or 1.0%, from \$236.1 million in 2011 to \$233.7 million in 2012. Public works expense increased \$7.6 million, or 6.1%, from \$126.1 million in 2011 to \$133.7 million in 2012. Health and human services expense increased \$5.1 million or 23.6% from \$21.7 million in 2011 to \$26.8 million in 2012 due to an increase in EMS services provided. Culture and recreation expense increased \$3.0 million, or 13.9%, from \$21.6 million in 2011 to \$24.6 million in 2012 due to the opening of new libraries.

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A comparison of 2012 to 2011 is as follows (amounts are reported in thousands):

	2012	2011
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 158,206	\$ 154,133
Operating grants and contributions	143,964	142,497
Capital grants and contributions	90,434	75,728
<b>General revenues:</b>		
Property taxes	180,318	187,199
Sales taxes	163,128	153,955
Other taxes	46,953	45,787
Investment earnings (losses)	13,470	(770)
Forgiveness of debt	5,973	2,288
Miscellaneous	29,674	47,296
<b>Total revenues</b>	832,120	808,113
<b>Expenses:</b>		
General government	378,639	242,417
Public safety	233,745	236,058
Public works	133,728	126,080
Health and human services	26,785	21,678
Culture and recreation	24,576	21,575
Urban development and housing	32,456	32,682
Economic development	8,793	8,680
Interest and fiscal changes	66,085	65,742
<b>Total expenses</b>	904,807	754,912
Change in net position	(72,687)	53,201
Net position, beginning of year as restated	111,306	58,105
Net position, ending	\$ 38,619	\$ 111,306

**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, 2012, the City's governmental funds reported a combined fund balances of \$112.2 million, an increase of \$42.3 million in comparison with the prior year. Included in this amount is a deficit of \$81.5 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 (\$5.4 million), 2) restricted for particular purposes (\$147.7 million), 3) committed for particular purposes (\$3.2 million), or 4) assigned for particular purposes (\$37.5 million).

**CITY OF NEW ORLEANS**  
Management's Discussion and Analysis  
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**General Fund**

The general fund is the chief operating fund of the City. At December 31, 2012, the general fund's fund balance decreased by \$5.9 million from a \$3.4 million deficit in 2011 to a \$9.3 million deficit in 2012. Key factors relative to this change are as follows:

- Expenditures increased in 2012 to \$529.3 million compared to \$524.0 million in 2011, an increase of \$5.3 million, which represents a 1.0% increase in expenditures. General government expenditures increased by \$15.0 million, or 10.2% due to the reclassification of 16 funds previously reported as non-major in 2011 that were collapsed into the General Fund. Additionally, there was an increase in the number of households serviced by the Department of Sanitation.
- Debt service expenditures for the general fund decreased by \$14.8 million or 28.5% compared to 2011 due to the change in the debt service requirements as a result of the issuance of the Series 2012 Taxable Limited Tax bonds and defeasance of existing bonds.
- Total revenues and other financing sources (uses), net, for the general fund increased by \$38.0 million or 7.2% compared to 2011.
- Other financing sources (uses), net, totaled \$59.4 million in 2012 representing an increase of \$28.0 million or 88.4% in comparison to 2011 due to the issuance of the Series 2012 Taxable Limited Tax bonds and defeasance of existing bonds.
- Charges for services increased by \$2.0 million or 2.8% compared to 2011.
- Taxes increased by \$6.7 million or 2.3% as compared to 2011.
- Licenses and Permits revenues decreased by \$607 thousand or 1.1%.
- Fines and Fees revenues decreased by \$370 thousand or 1.1%.
- Miscellaneous revenues increased from \$20.3 million in 2011 to \$29.6 million in 2012, an increase of \$9.3 million, or 46.0%, due to due to the reclassification of 16 funds previously reported as non-major in 2011 that were collapsed into the General Fund.
- The City was required to pay \$46.0 million to terminate the interest rate swap on the 2000 Taxable Revenue Pension Bonds. This expense is included as a special item on the statement of revenues, expenditures and changes in fund balance.

**CITY OF NEW ORLEANS**  
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The accompanying table shows the amount (in thousands) of general fund revenues by source for 2012 and 2011.

Revenues and Other Financing Sources	2012 Actual	% of Total	Increase (Decrease) Over 2011	2011 Actual	% of Total
Taxes	\$ 295,419	51.89%	\$ 6,680	\$ 288,739	54.34%
Licenses and permits	56,612	9.94	(607)	57,219	10.77
Intergovernmental	19,714	3.46	(6,087)	25,801	4.86
Charges for services	74,164	13.03	1,993	72,171	13.58
Fines and forfeits	34,315	6.03	(370)	34,685	6.53
Interest income	85	0.01	(314)	399	0.08
Contributions, gifts, and donations	40	0.01	(355)	395	0.07
Miscellaneous and other	29,605	5.20	9,333	20,272	3.82
Other financing sources (uses), net	59,406	10.43	27,772	31,634	5.96
	<u>\$ 569,360</u>	<u>100.0%</u>	<u>\$ 38,045</u>	<u>\$ 531,315</u>	<u>100.0%</u>

The accompanying table shows the amount (in thousands) of general fund expenditures by source for 2012 and 2011.

Expenditures	2012 Actual	% of Total	Increase (Decrease) Over 2011	2011 Actual	% of Total
General government	\$ 162,785	30.76%	\$ 15,047	\$ 147,738	28.20%
Public safety	219,690	41.51	(4,951)	224,641	42.87
Public works	70,472	13.31	5,661	64,811	12.37
Health and human services	15,905	3.00	(1,980)	17,885	3.41
Other	20,530	3.88	3,604	16,926	3.23
Debt service	39,904	7.54	(12,066)	51,970	9.93
	<u>\$ 529,286</u>	<u>100.0%</u>	<u>\$ 5,315</u>	<u>\$ 523,971</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 \$13.4 million from \$32.6 million in 2011 to \$19.2 million in 2012, and expenditures decreased \$1.2 million from \$27.2 million in 2011 to \$26.0 million in 2012. The decrease in revenues and expenditures in the HUD fund are due to decreases in CDBG and HOME program activities.

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**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 increased \$665 thousand from \$546 thousand in 2011 to \$1.2 million in 2012. Revenues were \$723 thousand in 2012 compared to \$77 thousand in 2011. The change in revenues and expenditures are due to repayment of a loan receivable that was previously written off of \$650,000 in 2011 and an increase of the allowance for doubtful accounts on a grantee loan receivable of \$698,000 in 2012.

**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, 2012 is primarily due to revenue that has been deferred and will be collected by the City in the future in addition to funds borrowed from the general fund to cover expenditures of the FEMA Fund. Revenue amounted to \$71.6 million in 2012 compared to \$14.6 million in 2011 while expenditures totaled \$41.5 million in 2012 compared to \$19.2 million in 2011. The increase in revenues and expenditures is due to increased activity as the result of processing of reimbursement request and landfall of Hurricane Isaac during the 2012 hurricane season.

**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 \$81.3 million at December 31, 2012, which was a \$22.2 million increase compared to the prior year balance of \$59.1 million. The increase is due to 2012 bond proceeds placed in reserve for future debt service.

**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 2012 totaled \$94.9 million, a decrease of \$46.8 million compared to 2011. The increase in expenditures in the capital projects fund is due to the change of status of projects from the design stage in 2011 to the construction stage in 2012. The increase in revenues is related to the increase in expenditures for reimbursement of these costs from intergovernmental grants.

**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.

**CITY OF NEW ORLEANS**

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Revenues decreased \$15.5 million from \$37.3 million in 2011 to \$21.8 million in 2012, and expenditures decreased \$14.9 million from \$38.4 million in 2011 to \$23.5 million in 2012. The decrease in revenues and expenditures in the LCD fund are due to the ongoing completion of the acquisition and demolition phase of the projects resulting in a reduction in available funds.

**General Fund Budgetary Highlights**

Variances between general fund amended budget and actual expenditures are delineated in the schedule below. The 2012 amended budgeted revenues and expenditures were increased primarily to reflect the restructuring of the City's Pension Revenue Bonds as noted in the schedule below.

	2012		
	Budget	Actual on budgetary basis	Variance Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 298,825	\$ 295,165	\$ (3,660)
Licenses and permits	52,546	56,612	4,066
Intergovernmental	29,883	19,714	(10,169)
Charges for services	74,311	74,339	28
Fines and forfeits	37,320	34,315	(3,005)
Interest income	337	86	(251)
Contributions, gifts, and donations	204,569	40	(204,529)
Miscellaneous	5,201	30,222	25,021
<b>Total Revenues</b>	<b>702,992</b>	<b>510,493</b>	<b>(192,499)</b>
<b>Expenditures</b>	<b>725,217</b>	<b>530,119</b>	<b>195,098</b>
Other financing sources (uses), net	22,225	58,348	36,123
Special item	-	(46,000)	(46,000)
<b>Change in Net Position</b>	<b>\$ -</b>	<b>\$ (7,278)</b>	<b>\$ (7,278)</b>

**Capital Assets**

Capital assets at December 31, 2012 and 2011 are as follows (net of depreciation):

	2012	2011
Land	\$ 94,474	\$ 94,474
Construction in progress	347,632	319,561
Buildings, improvements, and equipment	248,134	224,201
Other	11,939	13,205
Infrastructure assets	772,112	806,206
	<b>\$ 1,474,291</b>	<b>\$ 1,457,647</b>

**CITY OF NEW ORLEANS**  
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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 \$319.6 million at December 31, 2011 to \$347.6 million at December 31, 2012.

**Debt Administration**

Outstanding general obligation bonds at December 31, 2012 totaled \$470.1 million, all of which are considered to be net, direct-tax supported debt. There are no special assessment bonds outstanding. During 2012, the City issued approximately \$167.8 million of General Obligation Refunding Bonds to refund approximately \$23.0 million of the Series 1998 General Obligation Bonds, \$58.4 million of the Series 2002 General Obligation Bonds, \$19.6 million of the Series 2001 Public Improvement Bonds, \$26.9 million of the Series 2002 Public Improvement Bonds, \$33.4 million of the Series 2003 Public Improvement Bonds, and \$26.0 million of the Series 2004 Public Improvement Bonds. In addition, during 2012, the City issued approximately \$195.9 million of Taxable Limited Tax Revenue Bonds to refund approximately \$109.2 million of the Series 2000 Taxable Pension Revenue Bonds and \$16.0 of the Series 2011 Taxable Bonds. In addition, bond proceeds of \$46.0 million were used to terminate the interest rate swap agreement in connection with the refunding of the Series 2000 Taxable Pension Revenue Bonds.

**Outstanding Debt**

	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 470,077	\$ 509,544
Accreted GO 1991 refunding bonds	95,344	105,346
Limited tax bonds	21,500	23,360
Taxable limited tax bonds	195,885	-
Revenue bonds	8,125	124,380
Taxable bonds	-	15,995
Total bonds	<u>790,931</u>	<u>778,625</u>
Certificates of indebtedness	26,015	32,945
Notes payable (vehicle and equipment loans)	4,312	3,669
Capital leases	15,993	19,462
Go Zone Notes	76,082	79,886
Section 108 HUD loans	20,778	23,388
Total outstanding debt	<u>\$ 934,111</u>	<u>\$ 937,975</u>

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The following is a summary of debt transactions:

Balance at January 1, 2012	\$ 937,975
New issues	367,225
Payments	(56,200)
Defeased/Refunded	(312,400)
Partial forgiveness of GO Zone note	<u>(2,489)</u>
Balance at December 31, 2012	<u>\$ 934,111</u>

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, 2012. At December 31, 2012, the City's legal debt margin adjusted for outstanding principal of \$489.6 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 \$30.8 million to service this debt was \$649.0 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 to "A-" investment grade in December 2011, and Standard & Poor's Corporation upgraded the City's general obligation bond rating to "BBB", investment grade in March of 2009. As of December 31, 2012, these ratings remained in effect.

**Economic Factors and Next Year's Budgets and Rates**

The General Fund's final budgeted revenues and other financing sources exceeded the original budgeted revenues and other financing sources by \$216.1 million, and final actual expenditures exceeded original budgeted expenditures by approximately \$216.1 million. The budget increase was primarily due to the issuance of approximately \$195.9 million of general obligation refunding bonds in 2012 to refund outstanding bonds which was not included in the original budget.

The 2012 budgeted revenues and expenditures were increased primarily to reflect increased sanitation fees, property taxes, and sales tax collections. In 2013, budgeted revenues and expenditures have been decrease due to the refinancing of debt.

The following table presents an adopted budget comparison for 2013, 2012, and 2011 (amounts in thousands):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues and other financing sources	\$ 491,379	\$ 494,879	\$ 483,446
Expenditures	491,379	494,879	483,446



## **CITY OF NEW ORLEANS**

### **Management's Discussion and Analysis**

**December 31, 2012**

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 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. New Orleans has been listed as the No. 1 film location for independent filmmakers by Movie Maker Magazine compared to third in 2011.

New Orleans was voted the #1 destination in the world for nightlife in Trip Advisors annual Traveler's Choice Awards (May 2010). According to the 2012 New Orleans Area Visitor Profile Study, New Orleans' tourism industry welcomed 9.01 million visitors in 2012; record numbers not seen by the city in nearly ten years. Total visitor numbers increased by 3%, or 255,027 from 8.75 million in 2011. The 9.01 million visitors spent 9% more than in 2011 which represents the highest spending in the city's history, according to the study.

The Mercedes-Benz Superdome has completed major renovations, designed to add 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 hosted: 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 hosted the Women's Final Four and the National Football League's Super Bowl. Super Bowl XLVII was played in 2013 at the Mercedes-Benz Superdome. This marked the tenth time the Super Bowl has been hosted by New Orleans.

#### **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 Position

December 31, 2012

(Amounts in thousands)

<b>Assets</b>	<b>Primary government Governmental activities</b>	<b>Component units</b>
Cash and cash equivalents	\$ 33,103	42,869
Investments	147,540	80,165
Receivables (net of allowance for uncollectibles):		
Taxes	27,314	7,733
Accounts	12,049	30,412
Interest	10	14
Grantee loans	5,739	22,988
Other	—	16,755
Due from component units	15,187	—
Due from other governments	46,086	4,499
Other assets	4,830	34,591
Restricted cash and investments	—	279,013
Capital assets (net of accumulated depreciation)	<u>1,474,291</u>	<u>2,758,266</u>
<b>Total assets</b>	<b><u>1,766,149</u></b>	<b><u>3,277,305</u></b>
<b>Liabilities</b>		
Accounts payable	96,067	58,879
Retainages payable	2,743	2,840
Accrued expenses	459	24,882
Taxes payable	10,507	—
Accrued interest payable	5,395	15,926
Due to component units	2,423	—
Due to other governments	22,291	91,212
Loans payable	3,784	3,859
Other postretirement benefits liability	—	48,072
Deferred revenues	3,699	7,658
Liabilities payable from restricted assets	—	24,889
Non-current liabilities due within one year	155,333	43,831
Non-current liabilities due in more than one year	<u>1,424,829</u>	<u>743,592</u>
<b>Total liabilities</b>	<b><u>1,727,530</u></b>	<b><u>1,065,640</u></b>
<b>Net Position</b>		
Invested in capital assets, net of related debt	890,521	2,183,810
Restricted for debt service	81,294	83,010
Restricted for capital improvement (deficit)	—	(161,223)
Restricted for operating reserve	—	16,035
Unrestricted (deficit)	<u>(933,196)</u>	<u>90,033</u>
<b>Total net position</b>	<b><u>\$ 38,619</u></b>	<b><u>2,211,665</u></b>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Activities

Year ended December 31, 2012

(Amounts in thousands)

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net position	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary governmental activities	Component units
<b>Primary government:</b>						
<b>Governmental activities:</b>						
General government	\$ 378,639	73,770	63,892	31,497	(209,480)	—
Public safety	233,745	36,845	11,019	4,141	(181,740)	—
Public works	133,728	36,756	4,387	39,035	(53,550)	—
Health and human services	26,785	7,967	12,168	2,487	(4,163)	—
Culture and recreation	24,576	861	2,640	13,274	(7,801)	—
Urban development and housing	32,456	—	23,391	—	(9,065)	—
Economic development	8,793	2,007	26,467	—	19,681	—
Interest and fiscal charges	66,085	—	—	—	(66,085)	—
<b>Total primary government</b>	<b>\$ 904,807</b>	<b>158,206</b>	<b>143,964</b>	<b>90,434</b>	<b>(512,203)</b>	<b>—</b>
<b>Component units:</b>						
Audubon Commission	\$ 55,361	37,134	—	6,481	—	(11,746)
Louis Armstrong New Orleans International Airport	96,056	74,656	—	2,750	—	(18,650)
Sewerage and Water Board	179,612	132,352	7,625	93,693	—	54,058
Other nonmajor component units	41,573	21,167	3,077	8,869	—	(8,460)
<b>Total component units</b>	<b>\$ 372,602</b>	<b>265,309</b>	<b>10,702</b>	<b>111,793</b>	<b>—</b>	<b>15,202</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes				180,318		62,927
Sales taxes				163,128		—
Utility taxes				9,266		—
Culture and recreation taxes				1,797		—
Parking taxes				3,906		—
Franchise fees				31,473		—
Beverage taxes				511		—
Unrestricted investment income				13,470		2,051
Passenger facility charges				—		17,272
Forgiveness of GO Zone note payable principal and accrued interest				5,973		—
Miscellaneous				29,674		29,651
<b>Total general revenues</b>				<b>439,516</b>		<b>111,901</b>
Change in net position				(72,687)		127,103
Net position – beginning of year				114,177		2,084,562
Prior period adjustments (note 13)				(2,871)		—
Net position – beginning of year, as restated				111,306		2,084,562
Net position – end of year				<b>\$ 38,619</b>		<b>2,211,665</b>

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Balance Sheet — Governmental Funds

Year ended December 31, 2012

(Amounts in thousands)

Assets	General	HID	Federal IDA/G	FEMA	Debt Service	Capital Projects	Louisiana Office of Community Development	Nonmajor Governmental	Total Governmental Funds
Cash and cash equivalents	\$ 1,763	—	5,763	—	505	5,361	7,173	12,539	33,103
Investments	1,868	—	—	—	81,263	53,334	—	11,073	147,540
Receivables (net of allowance for uncollectibles):									
Sales taxes	15,066	—	—	—	—	—	—	—	15,066
Property taxes	3,035	—	—	—	1,869	—	—	267	5,171
Franchise taxes	7,077	—	—	—	—	—	—	—	7,077
Accounts	11,505	153	—	—	—	14	—	377	12,049
Guarantee loans	—	—	1,623	—	—	—	—	4,116	5,739
Interest	10	—	—	—	—	—	—	—	10
Due from other funds	27,878	9	5,654	3,935	—	29,021	9	2,627	69,133
Due from other governments	2,220	6,177	—	10,463	—	8,852	5,880	12,464	46,086
Due from component units	—	—	—	—	—	15,187	—	—	15,187
Advances to other funds	2	—	—	—	—	—	—	—	2
Other assets	4	—	—	—	—	—	—	36	40
<b>Total assets</b>	<b>\$ 70,427</b>	<b>6,339</b>	<b>13,040</b>	<b>14,398</b>	<b>83,639</b>	<b>111,799</b>	<b>13,062</b>	<b>43,499</b>	<b>356,203</b>
<b>Liabilities</b>									
Accounts payable	\$ 35,600	6,779	1	11,764	—	23,527	7,230	11,166	96,067
Retainages payable	—	—	—	—	—	2,743	—	—	2,743
Accrued expenses	—	134	—	117	17	—	80	111	459
Due to other funds	35,870	315	430	22,275	—	3,933	31	6,277	69,133
Due to other governments	1,272	—	—	—	—	—	19,915	1,104	22,291
Due to component units	2,364	—	—	—	—	59	—	—	2,423
Advances from other funds	—	—	—	—	—	—	—	2	2
Loan payable	—	—	—	3,784	—	—	—	—	3,784
Deferred revenues	4,657	7,944	—	6,779	2,328	20,375	2,741	2,274	47,098
<b>Total liabilities</b>	<b>79,763</b>	<b>15,172</b>	<b>431</b>	<b>44,719</b>	<b>2,345</b>	<b>50,639</b>	<b>29,997</b>	<b>20,934</b>	<b>244,000</b>
<b>Fund Balances</b>									
Fund balances:									
Nonspendable	—	—	1,623	—	—	—	—	3,745	5,368
Restricted	—	5,447	10,986	—	81,294	44,966	—	4,982	147,675
Committed	—	—	—	—	—	—	—	3,164	3,164
Assigned	10,661	—	—	—	—	16,194	—	10,674	37,529
Unassigned	(19,997)	(14,280)	—	(30,321)	—	—	(16,933)	—	(81,533)
<b>Total fund balances</b>	<b>(9,336)</b>	<b>(8,833)</b>	<b>12,609</b>	<b>(30,321)</b>	<b>81,294</b>	<b>61,160</b>	<b>(16,933)</b>	<b>22,565</b>	<b>112,203</b>
<b>Total liabilities and fund balances</b>	<b>\$ 70,427</b>	<b>6,339</b>	<b>13,040</b>	<b>14,398</b>	<b>83,639</b>	<b>111,799</b>	<b>13,062</b>	<b>43,499</b>	<b>356,203</b>

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**  
**Reconciliation of Balance Sheet — Governmental Funds to the**  
**Statement of Net Position**  
**December 31, 2012**  
**(Amounts in thousands)**

Total fund balances – governmental funds	\$	112,203
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		1,474,291
Certain receivables are not available to pay for the current period's expenditures and, are therefore, deferred in the funds		43,399
Bond issue costs are capitalized and amortized over the life of the bonds in the government-wide statement of net position		4,790
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		(5,395)
Taxes payable		(10,507)
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		(815,190)
Certificates of indebtedness		(26,015)
Loans payable		(101,172)
Capital leases payable		(15,993)
Annual and sick leave		(43,189)
Claims payable		(389,936)
Net pension obligation		(124,844)
Other long-term liabilities		<u>(63,823)</u>
Total net position – governmental activities	\$	<u><u>38,619</u></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, 2012**  
(Amounts in thousands)

	General	IID	Federal UDAG	FEMA	Debt Service	Capital Projects	Louisiana Office of Community Development	Nonmajor Governmental	Total Governmental Funds
<b>Revenues:</b>									
Taxes	\$ 399,419	—	—	—	69,845	—	—	6,748	372,012
Licenses and permits	56,612	—	—	—	—	—	—	—	56,612
Intergovernmental	19,714	19,200	—	71,629	—	99,222	21,747	41,945	373,437
Charges for services	74,164	—	—	—	—	—	—	—	74,164
Program income	—	38	25	—	—	—	—	19	82
Fines and forfeits	34,315	—	—	—	—	—	58	3,391	37,766
Interest income	85	—	52	—	208	—	—	116	461
Contributions, gifts and donations	40	—	—	—	—	—	—	3,032	3,092
Miscellaneous	29,605	—	—	—	—	982	—	2,708	32,295
<b>Total revenues</b>	<b>509,954</b>	<b>19,238</b>	<b>77</b>	<b>71,629</b>	<b>70,053</b>	<b>100,204</b>	<b>21,805</b>	<b>57,981</b>	<b>890,941</b>
<b>Expenditures:</b>									
<b>Current:</b>									
General government	162,785	—	—	31,228	174	473	22,606	20,613	238,079
Public safety	219,690	—	—	5,589	—	—	—	4,178	229,457
Public works	70,472	2,126	—	944	—	858	—	—	74,400
Health and human services	15,905	—	—	622	—	—	—	10,258	26,785
Culture and recreation	19,344	1,820	—	109	—	—	—	—	21,273
Urban development and housing	—	22,070	1,211	2,989	—	—	846	5,340	32,456
Economic development and assistance	—	—	—	—	—	—	—	8,793	8,793
Capital outlays	1,186	—	—	—	—	93,592	—	378	95,156
Debt service:									
Principal	22,661	—	—	—	21,237	—	—	300	46,198
Interest and fiscal charges	13,387	—	—	—	44,813	—	—	71	58,271
Payment to refunded bond escrow agent	2,746	—	—	—	—	—	—	—	2,746
Bond issuance costs	1,110	—	—	—	1,078	—	—	—	2,188
<b>Total expenditures</b>	<b>529,286</b>	<b>26,016</b>	<b>1,211</b>	<b>41,481</b>	<b>69,502</b>	<b>94,923</b>	<b>23,452</b>	<b>51,685</b>	<b>837,556</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(19,332)</b>	<b>(6,778)</b>	<b>(1,134)</b>	<b>30,148</b>	<b>551</b>	<b>5,281</b>	<b>(1,647)</b>	<b>6,296</b>	<b>13,385</b>
<b>Other financing sources (uses):</b>									
Transfers in	6,060	—	—	—	22,159	—	—	—	28,219
Transfers out	(22,159)	—	—	(570)	—	(1,350)	—	(4,140)	(28,219)
Proceeds from issuance of notes payable	3,500	—	—	—	—	—	—	—	3,500
Proceeds from issuance of bonds	195,885	—	—	—	167,840	—	—	—	363,725
Premium on bonds issued	—	—	—	—	26,128	—	—	—	26,128
Discount on bonds issued	(328)	—	—	—	—	—	—	—	(328)
Payment to refunded bond escrow agent	(123,542)	—	—	—	(193,636)	—	—	—	(319,178)
Federal subsidy - Build America Bonds	—	—	—	—	1,112	—	—	—	1,112
Other, net	(10)	—	—	—	—	—	—	—	(10)
<b>Total other financing sources (uses)</b>	<b>59,406</b>	<b>—</b>	<b>—</b>	<b>(570)</b>	<b>21,603</b>	<b>(1,350)</b>	<b>—</b>	<b>(4,140)</b>	<b>74,949</b>
<b>Special item:</b>									
Termination of interest rate swap (Note 6)	(46,000)	—	—	—	—	—	—	—	(46,000)
<b>Net change in fund balances</b>	<b>(5,926)</b>	<b>(6,778)</b>	<b>(1,134)</b>	<b>29,578</b>	<b>22,154</b>	<b>3,931</b>	<b>(1,647)</b>	<b>2,156</b>	<b>42,334</b>
<b>Fund balances - beginning of year</b>	<b>(3,717)</b>	<b>(1,382)</b>	<b>13,827</b>	<b>(54,299)</b>	<b>59,140</b>	<b>64,487</b>	<b>(14,725)</b>	<b>20,716</b>	<b>84,047</b>
<b>Prior period adjustments</b>	<b>307</b>	<b>(673)</b>	<b>(84)</b>	<b>(3,600)</b>	<b>—</b>	<b>(7,258)</b>	<b>(563)</b>	<b>(307)</b>	<b>(14,178)</b>
<b>Fund balances - beginning of year, as restated</b>	<b>(3,410)</b>	<b>(2,055)</b>	<b>13,743</b>	<b>(59,899)</b>	<b>59,140</b>	<b>57,229</b>	<b>(15,288)</b>	<b>20,409</b>	<b>69,869</b>
<b>Fund balances - end of year</b>	<b>\$ (9,336)</b>	<b>(8,833)</b>	<b>12,609</b>	<b>(30,321)</b>	<b>81,294</b>	<b>61,160</b>	<b>(16,935)</b>	<b>22,565</b>	<b>112,203</b>

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, 2012**  
**(Amounts in thousands)**

Net change in fund balances – total governmental funds	\$	42,334
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.		16,644
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.		(37,016)
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.		(1,731)
The issuance of long-term debt (e.g., bonds and certificates of indebtedness) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Change in interest payable and amortization of bond issuance costs and deferred loss on refunding		(7,776)
Bond and note principal payments		46,197
Bond issuance costs		2,188
Payments to refunding bond escrow agent		321,924
Issuance of bonds and note payable		(367,225)
Premium on bonds issued		(26,128)
Discount on bonds issued		328
Amortization of bond discount and premium		11,878
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.		1,712
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.		(111,980)
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.		251
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.		(3,145)
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.		(14,208)
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:		
Change in the fair value of investment derivatives		1,093
Payment to terminate the interest rate swap agreement		46,000
Forgiveness of GO Zone note payable principal and accrued interest		5,973
Change in net position of governmental activities	\$	<u>(72,687)</u>

See accompanying notes to basic financial statements.



**CITY OF NEW ORLEANS, LOUISIANA**

Statement of Fiduciary Net Position

December 31, 2012

(Amounts in thousands)

<b>Assets</b>	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
Cash	\$ 4,725	23,133
Investments	531,001	21,950
Receivables:		
Accounts	—	232
Accrued interest	5,993	—
Contribution	1,231	—
Other	14,816	—
Due from other funds	—	2,171
Other assets	931	—
Capital assets, net of accumulated depreciation	2	—
<b>Total assets</b>	<b>558,699</b>	<b>47,486</b>
<b>Liabilities and Net Position</b>		
Liabilities:		
Accounts payable	1,358	15
Other payables and accruals	47,309	47,471
Notes payable	9,561	—
<b>Total liabilities</b>	<b>58,228</b>	<b>47,486</b>
Net position:		
Net position held in trust for pension benefits	<b>\$ 500,471</b>	<b>—</b>

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**  
**Statement of Changes in Fiduciary Net Position**  
**Year ended December 31, 2012**  
**(Amounts in thousands)**

	<u><b>Pension Trust Funds</b></u>
<b>Additions:</b>	
<b>Contributions:</b>	
Employer	\$ 49,636
Members	6,535
Fire insurance rebate	1,170
Other	2,971
<b>Total contributions</b>	<u>60,312</u>
<b>Investment income:</b>	
Net appreciation in fair value of investments	36,386
Interest and dividends	6,969
Other investment income	1,226
<b>Total investment income</b>	<u>44,581</u>
<b>Investment expense</b>	<u>(5,596)</u>
<b>Net investment income</b>	<u>38,985</u>
<b>Total additions</b>	<u>99,297</u>
<b>Deductions:</b>	
Pension benefits	73,165
Refunds of member contributions	1,245
Death benefits	54
Administrative expenses	2,072
DROP withdrawal	5,515
PLOP withdrawal	8,792
Transfers to other plans	746
<b>Total deductions</b>	<u>91,589</u>
<b>Change in net position</b>	<u>7,708</u>
<b>Net position held in trust for pension benefits – beginning of year</b>	<u>492,763</u>
<b>Net position held in trust for pension benefits – end of year</b>	<u>\$ 500,471</u>

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Combining Statement of Net Position

Component Units

December 31, 2012

(Amounts in thousands)

Assets	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,424	2,641	8,607	30,197	42,869
Investments	—	80,165	—	—	80,165
Receivables (net of allowances for uncollectibles):					
Property taxes	—	—	7,733	—	7,733
Accounts	748	6,086	13,555	10,023	30,412
Accrued interest	—	—	—	14	14
Grants	—	—	22,988	—	22,988
Other	—	—	2,637	14,118	16,755
Due from other governments	—	—	—	4,499	4,499
Inventory of supplies	1,435	—	7,698	—	9,133
Prepaid expenses and deposits	1,034	1,115	751	1,917	4,817
Other assets	—	—	—	7	7
<b>Total current assets</b>	<b>4,641</b>	<b>90,007</b>	<b>63,969</b>	<b>60,775</b>	<b>219,392</b>
<b>Restricted cash and investments:</b>					
Customer deposits	—	—	9,493	4,197	13,690
Construction account	—	—	319	—	319
Current debt service account	—	22,240	35,187	180	57,607
Future debt service account	883	32,835	—	7,564	41,282
Operation and maintenance account	—	8,373	—	—	8,373
Capital improvements	3,832	64,964	61,356	—	130,152
Health insurance reserve	—	—	5,363	—	5,363
Receivables	—	4,481	—	—	4,481
Other	—	9,238	591	7,917	17,746
<b>Total restricted assets</b>	<b>4,715</b>	<b>142,131</b>	<b>112,309</b>	<b>19,858</b>	<b>279,013</b>
<b>Capital assets (net of accumulated depreciation)</b>	<b>129,205</b>	<b>537,072</b>	<b>1,968,532</b>	<b>123,457</b>	<b>2,758,266</b>
<b>Other assets</b>	<b>9,334</b>	<b>9,293</b>	<b>1,819</b>	<b>188</b>	<b>20,634</b>
<b>Total assets</b>	<b>\$ 147,895</b>	<b>778,503</b>	<b>2,146,629</b>	<b>204,278</b>	<b>3,277,305</b>

See accompanying notes to basic financial statements.

(Continued)

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Position

Component Units

December 31, 2012

(Amounts in thousands)

Liabilities and Net Position	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
<b>Current liabilities (payable from current assets):</b>					
Accounts payable	\$ 5,868	8,237	36,862	7,912	58,879
Retainages payable	—	—	2,840	—	2,840
Other payables and accruals	—	1,419	22,724	739	24,882
Due to other governments	—	1,209	85,514	4,489	91,212
Capital lease payable	141	5,839	—	—	5,980
Loans payable	—	—	3,859	—	3,859
Deferred revenues	—	—	—	7,658	7,658
<b>Total current liabilities (payable from current assets)</b>	<b>6,009</b>	<b>16,704</b>	<b>151,799</b>	<b>20,798</b>	<b>195,310</b>
<b>Current liabilities (payable from restricted assets):</b>					
Retainages payable	—	—	712	—	712
Capital projects payable	1,925	8,543	—	—	10,468
Accounts payable	—	3,690	—	—	3,690
Accrued interest	1,334	12,029	2,395	168	15,926
Limited tax bonds	2,788	—	—	—	2,788
Loans payable, current portion	1,068	3,446	—	—	4,514
Bonds payable, current portion	—	11,395	17,382	1,772	30,549
Deposits and other	—	—	9,493	526	10,019
<b>Total current liabilities (payable from restricted assets)</b>	<b>7,115</b>	<b>39,103</b>	<b>29,982</b>	<b>2,466</b>	<b>78,666</b>
<b>Total current liabilities</b>	<b>13,124</b>	<b>55,807</b>	<b>181,781</b>	<b>23,264</b>	<b>273,976</b>
<b>Long-term liabilities:</b>					
Claims payable	—	—	2,234	—	2,234
Capital lease payable	386	—	—	—	386
Other postretirement benefits liability	—	—	48,072	—	48,072
Limited tax bonds (net of current portion)	25,555	—	—	—	25,555
Revenue bonds (net of current portion and unamortized discounts)	—	—	189,080	13,791	202,871
Refunding bonds (net of current portion and unamortized loss on advance refunding)	—	311,291	—	—	311,291
Loans payable	15,126	31,926	99,494	878	147,424
Other	9,506	—	25,356	18,969	53,831
<b>Total long-term liabilities</b>	<b>50,573</b>	<b>343,217</b>	<b>364,236</b>	<b>33,638</b>	<b>791,664</b>
<b>Total liabilities</b>	<b>63,697</b>	<b>399,024</b>	<b>546,017</b>	<b>56,902</b>	<b>1,065,640</b>
<b>Net position:</b>					
Invested in capital assets – net of related debt	82,847	250,664	1,762,389	87,910	2,183,810
Restricted for bond debt service	—	45,469	35,187	2,354	83,010
Restricted for capital improvements (deficit)	—	35,741	(196,964)	—	(161,223)
Restricted for operating reserve	—	12,096	—	3,939	16,035
Unrestricted	1,351	35,509	—	53,173	90,033
<b>Total net position</b>	<b>\$ 84,198</b>	<b>379,479</b>	<b>1,600,612</b>	<b>147,376</b>	<b>2,211,665</b>

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Combining Statement of Activities

Component Units

Year ended December 31, 2012

(Amounts in thousands)

	Program revenues				Net (expense) revenue and changes in net position				
	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	\$ 55,361	37,134	—	6,481	(11,746)	—	—	—	(11,746)
Louis Armstrong New Orleans International Airport	96,056	74,656	—	2,750	—	(18,650)	—	—	(18,650)
Sewerage and Water Board	179,612	132,352	7,625	93,693	—	—	54,058	—	54,058
Other nonmajor component units	41,573	21,167	3,077	8,869	—	—	—	(8,460)	(8,460)
<b>Total component units</b>	<b>\$ 372,602</b>	<b>265,309</b>	<b>10,702</b>	<b>111,793</b>	<b>(11,746)</b>	<b>(18,650)</b>	<b>54,058</b>	<b>(8,460)</b>	<b>15,202</b>
General revenues:									
Interest revenue					1,386	209	401	55	2,051
Property taxes					8,637	—	48,966	5,324	62,927
Passenger facility charges					—	17,272	—	—	17,272
Forgiveness of debt					—	—	—	—	—
Other					1,293	11,919	—	16,439	29,651
<b>Total general revenues</b>					<b>11,316</b>	<b>29,400</b>	<b>49,367</b>	<b>21,818</b>	<b>111,901</b>
<b>Changes in net position</b>					<b>(430)</b>	<b>10,750</b>	<b>103,425</b>	<b>13,358</b>	<b>127,103</b>
Net position - beginning					84,628	368,729	1,497,187	134,018	2,084,562
Net position - ending					\$ 84,198	379,479	1,600,612	147,376	2,211,665

See accompanying notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

# CITY OF NEW ORLEANS, LOUISIANA

## Notes to Basic Financial Statements

December 31, 2012

### (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, 2012**

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 Development Corporation 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 position of NOMERS is held for the sole benefit of the participants and is not available for appropriation.



**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

**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 position of FPRF is held for the sole benefit of the participants and is 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 position of PPF is held for the sole benefit of the participants and is 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:

<b>Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<b><i>Louis Armstrong New Orleans International Airport (the Airport)</i></b>	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.
<b><i>Downtown Development District</i></b>	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, 2012

<b>Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<b><i>Sewerage and Water Board</i></b>	<p>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.</p>
<b><i>Audubon Commission (the Commission)</i></b>	<p>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.</p>
<b><i>New Orleans Municipal Yacht Harbor Management Corporation</i></b>	<p>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.</p>

**CITY OF NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**December 31, 2012**

**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 Board 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, 2012

**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 corporation'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 council members-at-large, one District Council member, 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, 2012

<b>Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<b><i>Orleans Parish Communication District</i></b>	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.
<b><i>Orleans Parish Hospital Service District A</i></b>	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, 2012**

#### ***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 position 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 position from January 1, 2012 to December 31, 2012. 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

Notes to Basic Financial Statements

December 31, 2012

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).

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2012

- (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 position 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.



## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2012

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 \$24,737,000 and grantee loan receivables of \$32,187,000 are shown net of an allowance of uncollectible amounts of \$19,566,000 and \$26,448,000, respectively.

# CITY OF NEW ORLEANS, LOUISIANA

## Notes to Basic Financial Statements

December 31, 2012

### *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.

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 2012.

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.

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2012

#### *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, 2012. Other liabilities not expected to mature as of December 31, 2012 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.

#### *Net Position*

The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective fiscal year 2012. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt. Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating either restricted or unrestricted net position, depending upon whether the unspent amounts are restricted.

Restricted net position is when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2012

#### ***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, 2012, the carrying amount of the City's deposits was \$60,961,000.

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, 2012, the City's bank balances totaled \$57,658,000. 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, 2012.

**CITY OF NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**December 31, 2012**

**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.

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2012

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.

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 51 as of December 31, 2012.
- 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 "2a7-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.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

At December 31, 2012, 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	\$ 12,260	\$ 21,950	\$ -	\$ 34,210
Money market	98,328	-	-	98,328
U.S. Agency securities	14,109	-	10,286	24,395
Treasury bills	22,718	-	-	22,718
Corporate bonds	-	-	1,059	1,059
Stock and mutual funds	-	-	329,960	329,960
Real estate and real estate funds	-	-	80,723	80,723
Invested in corporations, partnerships, and limited liability corporations	-	-	28,806	28,806
Invested in hedge funds, private equity funds, and fund to fund	-	-	24,561	24,561
Notes receivable	-	-	16,451	16,451
Other	125	-	1,806	1,931
Cash equivalents	-	-	37,349	37,349
Total investments	<u>\$ 147,540</u>	<u>\$ 21,950</u>	<u>\$ 531,001</u>	<u>\$ 700,491</u>

**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, 2012, 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	\$ 34,210	\$ 34,210
Money market	98,328	98,328
U.S. Agency	14,109	14,109
U.S. Treasury Bills	22,718	22,718
Other	125	125
Total investments	<u>\$ 169,490</u>	<u>\$ 169,490</u>

At December 31, 2012, 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 More than 10</u>
Corporate bonds	\$ 134	\$ 70	\$ 64
Notes receivable	\$ 16,451	\$ 12,406	\$ 3,337

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

At December 31, 2012, 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):

	Investment maturity in years				
	Total	Less than one year	1 - 5	6 - 10	More than 10
Commercial Paper	\$ 370	\$ 370	\$ -	\$ -	\$ -
Corporate Bonds	6	-	-	-	6
Discounted Notes	550	550	-	-	-
U.S. Agency	10,286	1,315	5,185	2,956	830
	<u>\$ 11,212</u>	<u>\$ 2,235</u>	<u>\$ 5,185</u>	<u>\$ 2,956</u>	<u>\$ 836</u>

**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, 2012 (amounts in thousands):

Asset Category	Rating	Market Value
Commercial Paper	A-1	\$ 370
Corporate Bonds	Not rated	6
Discounted Notes	Not rated	550
U.S. Agency	AAA	641
U.S. Agency	AA+	9,616
U.S. Agency	BBB	29
		<u>\$ 11,212</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, 2012 (amounts in thousands):

	Corporate bonds
Not rated	\$ 134



## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2012

**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, 2012 were not subject to custodial credit risk.

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

At December 31, 2012, the Firefighters' Pension and Relief Fund's (New System) cash collateral held under the securities lending program in the amount of \$1,806,139 is exposed to custodial credit risk since the collateral is not in the name of the fund.

**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, 2012, the City was in compliance with this policy. 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, 2012, 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 at the time of purchase. 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). The Firefighter's Pension and Relief Fund was in compliance with the concentration of risk investment policy during the year ended December 31, 2012.

**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, 2012, the fair value of the securities on loan is \$1,810,450. The underlying collateral for these securities is \$1,806,139.

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, 2012. The maturities of these investments match the maturities of the securities loans.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

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, 2012, 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.

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, 2012 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>

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

Property taxes levied on January 1, 2012, collected during 2012, or expected to be collected within the first 60 days of 2013, 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.

**(4) Grantee Loans**

The City's grantee loan balances at December 31, 2012 are as follows (amounts in thousands):

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
UDAG	\$ 8,713	\$ (7,090)	\$ 1,623
HUD	19,358	(19,358)	-
Nonmajor (HUD loan)	4,116	-	4,116
<b>Total grantee loans</b>	<b>\$ 32,187</b>	<b>\$ (26,448)</b>	<b>\$ 5,739</b>

**(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, 2012 totaling \$8,713,000, 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 \$7,090,000 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, 2012, 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, 2012 is \$8,814,000. No payments were received during the year ended December 31, 2012. The City has recorded \$8,814,000 in allowance for the remaining balance on these loans.

## **CITY OF NEW ORLEANS, LOUISIANA**

### **Notes to Basic Financial Statements**

**December 31, 2012**

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 \$143,000 were received during the year ended December 31, 2012. The outstanding balances at December 31, 2012 were \$4,116,000 on the HUD loan and \$987,000 on the UDAG loan.

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, 2012 is \$3,731,000. No payments were received during the year ended December 31, 2012. 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, 2012 is \$6,813,000. No payments were received during the year ended December 31, 2012. The City has recorded an allowance of \$6,813,000 against this loan.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

**(5) Capital Assets**

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

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deletions and adjustments</u>	<u>Transfers</u>	<u>Balance December 31, 2012</u>
<b>Nondepreciable capital assets:</b>					
Land	\$ 94,474	\$ -	\$ -	\$ -	\$ 94,474
Construction in progress	319,561	88,958	-	(60,887)	347,632
<b>Total nondepreciable capital assets</b>	<b>414,035</b>	<b>88,958</b>	<b>-</b>	<b>(60,887)</b>	<b>442,106</b>
<b>Depreciable capital assets:</b>					
Infrastructure	2,444,307	-	-	25,234	2,469,541
Buildings and improvements	297,254	891	-	35,653	333,798
Equipment and vehicles	105,726	5,023	(13,747)	-	97,002
Other	40,788	284	-	-	41,072
<b>Total depreciable capital assets</b>	<b>2,888,075</b>	<b>6,198</b>	<b>(13,747)</b>	<b>60,887</b>	<b>2,941,413</b>
<b>Less accumulated depreciation for:</b>					
Infrastructure	1,638,101	59,328	-	-	1,697,429
Buildings and improvements	93,547	8,902	-	-	102,449
Equipment and vehicles	85,232	8,575	(13,590)	-	80,217
Other	27,583	1,550	-	-	29,133
<b>Total accumulated depreciation</b>	<b>1,844,463</b>	<b>78,355</b>	<b>(13,590)</b>	<b>-</b>	<b>1,909,228</b>
<b>Total depreciable capital assets, net</b>	<b>1,043,612</b>	<b>(72,157)</b>	<b>(157)</b>	<b>60,887</b>	<b>1,032,185</b>
<b>Total</b>	<b>\$ 1,457,647</b>	<b>\$ 16,801</b>	<b>\$ (157)</b>	<b>\$ -</b>	<b>\$ 1,474,291</b>

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

General government	\$ 13,190
Public safety	4,288
Public works	59,328
Culture and recreation	1,549
<b>Total depreciation expense</b>	<b>\$ 78,355</b>

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

**(6) Long-Term Debt**

***Debt Service Fund***

The City's debt service fund includes 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 \$32,654,000 and unamortized discount of \$322,000, at December 31, 2012 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>
<b>General obligation bonds:</b>				
2003-2010 Public Improvement Bonds, due in annual installments ranging from \$2,500 to \$13,595 through December 2039	\$ 263,735	4.3 - 8.4%	\$ 125,165	\$ 4,615
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%	27,827	5,513
1998 General Obligation Refunding Bonds, due in annual installments ranging from \$210 to \$13,080 through December 2021	106,520	3.7 - 5.5%	57,445	3,945
2005 General Obligation Refunding Bonds, due in annual installments ranging from \$275 to \$8,795 commencing December 2009 through December 2029	105,250	3.0 - 5.25%	92,550	4,590

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

Description	Original issue	Range of average interest rates	Amount outstanding	Due in one year
<b>General obligation bonds, continued:</b>				
2012 General Obligation Refunding Bonds, due in annual installments ranging from \$750 to \$20,700 commencing December 2012 through December 2033	167,840	2.0 – 5.0%	\$ 167,090	\$ 1,950
<b>Limited tax bonds:</b>				
2005 Limited Tax Bonds, due in annual installments of \$1,450 to \$2,900 commencing March 2006 though March 2021	33,000	3.0-5.0%	21,500	1,950
<b>Taxable limited tax bonds:</b>				
2012 Taxable Limited Tax Bonds, due in annual installments of \$9,775 to \$16,275 commencing September 2015 though September 2030	195,885	1.399-4.961%	195,885	-
<b>Revenue bonds:</b>				
2004 Variable Rate Revenue Bonds, due in annual installments from \$355 to \$865 commencing August 2005 through August 2024	11,500	Variable	8,125	515
Total bonds			<u>695,587</u>	<u>23,078</u>
Accreted bond discount at December 31, 2012			<u>95,344</u>	-
			<u>\$ 790,931</u>	<u>\$ 23,078</u>

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 December 2007 and \$40,000,000 in January 2010 in face amount of these authorized General Obligation Bonds. The remaining authorized and unissued General Obligation Bonds were \$145,000,000 at December 31, 2012.

The payment requirements for all bonds outstanding, including accretion on the 1991 General Obligation Bonds of \$95,344,000 (included in interest payments) as of December 31, 2012, are as follows (amounts in thousands):

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

Year ending December 31:	<u>Principal</u>	<u>Interest</u>
2013	\$ 23,078	\$ 50,783
2014	23,447	51,385
2015	34,035	50,860
2016	34,774	50,149
2017	35,653	49,269
2018 – 2022	240,784	133,033
2023 – 2027	154,295	64,009
2028 – 2032	110,530	27,416
2033 – 2037	34,110	7,631
2038 – 2039	4,881	649
	<u>\$ 695,587</u>	<u>\$ 485,184</u>

The City's legal debt limit for General Obligation Bonds is \$1,232,669,000. At December 31, 2012, the City's legal debt margin adjusted for outstanding principal of \$489,622,000 and past and future accretion of \$124,844,000 on the City's outstanding General Obligation Bonds, plus fund balance available in the Debt Service Fund of \$30,826,000 to service this debt was \$649,029,000.

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, 2012, management believes it is in compliance with all financial related covenants.

***General Obligation Refunding Bonds, Series 2012***

In August 2012, the City issued \$167,840,000 of General Obligation Refunding Bonds (Series 2012) to refund \$22,955,000 of the Series 1998 General Obligation Bonds, \$58,415,000 of the Series 2002 General Obligation Bonds, \$19,610,000 of the Series 2001 Public Improvement Bonds, \$26,940,000 of the Series 2002 Public Improvement Bonds, \$33,350,000 of the Series 2003 Public Improvement Bonds, and \$25,975,000 of the Series 2004 Public Improvement Bonds. The cost of issuance of the Series 2012 General Obligation Refunding Bonds totaled \$1,077,852 and the net deferred loss on refunding was \$5,874,855. By refunding these bonds, the City reduced its total debt service payments over the next 21 years by approximately \$36,467,000 and obtained an economic gain of approximately \$24,391,000.

***Taxable Limited Tax Revenue Bonds, Series 2012***

In October 2012, the City issued \$195,885,000 of Taxable Limited Tax Revenue Bonds (Series 2012) to refund \$109,160,000 of the Series 2000 Taxable Pension Revenue Bonds and \$15,995,000 of the Series 2011 Taxable Bonds. In addition, bond proceeds of \$46,000,000 were used to terminate the interest rate swap agreement in connection with the refunding of the Series 2000 Taxable Pension Revenue Bonds. Bond proceeds of \$22,103,485 were placed in reserve for future debt service. The cost of issuance of the Series 2012 Taxable Limited Tax Refunding Bonds totaled \$1,110,281 and the deferred loss on refunding was \$288,637. By refunding these bonds, the City increased its total debt service payments over the next 18 years by approximately \$20,330,000 and will have an economic gain of approximately \$39,000.



**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

***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 Series 2000 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%. As described in the previous paragraph, the interest rate swap was terminated with the refunding of the Pension Revenue Bonds. Bond proceeds of \$46,000,000 of the Series 2012 Taxable Limited Tax Revenue Bonds were used to terminate the swap agreement.

Because interest rates 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 increased by approximately \$1.1 million in 2012 through the date of termination. The increase in fair value is included in investment income on the statement of activities.

***Defeased Bonds***

The Series 2003 and Series 2004 Public Improvement Bonds were partially advanced refunded in 2012. A portion of the proceeds from a subsequent bond issuance was placed in escrow with a trustee. The principal and interest from these invested funds is used to service the debt of the refunded issue. Neither the escrow fund nor the Series 2003 and Series 2004 bonds payable are shown in the accompanying statement of net position. At December 31, 2012, the outstanding balance of the defeased Series 2003 and 2004 bonds was \$33,350,000 and \$25,975,000, respectively.

***Certificates of Indebtedness***

In December 2004, the City issued \$40,415,000, of which \$25,605,000 remained outstanding at December 31, 2012, 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 \$410,000 remained outstanding at December 31, 2012, 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:		
2013	\$ 12,675	\$ 925
2014	13,340	319
	<u>\$ 26,015</u>	<u>\$ 1,244</u>

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

***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. In 2012, the State of Louisiana granted the City a credit of \$7,000,000 against principal and interest payments. Included in the statement of activities for the year ended December 31, 2012 is forgiveness of debt in the amount of \$5,972,540 for the forgiveness of \$2,488,623 of principal and \$3,483,917 of accrued interest. The remaining credit of \$1,079,460 will be applied to 2013 interest expense.

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:		
2013	\$ 3,980	\$ 3,530
2014	4,165	3,346
2015	4,358	3,152
2016	4,560	2,950
2017	4,772	2,739
2018 - 2022	27,393	10,159
2023 - 2026	26,854	3,186
	<u>\$ 76,082</u>	<u>\$ 29,062</u>

In 2009, the City entered into a loan agreement. The loan proceeds of \$7,000,000 were restricted for equipment purchases. The loan is payable over 4 years beginning in 2010 and accrues interest at a rate of 3.71%. The remaining balance at December 31, 2012 of \$812,000 is due in 2013.

In 2012, the City entered into a loan agreement. The loan proceeds of \$3,500,000 were restricted for the purchase of ambulances. The loan is payable over 3 years beginning in 2013 and accrues interest at a rate of 2.24%. The requirements to amortize the loan are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2013	\$ 718	\$ 32
2014	1,376	62
2015	1,406	32
	<u>\$ 3,500</u>	<u>\$ 126</u>

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

***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, 2012, \$20,778,000 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:		
2013	\$ 2,780	\$ 746
2014	2,952	684
2015	3,149	607
2016	3,338	513
2017	3,529	402
2018 - 2022	5,030	773
	<u>\$ 20,778</u>	<u>\$ 3,725</u>

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

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2013	\$ 3,060	\$ 790
2014	2,619	645
2015	2,758	506
2016	2,905	359
2017	3,060	204
2018	1,591	42
	<u>\$ 15,993</u>	<u>\$ 2,546</u>

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

The City has recorded \$43,189,000 in accrued annual and sick leave in accordance with its pay-out policies. During the year active employees earned and used \$20,249,000 and \$21,961,000, 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.

***Changes in Long-Term Liabilities***

Long-term liability activity for the year ended December 31, 2012 was as follows (amounts in thousands):

	January 1, 2012	Additions	Deletions	December 31, 2012	Due in one year
Claims and judgments (note 11)	\$ 277,956	\$ 178,014	\$ (66,034)	\$ 389,936	\$ 29,403
Landfill closing costs (note 11)	6,554	-	(251)	6,303	182
Accrued annual and sick leave	44,901	20,249	(21,961)	43,189	5,000
Revenue bonds	124,380	-	(116,255)	8,125	515
Certificates of indebtedness	32,945	-	(6,930)	26,015	12,675
General obligation bonds (a)	614,890	167,840	(217,309)	565,421	32,218
Limited tax bonds	23,360	-	(1,860)	21,500	1,950
Taxable limited tax bonds	-	195,885	-	195,885	-
Taxable bonds	15,995	-	(15,995)	-	-
Deferred loss on refunding	(2,400)	(6,164)	491	(8,073)	(832)
Premium on bonds payable	8,842	26,128	(2,316)	32,654	3,311
Discount on bonds payable	(380)	(328)	386	(322)	(25)
Debt service assistance program	79,886	-	(3,804)	76,082	3,980
HUD Section 108 loan	23,388	-	(2,610)	20,778	2,780
Note payable	3,669	3,500	(2,857)	4,312	1,530
Capital leases	19,462	-	(3,469)	15,993	3,060
Net pension obligation (note 7)	110,636	66,119	(51,911)	124,844	50,706
Post-employment benefit (note 7)	54,375	12,957	(9,812)	57,520	8,880
	<u>\$ 1,438,459</u>	<u>\$ 664,200</u>	<u>\$ (522,497)</u>	<u>\$ 1,580,162</u>	<u>\$ 155,333</u>

(a) Additions and deletions include amounts related to accretion of 1991 Refunding Series of \$9,471 and \$(19,473), respectively.

The long-term liabilities will be repaid from the General Fund, except for HUD Section 108 loans, which will be repaid from the American Can non-major fund, and the General Obligation, Limited Tax Bonds, Taxable Limited Tax Refunding 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 General Obligation bonded debt of the City and the 2005 Limited Tax Bonds and results of its operations are reported in the debt service fund. For the year ended December 31, 2012, the debt service fund had \$81,294,000 in fund balance reserved to service debt.

**CITY OF NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

December 31, 2012

**(7) Pension Plans and Postretirement Healthcare Benefits**

At December 31, 2012, 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.

All four plans use the accrual basis of accounting for changes in net position. 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 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.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

***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

***Funding Policies and Annual Pension Costs***

The employer contributions for the Employees' Plan 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. Employees covered under the Employees' Plan contribute 5% of their earnable compensation to the plan. Effective January 1, 2013, the rate will increase to 6%. 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):

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

	<u>Employees’ Retirement System</u>	<u>Police Pension Fund</u>	<u>Firefighters’ Pension and Relief Fund (Old System)</u>	<u>Firefighters’ Pension and Relief Fund (New System)</u>
Annual required contribution (thousands)	\$ 18,828	\$ -	\$ 22,461	\$ 32,213
Annual pension cost (thousands)	17,698	-	18,605	29,816
Contributions made (thousands)	19,011	-	20,741	11,987
Actuarial valuation date	1/1/2012	12/31/2012	1/1/2012	1/1/2012
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	7.5%	7.0%	7.5%	7.5%
Projected salary increases	5.0%	NA	5.0%	5.0%

- (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 fifteen 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.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

**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):

	<b>New Orleans Employees’ Retirement System</b>	<b>Firefighters’ Pension and Relief Fund (Old System)</b>	<b>Firefighters’ Pension and Relief Fund (New System)</b>
Annual required contribution	\$ 18,828	\$ 22,461	\$ 32,213
Interest on NPO	1,199	4,368	2,730
Adjustment to annual required contribution	(2,329)	(8,224)	(5,127)
Annual pension cost	17,698	18,605	29,816
Contributions made	19,011	20,741	12,159
Decrease (increase) in NPO	1,313	2,136	(17,657)
NPO, beginning of year	(15,988)	(58,252)	(36,396)
NPO, end of year	<u>\$ (14,675)</u>	<u>\$ (56,116)</u>	<u>\$ (54,053)</u>

The NPOs are approximately \$14,675,000, \$56,116,000, and \$54,053,000 respectively, at December 31, 2012, and are recorded in the governmental activities of the government-wide statement of net position.

The required schedule of funding progress following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

	<b>Year ending</b>	<b>APC</b>	<b>Percentage of APC contributed</b>	<b>NPO</b>
Employees’ Retirement System	12/31/12	\$ 17,698	107%	\$ 14,675
	12/31/11	19,720	101	15,988
	12/31/10	20,686	63	16,186
Firefighters’ Pension and Relief Fund (Old System)	12/31/12	18,605	111	56,116
	12/31/11	18,084	116	58,252
	12/31/10	17,892	121	61,125
Firefighters’ Pension and Relief Fund (New System)	12/31/12	29,816	41	54,053
	12/31/11	28,087	43	36,396
	12/31/10	24,025	48	20,297



## **CITY OF NEW ORLEANS, LOUISIANA**

### **Notes to Basic Financial Statements**

**December 31, 2012**

#### **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, 2012, 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, 2012 since the City appropriation received did not cover these accounts.

The NOFF has calculated the increased benefit owed to the members in their DROP and PLOP accounts. As of December 31, 2012, the amount of DROP benefits owed to members is estimated to be \$18,486,324 and \$3,335,748 for the New and Old Systems, respectively. As of December 31, 2012, the amount of PLOP benefits owed to these members is estimated to be \$12,519,974 and \$1,416,061 for the New and Old Systems, respectively.

#### **Firefighters' Pension and Relief Fund Investment Receivable**

On March 31, 2008, the NOFF invested \$15,000,000 into the FIA Leveraged Fund (Leverage Fund), an open ended investment fund registered in the Cayman Islands. The Leveraged Fund in turn invested in other feeder funds that ultimately invested in the Master Fund, Fletcher International, Ltd (FILB). Fletcher Asset Management ("FAM") served as the investment manager to all of the funds in the master-feeder fund structure. On June 27, 2011, the NOFF requested a full redemption of funds invested in the Leverage Fund. This redemption request was not met resulting in the NOFF filing a winding-up petition with the Grand Court in the Cayman Islands to force the liquidation of the Leveraged Fund. On April 18, 2012, the Grand Court issued a winding-up order against the Leveraged Fund and appointed official liquidators to wind up its affairs. In response to this judgment, FAM filed for bankruptcy protection for the Master Fund, FILB. In October 2012, the bankruptcy court issued an order for the appointment of a U.S. Trustee to investigate the assets of the Leveraged Fund and manage its liquidation. As the Trustee recently commenced his investigation, information regarding the value of the assets remaining in the Leveraged

## **CITY OF NEW ORLEANS, LOUISIANA**

### **Notes to Basic Financial Statements**

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Fund and any potential recovery was not yet available. As of December 31, 2012, the NOFF has recorded a reserve of \$3,333,333 against a receivable balance of \$18,425,727. As the Trustee progresses in his investigation and asset values are determined, the NOFF will make adjustments to the value of the receivable.

#### **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. Most 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.

##### **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**

The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs. In 2012, the City's portion of health care funding cost for retired employees totaled approximately \$9,812,000. These amounts were applied toward the net other post-employment benefit (OPEB) obligation.

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**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 year ended December 31, 2012 is \$13,927,389, as set forth below:

Normal Cost	\$ 4,181,402
30-year UAL amortization amount	9,745,987
Annual required contribution (ARC)	<u>\$ 13,927,389</u>

**Net Post-employment Benefit Obligation (Asset)**

The table below shows the City's net OPEB obligation for fiscal year ending December 31, 2012:

Beginning Net OPEB Obligation 1/1/2012	\$ 54,374,713
Annual required contribution	13,927,389
Interest on Net OPEB Obligation	2,174,988
ARC Adjustment	<u>(3,144,495)</u>
OPEB Cost	12,957,882
Contribution	-
Current year retiree premium	<u>9,812,255</u>
Change in Net OPEB Obligation	<u>3,145,627</u>
Ending Net OPEB Obligation 12/31/2012	<u>\$ 57,520,340</u>

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, 2012	\$ 12,957,882	75.72%	\$ 57,520,340
December 31, 2011	\$ 12,482,789	72.78%	\$ 54,374,713
December 31, 2010	\$ 10,652,042	72.30%	\$ 50,977,345

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**Funded Status and Funding Progress**

In the fiscal year ending December 31, 2012, 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, 2012 was \$168,529,305 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)	\$ 168,529,305
Actuarial Value of Plan Assets (AVP)	-
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 168,529,305</u>
Funded Ratio (AVP/AAL)	0%
Covered Payroll (active plan members)	\$ 225,508,662
UAAL as a percentage of covered payroll	75%

**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.

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.

## **CITY OF NEW ORLEANS, LOUISIANA**

### **Notes to Basic Financial Statements**

December 31, 2012

#### **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%.

#### **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.

#### **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 a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out 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 a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans.

**CITY OF NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

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**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. The retiree medical plan was amended in 2010 to provide that only Medicare Part D Prescription Drug coverage is covered by the employer after age 65 for current and future retirees.

**Inflation Rate**

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates 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.

**(8) Individual Fund Disclosures**

***Deficit Fund Equity***

At December 31, 2012, the General fund had a deficit fund balances in the amount of approximately \$9,336,000. The deficit fund balance in the General fund resulted from increased costs related to the City's self-insured workers' compensation program, slightly smaller revenue collections than forecasted, and the effects of Hurricane Isaac emergency spending. The City plans to implement changes to better control the growth in workers' compensation costs, and evaluate possible debt restructuring to reduce future General fund obligations.

At December 31, 2012, the HUD, FEMA, and LCD funds had deficit fund balances in the amounts of approximately \$8,833,000, \$30,321,000, and \$16,935,000, 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.

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Notes to Basic Financial Statements

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At December 31, 2012, the following special revenue nonmajor funds had deficit balances:

<u>Special Revenue Nonmajor Fund</u>	<u>Deficit Amount</u>
FDJ Office of Justice Program	\$ 43,000
Federal Department of Health	1,235,000
Department of Defense	86,000
Federal Department of Commerce	291,000
Louisiana Commission on Law Enforcement	360,000
Department of Health and Human Resources	2,365,000
Federal Department of Highway Administration	50,000
Federal Department of Homeland Security	557,000
Federal Department of Social Service	155,000
Louisiana Military Department	18,000
Federal American Recovery Act	45,000
Federal Department of Transportation	299,000
National Endowment for the Arts	65,000

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.

***Interfund Receivables and Payables***

Individual fund interfund receivables and payables at December 31, 2012 were as follows (amounts in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	FEMA Fund	\$ 22,254
	Federal UDAG Fund	430
	HUD Fund	289
	Nonmajor Funds	4,905
Capital Projects Fund	General Fund	29,021
FEMA Fund	Capital Projects Fund	3,935
Federal UDAG Fund	General Fund	5,628
	LCD Fund	26
HUD Fund	FEMA Fund	9
LCD Fund	FEMA Fund	9
Nonmajor Funds	Nonmajor Funds	1,372
	LCD Fund	5
	General Fund	1,221
	HUD Fund	26
	FEMA Fund	3
		<u>\$ 69,133</u>

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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, 2012 were as follows (amounts in thousands):

	<u>Advances to other funds</u>	<u>Advances from other funds</u>
General	\$ 2	\$ -
Nonmajor special revenue:		
Sidewalk Paving and Repairing	<u>-</u>	<u>2</u>
	<u>\$ 2</u>	<u>\$ 2</u>

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

***Fund Transfers***

Individual fund transfers for the year ended December 31, 2012 were as follows (amounts in thousands):

	<u>Transfers-in</u>	<u>Transfers-out</u>
General	\$ 6,060	\$ (22,159)
FEMA	-	(570)
Debt service	22,159	-
Capital projects	-	(1,350)
Nonmajor governmental funds	<u>-</u>	<u>(4,140)</u>
Total	<u>\$ 28,219</u>	<u>\$ (28,219)</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 by the Airport to the general fund during fiscal year 2012 amounted to \$4,015,000 primarily for overhead reimbursement and fire protection.



**CITY OF NEW ORLEANS, LOUISIANA**

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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, 2012:

**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.

**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.

**Unassigned Fund Balance** – The unassigned fund balance includes all amounts not included in other spendable classifications.

**(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 2012 (amounts in thousands).

	<b><u>Total Collections</u></b>	<b><u>Collection Cost</u></b>	<b><u>Final Distribution</u></b>
Orleans Parish School Board	\$ 102,876	\$ 1,646	\$ 101,230
Regional Transit Authority	60,933	975	59,958
	<b><u>\$ 163,809</u></b>	<b><u>\$ 2,621</u></b>	<b><u>\$ 161,188</u></b>

**CITY OF NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

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**(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, 2012 was approximately \$64,000.

**(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. Future minimum lease payments under these leases for the next five years are as follows (amounts in thousands):

Year ending December 31:	
2013	\$ 5,907
2014	4,784
2015	3,608
2016	1,199
2017	274

Annual lease expense 2012 for such operating lease agreements was approximately \$6,726,000.

***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. The City is self-insured for such cases as described below.

***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.

**CITY OF NEW ORLEANS, LOUISIANA**

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As of December 31, 2012, 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 \$410,000 for motor vehicle fleet, \$295,504,000 for general liability and police department excessive force losses, \$90,596,000 for workers' compensation, and \$3,426,000 for hospitalization and unemployment have been accrued in the government-wide financial statements in the total amount of \$389,936,000.

Changes to the City's claims liability amounts in fiscal 2012 and 2011 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>
<b>General liability and police liability:</b>					
2011	\$ 218,773	\$ (20,711)	\$ (1,041)	\$ 197,021	\$ 5,000
2012	197,021	98,893	(410)	295,504	5,000
<b>Workers' compensation:</b>					
2011	68,092	25,534	(16,592)	77,034	16,592
2012	77,034	34,129	(20,567)	90,596	20,567
<b>Motor vehicle fleet:</b>					
2011	853	(274)	(291)	288	288
2012	288	413	(291)	410	410
<b>Hospitalization and unemployment:</b>					
2011	3,940	44,036	(44,363)	3,613	3,613
2012	3,613	44,578	(44,765)	3,426	3,426
<b>Total:</b>					
2011	291,658	48,585	(62,287)	277,956	25,493
2012	277,956	178,013	(66,033)	389,936	29,403

***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, 2012, the City has estimated its liability at \$6,303,000.

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.

#### *Consent Decrees*

On July 24, 2012, in a joint motion the United States of America and the City of New Orleans filed an entry of decree. The purpose of the consent decree is to remedy an alleged pattern or practice of conduct by the NOPD that subjects individuals to excessive force in violation of the Fourth Amendment. The Consent Decree contains detailed provisions concerning changes in NOPD policies and practices related to: (1) the use of force; (2) investigatory stops and detentions, searches, and arrests; (3) custodial interrogations; (4) photographic lineups; (5) bias-free policing; (6) community engagement; (7) recruitment; (8) training; (9) officer assistance and support; (10) performance evaluations and promotions; (11) supervision; (12) the secondary employment system, also known as the paid detail system; (13) misconduct complaint intake, investigation, and adjudication; and (14) transparency and oversight. The costs of implementing the detailed provisions of the Consent Decree have not been determined.

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A consent judgment was filed on December 12, 2012 in the United States District Court, Eastern District of Louisiana. The purpose of the agreement is to address certain alleged constitutional violations at the Orleans Parish Prison (OPP). The Orleans Parish Sheriff's Office (the Office) has taken steps to address the concerns at OPP. The Office has in place certain policies, practices, and procedures, and has plans to adopt certain other policies, practices, and procedures. The consent judgment is based on these policies, practices, and procedures and contemplates that the dispute will be resolved by the continued development and implementation of these measures. The court will determine the funding needed to ensure constitutional conditions of confinement at OPP and the sources responsible for providing the funding as the judgment is finalized.

***Louisiana Legislative Auditor Investigation***

The Legislative Auditor is currently performing an investigation of the City. The investigation is not complete as of the date of the audit report. The effect of the investigation on the City's financial statements is not known as of the date of the audit report.

**(13) 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):

	<b>2012</b>	<b>Less Non-Cash</b>	
	<b>Taxes Levied</b>	<b>Adjustments</b>	<b>Net</b>
		<b>to Tax Rolls</b>	<b>Taxes Levied</b>
Board of Liquidation	\$ 75,031	\$ 8,110	\$ 66,921
Sewerage & Water Board	48,343	5,360	42,983
Orleans School Board	128,288	13,762	114,526
Orleans Levee Board West Bank	2,925	201	2,724
Orleans Levee Board East Bank	31,663	3,327	28,336
Law Enforcement District	8,533	910	7,623
Audubon Zoological Garden	942	95	847
Aquarium of the Americas	8,798	966	7,832
Downtown Development District	5,758	150	5,608
New Orleans Regional Business Park	-	7	(7)
Touro Bouligny	328	42	286
Garden District	793	47	746
<b>Total</b>	<b>\$ 311,402</b>	<b>\$ 32,977</b>	<b>\$ 278,425</b>

Listed on the following page is a summary of ad valorem tax activity related to other City taxing jurisdictions during 2012 (amounts in thousands).

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Notes to Basic Financial Statements

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	A 2011 Due From/ (Due To)	2012 Tax Collected in 2012	2013 Tax Collected in 2012	Prior Years Tax Collected in 2012	B Total Tax Collected in 2012	C 2012 Payments to Boards	D Due to City for 2012 Assessor's Fee Overpayment	=A-B+C+D 2012 Due From/ (Due To)
Board of Liquidation	\$ (2,513)	\$ 62,657	\$ 1,161	\$ 2,642	\$ 66,460	\$ 66,507	\$ 79	\$ (2,387)
Sewerage & Water Board	(2,357)	40,707	748	1,742	43,197	43,226	50	(2,278)
Orleans Parish School Board	(854)	109,688	2,040	4,473	116,201	117,044	134	123
Orleans Levee Board West Bank	(944)	2,327	43	97	2,467	2,496	4	(911)
Orleans Levee Board East Bank	(262)	27,261	491	1,096	28,848	28,809	33	(268)
Law Enforcement District	(292)	7,125	132	301	7,558	7,564	9	(277)
Audubon Zoological Garden	(32)	786	13	34	835	835	1	(31)
Aquarium of the Americas	(299)	7,344	136	317	7,797	7,802	9	(285)
Downtown Development District	(156)	5,238	33	186	5,457	5,478	-	(135)
New Orleans Regional Business Park	(6)	(2)	-	9	7	8	-	(5)
Touro Boulogny	(28)	260	6	7	273	276	-	(25)
Garden District	(69)	666	25	19	710	716	1	(62)
Total	\$ (7,812)	\$ 264,057	\$ 4,830	\$ 10,923	\$ 279,810	\$ 280,761	\$ 320	\$ (6,541)

The amount of taxes collected through tax sales in 2012 totaled \$2,376,296.

The amount of interest on late and delinquent tax payments that was collected and disbursed during 2012 totaled \$3,410,792.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2012

**(14) Restatement**

During 2012, the City identified several adjustments which impacted prior year financial statements which principally arose from payments out of a trust fund that were not recorded by the City. 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, 2011	\$ 84,047
Prior period adjustments	
HUD fund related to understatement of expenses	(673)
Federal UDAG fund related to understatement of expenses	(84)
FEMA fund related to understatement of expenses	(5,600)
Capital Projects fund related to understatement of expenses	(7,258)
LCD fund related to understatement of expenses	(563)
General fund related to the reclassification of certain nonmajor funds to the general fund	307
Nonmajor governmental funds related to the reclassification of certain non-major funds to the general fund	<u>(307)</u>
	<u>(14,178)</u>
Fund balance, as restated, December 31, 2011	<u>\$ 69,869</u>

The impact on net position was as follows:

Net assets, as previously reported, December 31, 2011	\$ 114,177
Prior period adjustments	
Related to understatement of expenses	<u>(2,871)</u>
Net assets, as restated, December 31, 2011	<u>\$ 111,306</u>

The impact on total assets on the statement of net position was as follows:

Total assets, as previously reported, December 31, 2011	\$ 1,758,465
Prior period adjustments	
Related to understatement of capital assets	<u>11,307</u>
Total assets, as restated, December 31, 2011	<u>\$ 1,769,772</u>

**(15) Subsequent Event**

In 2013, The City issued \$40,000,000 of Taxable Public Improvement Bonds Series 2013A for the purpose of improvements to streets, curbing, bridge replacement and improvement, urban systems, traffic signal control, improvements required under the Americans with Disabilities Act, and related administrative and maintenance facilities. Interest on the bonds is due semiannually at rates ranging from 3.0% to 5.0% commencing June 1, 2013. Principal payments are due annually, commencing December 1, 2014 and maturing on December 1, 2042.

**REQUIRED SUPPLEMENTARY INFORMATION**



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**CITY OF NEW ORLEANS, LOUISIANA**  
Notes to Required Supplementary Information  
Year ended December 31, 2012  
(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.

**(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, 2012  
(Amounts in thousands)

	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance favorable (unfavorable)</u>
<b>Revenues:</b>				
Taxes	\$ 302,165	298,825	295,165	(3,660)
Licenses and permits	57,858	52,546	56,612	4,066
Intergovernmental	9,467	29,883	19,714	(10,169)
Charges for services	74,258	74,311	74,339	28
Fines and forfeits	37,921	37,320	34,315	(3,005)
Interest income	337	337	86	(251)
Contributions, gifts, and donations	3,924	204,569	40	(204,529)
Miscellaneous	5,201	5,201	30,222	25,021
<b>Total revenues</b>	<u>491,131</u>	<u>702,992</u>	<u>510,493</u>	<u>(192,499)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	157,172	351,326	163,090	188,236
Public safety	207,128	222,690	219,801	2,889
Public works	62,332	67,049	70,620	(3,571)
Health and human services	15,459	16,284	15,905	379
Culture and recreation	28,412	29,244	19,484	9,760
Capital outlays	—	—	1,186	(1,186)
<b>Debt service:</b>				
Principal retirement	38,624	38,624	22,661	15,963
Interest and fiscal charges	—	—	13,516	(13,516)
Payment to refunded bond escrow agent	—	—	2,746	(2,746)
Bond issuance costs	—	—	1,110	(1,110)
<b>Total expenditures</b>	<u>509,127</u>	<u>725,217</u>	<u>530,119</u>	<u>195,098</u>
<b>Excess of expenditures over revenues</b>	<u>(17,996)</u>	<u>(22,225)</u>	<u>(19,626)</u>	<u>2,599</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	17,996	17,996	6,060	(11,936)
Operating transfers out	—	—	(22,159)	(22,159)
Issuance of notes payable	—	—	3,500	3,500
Proceeds from bonds payable	—	—	195,885	195,885
Discount on bonds issued	—	—	(328)	(328)
Payment to refunded bond escrow agent	—	—	(123,542)	(123,542)
Appropriations from prior year budgetary fund balance	—	4,229	—	(4,229)
Reduction in prior year's outstanding encumbrances	—	—	9	9
Other	—	—	(1,077)	(1,077)
<b>Total other financing sources (uses)</b>	<u>17,996</u>	<u>22,225</u>	<u>58,348</u>	<u>36,123</u>
<b>Special item:</b>				
Termination of interest rate swap (Note 6)	—	—	(46,000)	(46,000)
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ —</u>	<u>—</u>	<u>(7,278)</u>	<u>(7,278)</u>
Fund balances, beginning of year			(3,410)	
Less appropriation from beginning of year fund balance			—	
Fund balances – budgetary basis, end of year			<u>\$ (10,688)</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)	\$	(7,278)
Adjustments:		
To adjust revenues for accruals and deferrals		<u>1,352</u>
Net change in fund balance	\$	<u><u>(5,926)</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, 2012**  
**(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)
<b>Employees' Retirement System:</b>						
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)
12/31/2012	372,050	545,395	(173,345)	68.22	92,881	(186.63)
<b>Police Pension Fund:</b>						
12/31/2010	1,831	Not Known	Not Known	Not Known	—	N/A
12/31/2011	1,805	Not Known	Not Known	Not Known	—	N/A
12/31/2012	1,763	Not Known	Not Known	Not Known	—	N/A
<b>Firefighters' Pension and Relief Fund (Old System):</b>						
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
12/31/2012	16,565	159,529	(142,964)	10.38	—	N/A
<b>Firefighters' Pension and Relief Fund (New System):</b>						
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)
12/31/2012	150,640	440,292	(289,652)	34.21	29,688	(975.65)

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, 2012**  
**(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>
12/31/2010	—	140,035	(140,035)	—	218,032	(64.23)
12/31/2011	—	162,047	(162,047)	—	219,251	(73.91)
12/31/2012	—	168,529	(168,529)	—	225,509	(74.73)

See accompanying independent auditors' report.

**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2013. Other auditors audited 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 Canal Street Development Corporation, the Piazza D'Italia Development Corporation, the Downtown Development District, the Orleans Parish Hospital Service District A, 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, as described in our report on the City's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses, indexed as 2012-1 through 2012-5, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, indexed as 2012-6, to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City, in a separate letter dated June 27, 2013.

### **City's Response to Findings**

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

### **Purpose of this Report**

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



New Orleans, Louisiana  
June 27, 2013



CITY OF NEW ORLEANS, LOUISIANA

Schedule of Findings and Responses

Year ended December 31, 2012

A. Summary of Auditor's Results

*Financial Statements*

Type of auditors' report issued: Unqualified

- Material weakness(es) identified?  Yes  No
  - Significant deficiencies identified that are not considered to be material weaknesses  Yes  No
- Material noncompliance to financial statements?  Yes  No

B. Basic Financial Statements, Findings, and Responses

2012-1 Accounting and Financial Reporting

- Criteria: The City should have systems of internal accounting control which ensures the basic financial statements are presented in accordance with U.S. generally accepted accounting principles on a timely basis.
- Condition: The City does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis.
- Context: During our audit, we noted the City performed the reconciliations and analysis of its significant accounts significantly after year end, and as a result, significant adjustments to the financial statements were made after year-end.
- Cause: The City does not have an appropriate infrastructure and processes to prepare accurate and complete financial statements in a timely manner in accordance with U.S. generally accepted accounting principles.
- Effect: The City recorded material adjustments to its major accounts to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.

**CITY OF NEW ORLEANS, LOUISIANA**

**Schedule of Findings and Responses**

**Year ended December 31, 2012**

**2012-1 Accounting and Financial Reporting (continued)**

**Recommendation:** The City should evaluate its accounting and financial reporting function. Specifically, the City should consider the following:

- Ensure adequate resources (both number and skill set) are dedicated to the accounting and financial reporting function.
- Develop and implement policies, procedures, and related controls over the preparation of the financial statements, including those presented under full accrual.
- Assign responsible persons for preparing and reviewing the financial statements. Address the specific accounting matters discussed in this schedule of findings and responses.
- Address the specific accounting matters discussed in the schedule of findings and questioned costs.
- Bring accounting up-to-date including timely reconciliations to enable the timely preparation of financial statements.
- Perform a monthly reconciliation of property taxes to determine the amounts owed to or from the tax receiving entities.

**Views of Responsible  
Officials and Planned  
Corrective Action**

**Plan:** The City will develop a process for preparing and reviewing financial statements. The City will implement procedures that assign dedicated staff to specific accounting reconciliation, reporting, and preparation of financial statements.

**Contact Person:** Norman Foster, Director of Finance

**2012-2 Capital Assets**

**Criteria:** The City has a significant amount of capital assets, including construction-in-progress (CIP) and infrastructure. The City should have systems of internal accounting control, which provide for proper accounting and financial reporting for capital assets. GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments (GASB No. 34), provides guidance on recording and reporting capital assets.

**Condition:** The City did not have adequate policies, procedures, and internal controls in place to ensure all capital assets were fairly stated in its financial statements on a timely basis.

**CITY OF NEW ORLEANS, LOUISIANA**

**Schedule of Findings and Responses**

**Year ended December 31, 2012**

**2012-2 Capital Assets (continued)**

- Context:** We noted the following weaknesses in the internal control structure over the capital asset accounting function:
- The City does not perform a complete inventory of its non street assets, including buildings and other infrastructure that are included in their capital asset listing.
  - The City's detail property records do not always include sufficient information to specifically identify property items.
  - The property records did not include all capital asset additions due to significant accruals that were not properly recorded.
  - The City reconciles CIP by funding source. A funding source may include multiple projects, and a project may be split among multiple funding sources. The City does not perform a reconciliation of CIP by individual project which results in the difficulty of being able to identify all costs related to a particular project when a project closes.
  - The City identified capital assets that were not properly capitalized in prior years.
  - The City capitalized repairs and maintenance expenses.
  - The City does not maintain detailed supporting documentation for disposals.
- Cause:** The City has not performed sufficient procedures to ensure all capital assets are properly and timely recorded in the financial statements.
- Effect:** Material adjustments were posted by the City to the capital asset balances.
- Recommendation:** The City should continue improving policies and procedures, and related internal controls to ensure capital assets are fairly stated and properly reported in the financial statements. These controls should include maintaining accurate and complete capital asset listings and appropriate reviews of depreciable assets and CIP balances by project at least quarterly to ensure proper accounting and financial reporting. The City should also strengthen its reconciliation of its capital asset listing and implement a formal review procedure of the capital asset roll forward and projects within the CIP account.

**CITY OF NEW ORLEANS, LOUISIANA**

**Schedule of Findings and Responses**

**Year ended December 31, 2012**

**2012-2 Capital Assets (continued)**

**Views of Responsible  
Officials and Planned  
Corrective Action  
Plan:**

The City reconciles CIP by funding source also known as an AFIN Project Code. The city tracks all of these funding sources and CIP back to the overall project centrally in an online database (QuickBase). All liabilities in the CIP account at the close of the year are reported to accounting. This ensures an accurate and up to date CIP account. Property Management's division of Real Estate and Records manages property disposal and maintains the complete inventory of the City's non street assets. Detailed documentation related to property disposal is stored with the division of Real Estate and Records. The City will continue to improve its records retention and update of inventory status.

**Contact Person:** Cedric Grant, Deputy Mayor of Facilities

**2012-3 Accounts Payable**

- Criteria:** The City should have systems of internal accounting control, which provide for preparation of the financial statements in accordance with U.S. generally accepted accounting principles.
- Condition:** The City did not have adequate process and controls in place to ensure expenditures were reported timely in the proper period.
- Context:** While the City devoted significant resources to adjusting accounts payable, we noted unrecorded invoices during our testing.
- Cause:** The City's procedures for recording accounts payable do not include sufficient review of subsequent disbursement to determine that all accounts payable have been properly recorded. In addition, invoices are mailed to various departments. Several invoices mailed to other departments were not submitted to the Finance Department to be properly recorded. In addition, payments from a trust account were not recorded in the proper period.
- Effect:** The City recorded significant adjustments to properly reflect accounts payable after year end.

**CITY OF NEW ORLEANS, LOUISIANA**

Schedule of Findings and Responses

Year ended December 31, 2012

**2012-3 Accounts Payable (continued)**

**Recommendation:** The City should implement procedures and controls to ensure accounts payable is properly reported on a timely basis at year-end. Specifically, the City should evaluate the configuration of its accounting system to ensure expenditures are reported in the proper period.

**Views of Responsible  
Officials and Planned  
Corrective Action**

**Plan:** The City will continue to devote resources to review disbursement made subsequent to year end to determine that all accounts payables have been properly recorded. The City will review, update and enforce policies and procedures for departments to follow concerning unpaid invoices to ensure that the invoices are properly accrued.

**Contact Person:** Norman Foster, Director of Finance

**2012-4 Cash**

**Criteria:** The City should have systems of internal accounting control, which provide for preparation of the financial statements in accordance with U.S. generally accepted accounting principles.

**Condition:** The City did not perform cash reconciliations on a timely basis to ensure cash was properly presented in the financial statements at year-end. Significant adjustments to financial reports are usually required due to changes to the bank reconciliation.

**Context:** The City operated in 2012 without timely bank reconciliations to identify corrections to the financial statements that were required. Significant adjustments to cash were identified and recorded after year end.

**Cause:** The City did not complete the final reconciliation of cash balances at December 31, 2012 until June 2013. Significant journal entries were required subsequent to year-end to bring the reconciliation amounts into balance with amounts recorded.

**Effect:** The City recorded adjustments to cash to properly present outstanding checks, deposits-in-transit and cash book balances.

## **CITY OF NEW ORLEANS, LOUISIANA**

### **Schedule of Findings and Responses**

**Year ended December 31, 2012**

#### **2012-4 Cash (continued)**

**Recommendation:** The City should perform and review reconciliations on a timely basis to track outstanding checks, present outstanding checks as a reduction of cash at year-end, properly present deposits-in-transit. In addition, the City should ensure the cash reconciliation is completed each month and is properly reviewed and that the review is documented.

#### **Views of Responsible Officials and Planned Corrective Action**

**Plan:** The City will develop a process to perform and review reconciliations on a timely basis. Procedures to track outstanding checks and deposits-in-transit will be documented. The City will ensure that improvements in the timeliness and accuracy of cash reconciliation are accomplished.

**Contact Person:** Norman Foster, Director of Finance

#### **2012-5 Information Technology**

**Criteria:** General controls are policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. General controls commonly include controls over data center and network operations; system software acquisition and maintenance; access security; and application system acquisition, development, and maintenance.

**Condition:** While the City did improve its documentation of policies, procedures and related controls, we continued to note conditions that indicate weaknesses in the City's information technology general controls relating to access security.

**Context:** We noted the following conditions during our audit:

- Certain employees have user access rights that allow them to approve the same transaction that they initiate.
- User access for terminated employees is not terminated in a timely manner.
- There is no formal periodic user access review performed to the financial systems.

# CITY OF NEW ORLEANS, LOUISIANA

## Schedule of Findings and Responses

Year ended December 31, 2012

### 2012-5 Information Technology (continued)

- Management was unable to validate users with administrative access and the ability to post journal entries in Great Plains.
- Non-IT personnel have administrative access in the general lodger and purchasing systems.

**Cause:** The City does not have adequate documented policies, procedures, and related controls for Information Technology (IT) general controls.

**Effect:** Failure to ensure adequate general controls are in place and operating effectively could impact proper operation of, and appropriate access to, information systems.

**Recommendation:** The City should formalize and document IT policies and procedures, including the following:

- Management should consider finalizing the draft IT policies.
- Management should perform periodic tests of the Disaster Recovery Plan and periodic backup restores. Evidence of testing and the results should be documented and retained for audit purposes.
- Management should review administrative access and access to post journal entries in Great Plains to verify access is restricted to authorized personnel. In addition, such access should be reviewed by management on a periodic basis to confirm for appropriateness. Evidence of the review should be retained for audit purposes.
- System access for terminated users should be removed on a timely basis to prevent unauthorized access.
- Management should restrict access to post journal entries to authorized personnel only per user job functions. In addition, such access should be reviewed by management on a periodic basis to confirm for appropriateness. Evidence of the review should be retained for audit purposes.
- Administrative Access for financial applications should be administered by IT to prevent segregation of duties conflict. In addition, management should review Great Plains database user access and remove any terminated user accounts.
- Management should perform periodic reviews of users with access to the financial systems to verify access is appropriate per user job functions. This should be a combined effort between Finance and IT. Evidence of the review should be documented and retained.

**CITY OF NEW ORLEANS, LOUISIANA**

**Schedule of Findings and Responses**

**Year ended December 31, 2012**

**2012-5 Information Technology (continued)**

- Management should continue their efforts to provide for one standard Change Control process for all system modifications. All proposed changes should be identified, documented, and controlled as part of the overall change management practice.

**Views of Responsible  
Officials and Planned  
Corrective Action  
Plan:**

The City is aware of this missing control which has been documented over the years. IT will continue to work with the Finance Department to mitigate any risk and oversee proper controls in this area. ITI is working on a process which will enable timely and more effective termination process for all users and users of Financial Systems. ITI Security group will perform quarterly internal audits of financial systems and provide findings to the Finance Department Administration for review. ITI will continue to monitor and review with the Finance Dept. the persons who need the ability to post journal entries in Great Plains. ITI, in cooperation with Finance, will review the personnel with access and cooperatively work towards removing persons with elevated access such as administrative rights.

**Contact Person:** Allen Square, Deputy Chief Information Officer

**2012-6 Overtime Pay**

**Criteria:** The City should follow their Civil Service policy, as it relates to overtime pay.

**Condition:** The City did not follow their Civil Service rule IV.9.10, which states "no employee shall be permitted to work in excess of 416 overtime hours in any calendar year, except in those cases where approval has been obtained." The City's Chief Administrative Office monitors overtime and submitted a request for overtime in excess of the 416 limit for the Police Department for 2012.

**Context:** During testing we noted employees that on a cumulative basis exceeded the 416 hour limit.

**Cause:** The City did not properly monitor compliance with rule IV.9.10.

**Effect:** Certain employees exceeded the annual overtime allowed under the City's civil service policy.



**CITY OF NEW ORLEANS, LOUISIANA**

**Schedule of Findings and Responses**

**Year ended December 31, 2012**

**2012-6 Overtime Pay (continued)**

**Recommendation:** The City should implement a program to properly monitor compliance with Civil Service rule IV.9.10.

**Views of Responsible  
Officials and Planned  
Corrective Action**

**Plan:** The City has implemented a program to properly monitor overtime usage. Additionally, the City's Chief Administrative Office submitted a request to the Civil Service for overtime in excess of 416 hour limit, for the Police department. In the future, the City will submit requests for other departments as needed for compliance with Civil Service rule IV.9.10.

**Contact Person:** Andrew Kopplin, Chief Administrative Officer

**CITY OF NEW ORLEANS, LOUISIANA**

**Schedule of Prior Year Findings and Responses**

**Year ended December 31, 2012**

**2011-1 Accounting and Financial Reporting**

**Recommendation:** The City should evaluate its accounting and financial reporting function. Specifically, the City should consider the following:

- Ensure adequate resources (both number and skill set) are dedicated to the accounting and financial reporting function.
- Develop and implement policies, procedures, and related controls over the preparation of the financial statements, including those presented under full accrual.
- Assign responsible persons for preparing and reviewing the financial statements. Address the specific accounting matters discussed in this schedule of findings and responses.
- Address the specific accounting matters discussed in the schedule of findings and questioned costs.
- Develop policies and procedure to ensure journal entries are reviewed by the appropriate level of management and include appropriate supporting documentation.
- Bring accounting up-to-date including timely reconciliations to enable the timely preparation of financial statements.
- Maintain adequate supporting documentation for journal entries in a central location.

**Current Status:** Not resolved. See repeat finding 2012-1.

**2011-2 Capital Assets**

**Recommendation:** The City should continue improving policies and procedures, and related internal controls to ensure capital assets are fairly stated and properly reported in the financial statements. These controls should include maintaining accurate and complete capital asset listings and appropriate reviews of depreciable assets and CIP balances to ensure proper accounting and financial reporting. The City should also strengthen its reconciliation of its capital asset listing and implement a formal review procedure of the capital asset roll forward and projects within the CIP account.

**Current Status:** Not resolved. See repeat finding 2012-2.

**CITY OF NEW ORLEANS, LOUISIANA**

**Schedule of Prior Year Findings and Responses**

**Year ended December 31, 2012**

**2011-3 Accounts Payable**

**Recommendation:** The City should implement procedures and controls to ensure accounts payable is properly reported on a timely basis at year-end. Specifically, the City should evaluate the configuration of its accounting system to ensure expenditures are reported in the proper period.

**Current Status:** Not resolved. See repeat finding 2012-3.

**2011-4 Cash**

**Recommendation:** The City should perform and review reconciliations on a timely basis to track outstanding checks, present outstanding checks as a reduction of cash at year-end and properly present deposits-in-transit. In addition, the City should ensure the cash reconciliation is completed each month and is properly reviewed.

**Current Status:** Not resolved. See repeat finding 2012-4.

**2011-5 Reporting Litigation and Claims**

**Recommendation:** The City should implement procedures for the timely preparation and review of the litigation and claims records.

**Current Status:** Resolved.

**2011-6 FEMA Grant Reconciliation**

**Recommendation:** The City should implement procedures and controls to ensure FEMA grant related balances are properly reported on a timely basis at year-end. Specifically, the City should evaluate each project to determine amount to and due from FEMA for all expenditures incurred through year-end.

**Current Status:** Resolved.

**CITY OF NEW ORLEANS, LOUISIANA**

**Schedule of Prior Year Findings and Responses**

**Year ended December 31, 2012**

**2011-7 Property Tax Reconciliation**

**Recommendation:** The City should implement procedures and controls to ensure that property tax collections and refunds are reconciled in the property tax software regularly. In addition, property tax payments to agencies should be made based on actual collections and refunds by agency. If payments to agencies are made before the collections and refunds are reconciled, then the City should prepare reconciliation by agency to determine amounts owed to or due from the agency at year-end on a timely basis.

**Current Status:** Resolved.

**2011-8 Information Technology**

**Recommendation:** The City should formalize and document IT policies and procedures, including the following:

- IT Policy and Procedure manual to document and centralize all the day-to-day procedures, as well as the responsibilities of each position, including outsourced positions.
- System access management process
- System access for terminated users should be removed on a timely basis to prevent unauthorized access.
- Management should restrict access to post journal entries to authorized personnel only per user job functions. In addition, such access should be reviewed by management on a periodic basis to confirm for appropriateness. Evidence of the review should be retained for audit purposes.
- Management should restrict administrative access on an as needed basis per user job responsibilities. If this cannot be achieved due to system functionality, monitoring controls should be established to compensate for the lack of access controls.
- All system changes should be implemented according to the formal Change Controls Process.

**Current Status:** Not resolved. See repeat finding 2012-5.

**CITY OF NEW ORLEANS, LOUISIANA**

**Schedule of Prior Year Findings and Responses**

**Year ended December 31, 2012**

**2011-9 Overtime Pay**

**Recommendation:** The City should implement a program to properly monitor compliance with Civil Service rule IV.9.10.

**Current Status:** Not resolved. See repeat finding 2012-6.

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

We have audited the 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2013. In planning and performing our audit of the financial statements of the City, we considered internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

#### **2012 Comments**

##### **2012-1 Maintenance of Personnel Files**

*Observation:* The City does not have a central repository for employment records. In addition, the records are in multiple forms of media. As a result, the City was not able to locate selected records timely.

*Recommendation:* The City should establish processes and controls to ensure that adequate supporting documentation for all hires is maintained and easily accessible.

*Management's Response:* Employees' employment records are divided into two segments, departmental and Civil Service. Some of the employment records sampled dated back twenty years. Most departments were still able to obtain the required information. However, with the recent relocation of the Civil Service Department, obtaining the data was a huge chore. As the Civil Service Department stabilizes, we believe they will be better able to retrieve the needed information. Additionally, the City is in the process of implementing a new HR and payroll system. The system will make it easily assessable to retrieve supporting documentation.

##### **2012-2 Escheatment of Unnegotiated Items**

*Observation:* The City's policy and procedures do not provide for routine review of items for escheatment to the State. We noted a number of items which should be reviewed for escheatment.

2012-2 Escheatment of Unnegotiated Items (continued)

*Recommendation:* The City should implement processes and procedures so that outstanding un-negotiated checks are escheated to the State on a timely basis.

*Management's Response:* The City last escheated checks in 2011 and has begun the escheatment process for 2012 un-negotiated payments. The City will ensure it stays timely in escheating checks to the State of Louisiana.

2012-3 Purchase Order Approval

*Observation:* In our testing of the City's disbursements for 2012, we noted instances where purchase orders were not approved until after the purchase was made.

*Recommendation:* The City should implement processes and procedures to ensure that purchase orders are approved in accordance with the City's purchasing procedures before a purchase is made.

*Management's Response:* The City's purchasing policies require a purchase order before the acquiring goods or services. Through monthly meetings with departments, the number of purchases made without purchase orders has been significantly reduced. The City will continue to meet monthly with departments and identify which departments continue to purchase prior to the issuance of a purchase order.

2012-4 Reporting Litigation and Claims

*Observation:* The City Attorney's Office provides a detail listing of its litigation and claims, in addition to a memo summary of claims with estimated reserves of at least \$50,000 to support the City's accrual and disclosure. We noted instances where some of the cases described on the memos were not included on the listing of litigation or some cases were listed more than once.

*Recommendation:* The City should implement processes and procedures to ensure that the listing of litigation provided reflects all outstanding cases and unpaid settlements and duplicate cases are removed.

*Management's Response:* The City will implement policies and procedures to ensure that the listing of litigation provided reflects all outstanding cases and unpaid settlements and duplicate cases are removed.

2012-5 Trial Balance

*Observation:* The City records manual adjustments to the trial balance outside of the trial balance software to prepare financial statements. In addition, the City does not close out revenues and expenditures to fund balance annually in the trial balance software. As a result, the system-generated trial balance reports do not agree to the financial statements, and the trial balance includes revenues and expenditures for multiple years.

*Recommendation:* The City should implement processes and procedures to ensure that revenue and expenditures are closed out annually, and all manual adjustments should be posted to the general ledger so that the trial balance properly includes all of the City's financial transactions.

*Management's Response:* The City will implement processes and procedures to ensure that revenue and expenditures are closed out annually. Due to current system limitations, some adjustments are manually tracked at year end.

Status of Prior Year Comments

2011-1 Contract Management and Oversight

*Recommendation:* The City should establish procedures to obtain copies of active contracts which cannot be located by the City.

*Status:* Resolved.

2011-2 Supporting Documentation for Journal Entries

*Recommendation:* The City should establish processes and controls to ensure that adequate supporting documentation for manual journal entries is maintained in a centralized location or can otherwise be located.

*Status:* Resolved.



2011-3 Sick and Annual Leave

*Recommendation:* The City should evaluate the payroll system to determine whether reports can be written that will include all fiscal year adjustments that are posted after year end and that will include all employees with sick and annual leave balances. If a report cannot be run with the necessary information, the City should provide a reconciliation between what the balances should be and what is included on the system report. If a report can be run with the necessary information, the report should be saved in the system, so that it can be recreated in the future.

*Status:* Resolved.

2011-4 Held Checks

*Recommendation:* The City should put policies and procedures in place to ensure that checks that have been cut are submitted to vendors timely. If there are checks that are held at year end, the City should maintain a list of these checks and record adjustments to reverse the payments from the general ledger system.

*Status:* Resolved.

2011-5 Held Deposits

*Recommendation:* The City should put policies and procedures in place to ensure that checks are deposited timely.

*Status:* Resolved.

2011-6 Workers Compensation Bank Account Reconciliation

*Recommendation:* The City should implement processes and procedures to ensure that the workers compensation bank account is reconciled timely.

*Status:* Resolved.

2011-7 Compliance with the City's Investment Policy

*Recommendation:* The City should implement policies and procedures to monitor compliance with the City's policies periodically.

*Status:* Resolved.

2011-8 Automobile Self-Insurance Liability

*Recommendation:* The City should implement policies and procedures to ensure that adequate claims reports are received timely from the third party administrator.

*Status:* Resolved.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the City's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

The City's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, members of City Council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Nettlesville*

New Orleans, Louisiana  
June 27, 2013

**CITY OF NEW ORLEANS**

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**SINGLE AUDIT REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2012**

CITY OF NEW ORLEANS  
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**INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**



Member  
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Certified Public Accountants  
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## INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Members of the City Council and the  
Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana

### Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards (SEFA) of the City of New Orleans (the City) for the year ended December 31, 2012 and the related notes to the SEFA.

### Management's Responsibility for the Schedule of Expenditures of Federal Awards

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

### Auditors' Responsibility

Our responsibility is to express an opinion on the Schedule of Expenditures of Federal Awards 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 Schedule of Expenditures of Federal Awards is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Expenditures of Federal Awards. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule of Expenditures of Federal Awards whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to

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

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**(CONTINUED)**

To the Honorable Members of the City Council  
and the Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana  
Page - 2

the entity's preparation and fair presentation of the Schedule of Expenditures of Federal Awards in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Expenditures of Federal Awards.

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

**Opinion**

In our opinion, the Schedule of Expenditures of Federal Awards for the year ended December 31, 2012 referred to above is presented fairly, in all material respects, in relation to the basic financial statements of the City of New Orleans as a whole in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of New Orleans. (The basic financial statements of the City of New Orleans as of and for the year ended December 31, 2012 were audited by other auditors whose opinion dated June 27, 2013 expressed an unqualified on those basic financial statements.) The SEFA was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the

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

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**(CONTINUED)**

To the Honorable Members of the City Council  
and the Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana  
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audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

As discussed in Note 5, the City of New Orleans is subject to audit by Federal agencies or their designees for compliance with contractual and programmatic requirements with regard to its Federal programs for the year ended December 31, 2012. The determination of whether any instances of noncompliance that will ultimately result in the remittance of any ineligible or disallowed cost cannot be presently determined.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, 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* in considering the City's internal control over financial reporting and compliance.

*Bruno & Tervalon LLP*  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

June 27, 2013





**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Agriculture</u></b>			
<b><u>Direct Awards</u></b>			
Agricultural Research - Basic and Applied Research	10.001	N/A	\$ <u>249,834</u>
Subtotal - Direct Awards			<u>249,834</u>
<b><u>Pass-Through Awards</u></b>			
State of Louisiana			
Department of Social Services:			
Special Supplemental Nutrition Program for Women, Infants and Children - Administrative Costs	10.557	CFMS641737	666,424
Special Supplemental Nutrition Program for Women, Infants and Children - Food Issuance (NOTE 13)	10.557	CFMS641737	3,856,747
Department of Labor:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	LWAI121ST12	<u>56,668</u>
Subtotal - Awards from Pass-Through Entities			<u>4,579,839</u>
<b>Total U.S. Department of Agriculture</b>			<u>4,829,673</u>
<b><u>U.S. Department of Commerce</u></b>			
<b><u>Pass-Through Awards</u></b>			
State of Louisiana			
Department of Natural Resources:			
Coastal Zone Management Administration Award	11.419	2515-10-02	<u>14,317</u>
Subtotal - Awards from Pass-Through Entities			<u>14,317</u>
<b>Total U.S. Department of Commerce</b>			<u>14,317</u>

See Independent Auditors' Report on the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Defense</u></b>			
<b><u>Direct Awards</u></b>			
Community Economic Adjustment Assistance for Establishment Expansion, Realignment or Closure of a Military Installation Base Reuse Plans	12.607	N/A	\$ <u>275,827</u>
<b>Total U.S. Department of Defense</b>			<u>275,827</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<b><u>Direct Awards</u></b>			
Community Development Block Grant/ Entitlement Grants	14.218	N/A	16,893,017
Urban Development Action Grants-Grantee Loans (NOTE 6)	14.221	N/A	2,320,616
Urban Development Action Grants-Grantee Loans	14.221	N/A	596,875
Emergency Solutions Grants Program	14.231	N/A	978,489
Shelter Plus Care	14.238	N/A	836,561
Home Investment Partnerships Program	14.239	N/A	2,780,371
Housing Opportunities for Persons with AIDS	14.241	N/A	3,295,997
Brownsfield Economic Development Initiative- Guarantee Loan (NOTE 8)	14.246	N/A	500,000
Community Development Block Grants-Section 108 Loan Guarantees (NOTE 7)	14.248	N/A	20,778,000
Community Development Block Grants-Section 108 Loan Guarantees-Program Income	14.248	N/A	1,441,313
Community Challenge Planning Grants and Department of the Transportation 's TIGER II Planning Grants	14.704	N/A	318,199
ARRA - Community Development Block Grant CDBG Recovery/Stimulus	14.253	N/A	4,549,429
ARRA - Federal American Recovery Act - Homeless Prevention and Rapid Re-Housing Program	14.257	N/A	746,569
Neighborhood Stabilization Program	14.264	N/A	<u>1,586,988</u>
<b>Subtotal - Direct Awards</b>			<u>57,622,424</u>

See Independent Auditors' Report and the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Housing and Urban Development, continued</u></b>			
<b><u>Passed - Through Awards</u></b>			
State of Louisiana			
Office of Community Development:			
Disaster Community Development Block Grant	14.228	CFMS 661158	\$ 48,602,962
Emergency Solutions Grants Program	14.231	CFMS-Variou	269,775
ARRA - Federal American Recovery Act - Homeless Prevention and Rapid Re-Housing Program	14.257	CFMS 685486	<u>325,841</u>
Subtotal - Awards from Pass-Through Entities			<u>49,198,578</u>
Total U.S. Department of Housing and Urban Development			<u>106,821,002</u>
<b><u>U.S. Department of Interior</u></b>			
<b><u>Direct Awards</u></b>			
Coastal Impact Assistance Program (CIAP)	15.426	N/A	6,773,639
Migratory Bird Monitoring, Assessment and Conservation	15.655	N/A	<u>8,350</u>
Subtotal - Direct Awards			<u>6,781,989</u>
Total U.S. Department of Interior			<u>6,781,989</u>
<b><u>U.S. Department of Justice</u></b>			
<b><u>Direct Awards</u></b>			
Supervised Visitation and Safe Havens for Children	16.527	N/A	71,465
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	N/A	155,817
ARRA - Public Safety Partnership and Community Policing Grants	16.710	N/A	3,106,531
Paul Coverdell Forensic Sciences Improvement Act	16.742	N/A	7,464
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	N/A	238,443
ARRA - Edward Byrne Memorial JAG Program	16.804	N/A	<u>726,008</u>
Subtotal - Direct Awards			<u>4,305,728</u>

See Independent Auditors' Report and the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Justice, Continued</u></b>			
<b><u>Passed - Through Awards</u></b>			
State of Louisiana			
Commission on Law Enforcement:			
Juvenile Justice and Delinquency Prevention	16.540	J10-9-ADM	\$ 358
Crime Victim Assistance	16.575	Various	4,096
ARRA - Violence Against Women Formula Grants	16.588	Various	153,040
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Various	245,384
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	G11-8-002	31,002
New Orleans Police and Justice Foundation, Inc.:			
DNA Backlog Reduction Program	16.741	2009-DN-BX-K245	22,541
Congressionally Recommended Awards	16.753	2010-DD-BX-0628	37,902
Subtotal - Awards from Pass-Through Entities			<u>494,323</u>
Total U.S. Department of Justice			<u>4,800,051</u>
<b><u>U.S. Department of Labor</u></b>			
<b><u>Passed - Through Awards</u></b>			
State of Louisiana			
Department of Labor:			
Workforce Investment Act-Adult Program	17.258	AA-102250-00-50	1,352,731
Workforce Investment Act - Youth Activities	17.259	AA-102250-00-50	1,463,616
AARA - Workforce Investment Act-Dislocated Workers	17.260	AA-102250-00-50	1,201,281
Workforce Investment Act-National Emergency Grants	17.277	LWIA12ISAAC	176,539
ARRA - Workforce Investment Act-Dislocated Worker Formula Grants	17.278	LWIA112D12	40,259
Subtotal - Awards from Pass-Through Entities			<u>4,234,426</u>
Total U.S. Department of Labor			<u>4,234,426</u>

See Independent Auditors' Report and the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Transportation</u></b>			
<b><u>Direct Awards</u></b>			
ARRA - Airport Improvement Program - New Orleans Aviation Board	20.106	N/A	\$ 1,643,660
ARRA - Highway Planning and Construction National Infrastructure Investments	20.205	N/A	102,101
	20.933	N/A	<u>378,222</u>
Subtotal - Direct Awards			<u>2,123,983</u>
<b><u>Passed - Through Awards</u></b>			
State of Louisiana			
Department of Transportation:			
State and Community Highway Safety	20.600	742-04-006/ etal	8,016,167
Department of Public Safety:			
Safety Belt Performance Grants	20.609	2012-30-44	<u>196,953</u>
Subtotal - Awards from Pass-Through Entities			<u>8,213,120</u>
<b>Total U.S. Department of Transportation</b>			<u>10,337,103</u>
<b><u>National Endowment for the Arts</u></b>			
<b><u>Direct Awards</u></b>			
Promotion of the Arts	45.024	N/A	<u>75,000</u>
<b>Total National Endowment for the Arts</b>			<u>75,000</u>
<b><u>U.S. Department of Energy</u></b>			
<b><u>Direct Awards</u></b>			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	N/A	<u>537,689</u>
Subtotal - Direct Awards			<u>537,689</u>
<b>Total U.S. Department of Energy</b>			<u>537,689</u>

See Independent Auditors' Report and the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<b><u>Direct Awards</u></b>			
Consolidated Health Centers - Healthcare for the Homeless	93.224	N/A	\$ 1,614,085
HIV Emergency Relief Project Grants-Ryan White Program	93.914	N/A	7,146,473
Healthy Start Initiative-Great Expectations Program	93.926	N/A	1,842,791
Health Care and Other Facilities - Mobile Hospital Service	93.887	N/A	<u>407,017</u>
Subtotal - Direct Awards			<u>11,010,366</u>
<b><u>Passed - Through Awards</u></b>			
State of Louisiana			
Department of Health and Hospitals:			
Public Health Emergency Preparedness	93.069	CFMS 696594	40,288
CMS Research, Demonstration and Evaluation Grants	93.779	K07-551/K08-335	304,812
Childhood Lead Poisoning Prevention Projects	93.197	Various	46,986
Preventative Health and Health Services Block Grant	93.991	Various	218,904
Maternal and Child Health Services Block Grant to the States	93.994	CFMS700228	12,632
Department of Labor:			
Temporary Assistance for Needy Families	93.558	CFMS #697016	<u>406,041</u>
Subtotal - Awards from Pass-Through Entities			<u>1,029,663</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><b>12,040,029</b></u>
<b><u>U.S. Department of Homeland Security</u></b>			
<b><u>Direct Awards</u></b>			
Emergency Food and Shelter National Board Program	97.024	N/A	3,015
Assistance to Firefighters Grant	97.044	N/A	239,558
Staffing for Adequate Fire and Emergency Response	97.083	EMW2009FH01301	3,666,041
ARRA - Port Security Grant Program	97.116	Various	<u>1,398,368</u>
Subtotal - Direct Awards			<u>5,306,982</u>

See Independent Auditors' Report and the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Homeland Security, Continued</u></b>			
<b><u>Passed - Through Awards</u></b>			
State of Louisiana			
Governor's Office of Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	071-55000	\$ 81,222,015
Hazard Mitigation Grant	97.039	1603DRLA0079	946,611
Emergency Management Planning Grant	97.042	EMW11EP0058	156,000
Interperable Emergency Communications	97.055	Various	3,580
Homeland Security Grant Program	97.067	Various	1,962,775
Buffer Zone Protection Program	97.078	Various	286,316
Severe Loss Repetitive Program	97.110	SRLPJ06LA907	251,203
Subtotal - Awards from Pass-Through Entities			<u>84,828,500</u>
Total U.S. Department of Homeland Security			<u>90,135,482</u>
Total Expenditures of Federal Awards			<u>\$ 240,882,588</u>

See Independent Auditors' Report and the Notes to the Schedule of Expenditures of Federal Awards.



**NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE 1 – BACKGROUND:**

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

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

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

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

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

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

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

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE 4 – QUESTIONED COSTS:**

The City has expended in the current year and in previous years certain federal grant funds in a manner that may have violated certain provisions of the related compliance requirements and grant agreements. The related questioned costs amounts as reported in the current and prior Single Audit reports pertinent to such issues excluding audit findings that are no longer applicable based on the provisions of OMB Circular A-133, Section 315(b)(4) are as follows:

<u>Program Year</u>	<u>Amount</u>
<u>City of New Orleans</u>	
December 31, 2009	\$ <u>1,369,886</u>
 Total	 \$ <u><u>1,369,886</u></u>

There were no question costs for the years ended December 31, 2010, 2011 and 2012.

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

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE 5 – INELIGIBLE, DISALLOWED AND QUESTIONED COSTS:**

The City of New Orleans is subject to audit by federal agencies or their designees for compliance with contractual and programmatic requirements with regard to federal programs administered by the City of New Orleans. The determination of whether any instances of noncompliance that will ultimately result in the remittance of any ineligible or disallowed cost cannot be presently determined. When applicable, the repayment of any remaining ineligible and disallowed costs shall be funded from non-federal funds.

**NOTE 6 – GRANTEE LOANS – URBAN DEVELOPMENT ACTION GRANTS:**

The City has provided certain grant awards with funds from the United States Department of Housing and Urban Development (HUD) in the form of loans to the private sector for completion of projects that will stimulate economic development activity in the City. Four (4) of these loans are outstanding at December 31, 2012, totaling \$2,320,616 which bear interest at various interest rates not exceeding three and three-quarters percent (3.75%). These loans are receivable over an eight (8) to ten (10) year period and are recorded as loans receivable at December 31, 2012. Once the loan payments are received and the project is accepted by HUD, the City may use the amounts received for other allowable economic development activities as specified in the grant agreement.

**NOTE 7 – HOUSING AND URBAN DEVELOPMENT SECTION 108 LOANS:**

The City has entered into contracts for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, with the Secretary of United States Department of Housing and Urban Development (HUD) as guarantor. The City received these loans in order to fund its commitments to Jazzland, American Can, Palace of the East, LLC and Louisiana Artist Guild Projects. During the years prior to and as of December 31, 2005, \$25,300,000 was disbursed to Jazzland; \$5,000,000 was disbursed to the American Can Project; \$5,000,000 was disbursed to the Palace of the East, LLC (Grand Theatre) and \$7,100,000 to Louisiana Artist Guild.

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE 7- HOUSING AND URBAN DEVELOPMENT SECTION 108 LOANS,**  
continued:

As of December 31, 2012, the balance due to HUD by the City in the amount of \$20,778,000 is recorded as a payable in the City's financial statements and reflected in the Schedule of Expenditures of Federal Awards.

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

		<u>Due to HUD</u>
<u>Jazzland Project</u>		
2013	\$	1,830,000
2014		1,945,000
2015		2,075,000
2016		2,210,000
2017		<u>2,345,000</u>
		<u>10,405,000</u>
 <u>American Can Project</u>		
2013		320,000
2014		340,000
2015		360,000
2016		380,000
2017		400,000
Thereafter		<u>870,000</u>
		<u>2,670,000</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE 7 – HOUSING AND URBAN DEVELOPMENT SECTION 108 LOANS,**  
**continued:**

		<u>Due to HUD</u>
 <u>Grand Theatre Project</u>		
2013	\$	275,000
2014		290,000
2015		315,000
2016		325,000
2017		335,000
Thereafter		<u>1,480,000</u>
		<u>3,020,000</u>
 <u>Louisiana Artist Guild</u>		
2013		355,000
2014		377,000
2015		399,000
2016		423,000
2017		449,000
Thereafter		<u>2,680,000</u>
		<u>4,683,000</u>
	\$	<u>20,778,000</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 8 – BROWNSFIELD ECONOMIC DEVELOPMENT INITIATIVE:**

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

<u>American Can Project</u>	<u>Principal</u>
2013	\$ 120,293
2014	10,673
2015	10,888
2016	11,108
2017	11,332
Thereafter	<u>335,706</u>
	<u>\$ 500,000</u>

**NOTE 9 – CONTINGENCY:**

The City is the recipient of numerous federal grants and awards. These grants and awards are governed by various Federal requirements, guidelines, regulations and contractual agreements.

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

The audit of the federal award programs of the City for the year ended December 31, 2012 disclosed instances of non-compliance that may be significant to the Schedule of Expenditures of Federal Awards, but for which the ultimate resolution cannot be presently determined.

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 10 – MAJOR FEDERAL AWARDS PROGRAM:**

The City's major Federal awards programs for the year ended December 31, 2012 were determined based upon program activity. The City's "Type A" federal awards programs for the year ended December 31, 2012 were all federally assisted high risk programs for which program activity was equal to or greater than \$3,000,000 during the year ended December 31, 2012.

**NOTE 11 – FEDERAL DISBURSEMENTS TO SUB-RECIPIENTS:**

Federal Awards disbursed by the City to sub-recipients associated with its major federal award programs for the year ended December 31, 2012 were as follows:

<u>CFDA #</u>	<u>Name of Federal Program</u>	<u>Amount</u>
14.218	Community Development Block Grant	\$ 2,703,678
14.228	Disaster Community Development Block Grant	20,526,028
14.241	Housing Opportunities for Persons with AIDS	3,495,086
17.258; 17.259; 17.260; and 17.279	Workforce Investment Act	2,861,550
93.914	HIV Emergency Relief Project Grant-Ryan White	<u>4,076,286</u>
	Total Federal Disbursements to Sub-recipients	<u>\$ 33,662,628</u>



**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 12 – STATE GRANTS:**

The City receives non-Federal funds from the State of Louisiana to perform certain public programs. Expenditures and adjustments to expenditures of state grants, which were not subjected to the audit procedures in the audit of the Schedule of Expenditures of Federal Awards, for the year ended December 31, 2012 were as follows:

<u>State Grantor/Program Name</u>	<u>Contract Number</u>	<u>Amount</u>
<u>Louisiana Commission on Law Enforcement</u>		
Corrections Training	P10-8-COR	\$ 17,350
Basic Training	P10-8-BAS	<u>14,500</u>
		<u>31,850</u>
<u>Louisiana Department of Culture, Recreation and Tourism</u>		
Library State Aid Grant	N/A	11,450
<u>Louisiana Department of Facility Planning and Control</u>		
Stadiums and Parks	N/A	482,837
<u>Louisiana Commission on Public Safety</u>		
Crime Lab Equipment and Training	2503-08-58	345,789
<u>Louisiana Department of Education</u>		
Schools	N/A	174,532
<u>Louisiana Department of Economic Development</u>		
Community Renewal	CFMS 685880	<u>15,868</u>
Total State Grant Expenditures		<u>\$ 1,062,326</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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

The City, in conjunction with the State of Louisiana Department of Health and Hospitals, administers the Women, Infants and Children (WIC) Supplemental Food Issuance Program. As a result, eligible participants received WIC drafts to obtain WIC food packages totaling \$3,856,747 for the year ended December 31, 2012.

**NOTE 14 – SUBSEQUENT EVENTS:**

The City is required to evaluate events or transactions that may occur after the schedule of expenditures of federal awards date for potential recognition or disclosure in the notes to the schedule of expenditures federal awards. The City performed such an evaluation through June 27, 2013, the date which the schedule of expenditures of federal awards was available to be issued, and noted no events or transactions that occurred after the schedule of expenditures of federal awards date requiring recognition or disclosure.

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



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

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To the Honorable Members of the City Council  
and the Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Expenditures of Federal Awards of the City of New Orleans (the City) for the year ended December 31, 2012 and the related notes to the Schedule of Expenditures of Federal Awards and have issued our report thereon dated June 27, 2013.

***Internal Control Over Financial Reporting***

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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*

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

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**(CONTINUED)**

To the Honorable Members of the City Council  
and the Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana

*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 Schedule of Expenditures of Federal Awards will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012- 01 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-02 to be a significant deficiency.

***Compliance and Other Matters***

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

An explanatory paragraph was included in our report indicating that the City is subject to audit by Federal agencies or their designees for compliance with certain contractual and programmatic requirements with regards to its Federal programs for the year ended December 31, 2012. The determination of whether any instances of noncompliance that will ultimately result in remittance of ineligible or disallowed cost cannot be presently determined.

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

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**(CONTINUED)**

To the Honorable Members of the City Council  
and the Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana

***City's Response to Findings***

The City's response to the findings identified in our audit is described in a separate Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the Schedule of Expenditures of Federal Awards and, accordingly, we express no opinion on it.

***Purpose of this Report***

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

This report is intended solely for the information and use of the City Council, the Mayor, management, the Louisiana Legislative Auditor and Federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

***Bruno & Tervalon LLP***  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

June 27, 2013

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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To the Honorable Members of the City Council  
and the Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the City of New Orleans' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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**(CONTINUED)**

To the Honorable Members of the City Council  
and the Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-03 through 2012-12. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in a separate Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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**(CONTINUED)**

To the Honorable Members of the City Council  
and the Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana

federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2012-03 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2012-04 through 2012-12 to be significant deficiencies.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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**(CONTINUED)**

To the Honorable Members of the City Council  
and the Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana

The City's response to the internal control over compliance findings identified in our audit is described in a separate Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the City Council, the Mayor, management, the Louisiana Legislative Auditor and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

June 27, 2013

**SCHEDULE I**

**SUMMARY OF INDEPENDENT AUDITORS'  
RESULTS**

**SCHEDULE I**

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

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1. Type of report issued on the Schedule of Expenditures of Federal Awards: **Unqualified.**
2. Did the audit disclose any material weaknesses in internal control over financial reporting? **Yes.**
3. Did the audit disclose any significant deficiencies in internal control over financial reporting? **Yes.**
4. Did the audit disclose any non-compliance which is material to the Schedule of Expenditures of Federal Awards? **No.**
5. Did the audit disclose any material weaknesses in internal control over major Federal programs? **Yes.**
6. Did the audit disclose any significant deficiencies in internal control over major programs? **Yes.**
7. Type of report issued on compliance for major programs: **Unmodified.**
8. Did the audit disclose any audit findings required to be reported in accordance with OMB Circular A-133, Section .510(a)? **Yes.**
9. Was a management letter issued? **Yes.**

**SCHEDULE I**

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

**(Continued)**

10. Identification of Major Programs:

<b>CFDA #</b>	<b>Name of Federal Program</b>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children – Food Issuance
14.218	Community Development Block Grant/ Entitlement Grants
14.253	ARRA – Community Development Block Grant – Entitlement Grant
14.221	Urban Development Action Grants-Grantee Loans
14.228	Disaster Community Development Block Grant
14.241	Housing Opportunities for Persons with AIDS
14.246	Brownsfield Economic Development Initiative – Loans Guarantee
14.248	Community Development Block Grant - Section 108 Loans Guarantee
15.426	Coastal Impact Assistance Program.
16.710	ARRA - Public Safety Partnership and Community Policing
17.258	Workforce Investment Act-Adult Program
17.259	Workforce Investment Act-Youth Activities
17.260	ARRA - Workforce Investment Act-Dislocated Workers
17.278	Workforce Investment Act – Dislocated Worker
20.600	State and Community Highway Safety
20.609	Safety Belt Performance Grants
93.914	HIV Emergency Relief Project Grant-Ryan White Program
97.036	Disaster Grants - Emergency Management Performance-State and Local Assistance
97.083	Staffing for Adequate Fire and Emergency Response

11. Dollar threshold used to distinguish between Type A and Type B Programs:  
**\$3,000,000.**

12. Is the auditee a “low-risk” auditee, as defined by OMB Circular A-133? **No.**

**SCHEDULE II**

**FINANCIAL STATEMENT FINDINGS**

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

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**Audit Finding Reference Number**

**2012-01 Accounting and Reporting – Schedule of Expenditures of Federal Awards**

**Criteria**

The City should have systems over internal control over preparation of the Schedule of Expenditures of Federal Awards (SEFA), including the accuracy of the Catalogue of Federal Domestic Assistance (CFDA) numbers and the overall accuracy, completeness and timeliness of preparation of the Schedule of Expenditures of Federal Awards.

**Condition**

The City does not have adequate policies, procedures, and related internal controls to prepare an accurate and complete Schedule of Expenditures of Federal Awards on a timely basis and to ensure that expenditures are reported accurately, timely and in the proper accounting period.

**Context**

The City devotes various resources to timely and accurately report expenditures, however we noted that adjustments to record and accrue unpaid invoices subsequent to year-end were necessitated resulting in adjustments to those federal expenditures reported in the Schedule of Expenditures of Federal Awards.

**Cause**

The City's procedures for recording accounts payable does not include sufficient review of subsequent disbursements to determine that all accounts payable, inclusive of unpaid invoices have been communicated and transmitted to the Finance department to be properly recorded in a timely manner.



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

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**(CONTINUED)**

**Audit Finding Reference Number**

**2012-01 Accounting and Reporting – Schedule of Expenditures of Federal Awards,  
continued**

**Effect**

The City recorded adjustments to properly reflect accounts payable after year-end delaying accurate and timely completion of the Schedule of Expenditures of Federal Awards.

**Recommendation**

We recommend that the City strengthen internal controls over the accuracy, completeness and timeliness of recording expenditure amounts reported in the SEFA.

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

---

**(CONTINUED)**

**Audit Finding Reference Number**

**2012-02 – FEMA Expenditures**

**Criteria**

The City has a significant number of on-going projects with expenditures that are reimbursable under FEMA grants. The City should have systems of internal control in place, which provide for proper accounting and reporting of expenses reimbursable by FEMA in an accurate and timely manner.

**Condition**

The City does not have adequate processes and controls in place to ensure that all expenditures charged to FEMA are allowable and properly included in a project worksheet (PW).

**Context**

During the course of the audit, we noted instances where amounts charged to FEMA were not supported by a project worksheet documenting the eligible scope of work and cost estimate.

**Cause**

The City's procedures for recording expenditures charged to and reimbursable from FEMA do not include procedures to ensure that all expenditures charged to FEMA are properly authorized and included in a project worksheet.

**Effect**

Included in FEMA expenditures in the Schedule of Expenditures of Federal Awards are expenditures not included in a project worksheet and thus potentially not reimbursable by FEMA.

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

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(CONTINUED)

**Audit Finding Reference Number**

**2012-02 – FEMA Expenditures, continued**

**Recommendation**

We recommend that the City implement procedures and controls to ensure that all expenditures charged to and reimbursable by FEMA are supported by an approved project worksheet and an evaluation be performed to determine amounts properly charged to and reimbursable by FEMA at year-end.

**SCHEDULE III**

**FEDERAL AWARD FINDINGS AND QUESTIONED  
COSTS**

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

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**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-03 Reporting

**Federal Program and Specific Federal Award Identification Number**

All Type A Major Programs (See Schedule I).

**Federal Award Year**

December 31, 2012

**Pass-Through Entity**

Various

**Criteria**

The City should have systems over internal control over preparation of the Schedule of Expenditures of Federal Awards (SEFA), including the accuracy of the Catalogue of Federal Domestic Assistance (CFDA) numbers and the overall accuracy, completeness and timeliness of preparation of the schedule of expenditures of federal awards.

**Condition**

The City does not have adequate policies, procedures, and related internal controls to prepare an accurate and complete schedule of expenditures of federal awards on a timely basis and to ensure that expenditures are reported accurately, timely and in the proper accounting period.

**Questioned Costs**

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

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

---

**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

**2012-03 Reporting, continued**

**Context**

The City devotes various resources to timely and accurately report expenditures, however we noted that adjustments to record and accrue unpaid invoices subsequent to year-end were necessitated resulting in adjustments to those federal expenditures reported in the Schedule of Expenditures of Federal Awards.

**Cause**

The City's procedures for recording accounts payable does not include sufficient review of subsequent disbursements to determine that all accounts payable, inclusive of unpaid invoices have been communicated and transmitted to the Finance department to be properly recorded in a timely manner.

**Effect**

The City recorded adjustments to properly reflect accounts payable after year-end delaying accurate and timely completion of the Schedule of Expenditures of Federal Awards.

**Recommendation**

We recommend that the City strengthen internal controls over the accuracy, completeness and timeliness of recording expenditure amounts reported on the SEFA.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-04 Activities Allowed or Unallowed

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Homeland Security  
o 97.036 – Disaster Grants-Public Assistance

**Federal Award Year**

December 31, 2012

**Pass-Through Entity**

State of Louisiana

**Criteria**

The City has a significant number of on-going projects with expenditures that are reimbursable under FEMA grants. The City should have systems of internal control in place, which provide for proper accounting and reporting of expenses reimbursable by FEMA in an accurate and timely manner.

**Condition**

The City does not have adequate processes and controls in place to ensure that all expenditures charged to FEMA are allowable and properly included in a project worksheet (PW).

**Questioned Costs**

For the purposes of the finding we have not questioned any costs.

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

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**(CONTINUED)**

COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE

Audit Finding Reference Number

2012-04 Activities Allowed or Unallowed, continued

Context

During the course of the audit we noted instances where amounts charged to FEMA were not supported by a project worksheet documenting the eligible scope of work and cost estimate.

Cause

The City's procedures for recording expenditures charged to and reimbursable from FEMA do not include procedures to ensure that the scope and cost estimate for all expenditures charged to FEMA are properly authorized and included in a project worksheet.

Effect

Included in FEMA expenditures in the Schedule of Expenditures of Federal Awards are expenditures not included in a project worksheet and thus potentially not reimbursable by FEMA.

Recommendation

We recommend that the City implement procedures and controls to ensure that all expenditures charged to and reimbursable by FEMA are supported by an approved project worksheet and an evaluation be performed to determine amounts properly charged to and reimbursable by FEMA at year-end.



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

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**(CONTINUED)**

COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE

Audit Finding Reference Number

2012-05 Cash Management

Federal Program and Specific Federal Award Identification Number

U.S. Department of Housing and Urban Development  
o 14.228 Disaster Community Development Block Grant

Federal Award Year

December 31, 2012

Pass-Through Entity

State of Louisiana

Criteria

The City should have systems of internal control over cash management to provide reasonable assurance that advances received are disbursed within seventy-two (72) hours of receipt.

Condition

We noted that for eighteen (18) of the disbursements selected for testing, the funds received by the City in advance were not disbursed to the applicable vendors within seventy-two (72) hours of receipt.

Questioned Costs

For the purposes of this finding we have not questioned any cost.

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

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(CONTINUED)

COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE

Audit Finding Reference Number

2012-05 Cash Management, continued

Context

Advances received are required to be disbursed within seventy-two (72) hours of receipt by the City.

Cause

A cause for this condition could not be determined.

Effect

Funds received in advance were not disbursed to vendors within the prescribed timeframe.

Recommendation

We recommend that internal control systems be strengthened to ensure advances of federal funds are disbursed in a timely manner.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-06 Sub-recipient Monitoring

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
o 14.228 Disaster Community Development Block Grant

**Federal Award Year**

December 31, 2012

**Pass-Through Entity**

State of Louisiana

**Criteria**

The City should have systems of internal controls to determine whether an applicant for a non-Recovery Act sub-award has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its sub-award application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25). The system of controls should also provide reasonable assurance that Federal award information and compliance requirements are identified to sub-recipients, sub-recipient activities are monitored, sub-recipient audit findings are resolved and the impact of any sub-recipient noncompliance on the pass-through entity is evaluated. Also the pass-through entity should perform procedures to provide reasonable assurance that the sub-recipient obtained required audits and takes appropriate corrective action on audit findings.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

**2012-06 Sub-recipient Monitoring, continued**

**Condition**

The City did not provide adequate documentation to demonstrate that it:

- Determined whether applicants for sub-awards provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its sub-award application or if not, before the award; and
- Identified to sub-recipients the Federal award information (CFDA title and number, award name and number), whether the award was research and development, the name of the Federal awarding agency and applicable compliance requirements.

**Questioned Costs**

For the purposed of this finding we have not questioned any costs.

**Context**

The City disbursed Disaster Community Development Block Grant funds in the amount of \$20,526,028 to sub-recipients during the year ended December 31, 2012.

**Cause**

The City was not familiar of all the requirements of OMB Circular A-133 pertaining to sub-awards to sub-recipients.

**Effect**

The City is not in compliance with sub-award requirements of OMB Circular A-133.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

**2012-06 Sub-recipient Monitoring, continued**

**Recommendation**

We recommend that the City strengthen its internal control systems related to the monitoring and making awards to sub-recipients.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

**2012-07 Procurement and Suspension and Debarment**

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
o 14.253 Community Development Block Grant (ARRA)

**Federal Award Year**

December 31, 2012

**Pass-Through Entity**

None

**Criteria**

An award that provides Recovery Act funding for construction, alteration, maintenance, or repair of a public building or public work includes a Buy American provision. Section 1605 of the Recovery Act prohibits the use of Recovery Act funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States.

**Condition**

The two (2) construction contracts funded by this Recovery Act award did not contain "Buy American" provisions and we were unable to ascertain that the City verified whether the applicable contractors were in compliance with the "Buy American" compliance requirements for Recovery Act funded construction projects.

**Questioned Costs**

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

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

**2012-07 Procurement and Suspension and Debarment, continued**

**Context**

The Recovery Act funded Community Development Block Grant incurred construction expenditures associated with two (2) construction contracts in the amount of \$4,549,429 for the year ended December 31, 2012.

**Cause**

We were unable to determine the cause of this audit finding.

**Effect**

The City did not document that the iron, steel and manufactured goods used in Recovery Act construction projects were produced in the United States.

**Recommendation**

We recommend that the City strengthen its controls and procurement policies to ensure compliance with "Buy American" provisions of the Recovery Act.

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

**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-08 Reporting

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
o 14.253 Community Development Block Grant (ARRA)

**Federal Award Year**

December 31, 2012

**Pass-Through Entity**

None

**Criteria**

HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, (OMB No. 2529-0043) – For each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002.

**Condition**

The City did not prepare and submit form HUD 60002 for the two (2) projects involving housing rehabilitation, housing construction, or other public construction funded by the Recovery Act funded Community Development Block Grant.

**Questioned Costs**

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



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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

**2012-08 Reporting, continued**

**Context**

The Recovery Act funded Community Development Block Grant incurred construction expenditures associated with two (2) construction contracts in the amount of \$4,549,429 for the year ended December 31, 2012.

**Cause**

We were unable to determine the cause of this audit finding.

**Effect**

The City did not comply with requirement for submission of form HUD 60002 for the two (2) projects involving housing rehabilitation, housing construction, or other public construction funded by the Recovery Act funded Community Development Block Grant.

**Recommendation**

We recommend that the City strengthen its internal control systems to ensure compliance with grant reporting requirements.

**CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-09 Reporting

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
o 14.253 Community Development Block Grant (ARRA)

**Federal Award Year**

December 31, 2012

**Pass-Through Entity**

None

**Criteria**

Section 1512 of the Recovery Act funding requires recipients awarded such funds must provide the required reports. The Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009). Aimed at providing transparency into the use of these funds, the recipient reports are required to include the following detailed information:

- Total amount of funds received; and of that the amount spent on projects and activities;
- A list of those projects and activities funded by name to include:
  - o Description
  - o Completion status
  - o Estimates on jobs created or retained;
- Details on sub-awards and other payments.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-09 Reporting, continued

**Condition**

The City did not comply with reporting requirements of Section 1512 of the Recovery Act.

**Questioned Costs**

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

**Context**

The Recovery Act funded Community Development Block Grant incurred construction expenditures associated with two (2) construction contracts in the amount of \$4,549,429 for the year ended December 31, 2012.

**Cause**

The City had staffing shortages preventing the preparation of Section 1512 reports.

**Effect**

The City was not in compliance with Section 1512 of the Recovery Act reporting requirements.

**Recommendation**

We recommend that the City strengthen its policies and procedures to ensure compliance with Recovery Act funding grant requirements.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-10 – Reporting

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Labor

- 17.258 Workforce Investment Act-Adult Program
- 17.259 Workforce Investment Act-Youth Activities
- 17.260 Workforce Investment Act-Dislocated Workers
- 17.278 Workforce Investment Act-Dislocated Workers

**Federal Award Year**

December 31, 2012

**Pass-Through Entity**

State of Louisiana

**Criteria**

The City should have systems of internal control over financial reporting to ensure that reports of expenditures Federal awards submitted to the Federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting and performance records and are fairly presented in accordance with program requirements.

**Condition**

During the course of our audit procedures we noted that financial reports submitted to Federal agencies or pass-through entities were prepared and submitted by various departments external to the City's accounting department. Additionally, many subsidiary ledgers of expenditures of Federal awards are also maintained by various departments

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-10 – Reporting, continued

**Condition, continued**

external to the City's accounting department. However, we noted a difference of \$89,641 between these financial reports as prepared by grant personnel versus subsidiary ledgers records maintained by the accounting departments.

**Questioned Costs**

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

**Context**

During the course of our test work, we noted un-reconciled differences between expenditures of Federal awards included in the financial reports prepared and submitted by grant personnel to Federal awarding agencies or pass-through entities and expenditures of Federal awards as reflected in the SEFA and the accounting records maintained by the accounting department.

**Cause**

Reports of expenditures of Federal awards submitted to Federal awarding agencies or pass-through entities are not reconciled to the accounting records maintained by the City's accounting department.

**Effect**

Previously filed reports of expenditures of Federal awards require amendments or the accounting records maintained by the City's accounting department require adjustments.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

**2012-10 – Reporting, continued**

**Recommendation**

We recommend that all reports of expenditures of Federal awards be reviewed or prepared by the City's accounting department to ensure agreement to the accounting records maintained by the accounting department.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-11 – Matching, Level of Effort, Earmarking

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Homeland Security

- o 97.083 Staffing for Adequate Fire and Emergency Response (SAFER)

**Federal Award Year**

December 31, 2012

**Pass-Through Entity**

None

**Criteria**

The entity must use federal funds to provide services that they were required to make available under federal, state or local laws. Grantees must maintain their staffing at the level that existed at the time of award. Grantees cannot layoff any firefighters during the period of performance. If a SAFER grantee loses any firefighters for any reason (such as attrition or termination) during the period of performance, they must fill the position(s) or lose funding for the position(s) until the vacancy or vacancies are filled. Failure on the grantee's part to adjust payment request to reflect vacancies or staffing adjustments would be considered in default and require repayment of the Federal funds received.

**Condition**

Our review of hiring performance reports indicate that staffing levels fell by nine (9) positions below the staffing level requirements contained in the grant agreement.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

**2012-11 – Matching, Level of Effort, Earmarking, continued**

**Questioned Costs**

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

**Context**

The City's required staffing levels as contained in the grant agreement was 714. The City has requested a waiver of the staffing level requirement but has not received a response.

**Cause**

Budgetary constraints prevent the City from achieving staffing levels contained in the grant agreement.

**Effect**

The City is not in compliance with staffing levels contained in the grant agreement.

**Recommendation**

We recommend that the City strengthen controls to ensure its compliance with staffing level requirements contain in grant agreements or continue to pursue the waiver for attainment of staffing level requirements.



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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

2012-12 Reporting

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
o 14.218 Community Development Block Grant

**Federal Award Year**

December 31, 2012

**Pass-Through Entity**

None

**Criteria**

The City should have systems of internal control over financial reporting to ensure that reports of expenditures Federal awards submitted to the Federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting and performance records and are fairly presented in accordance with program requirements. The auditor is required to test information extracted from the Integrated Disbursement and Information System (IDIS) for system generated reports C04PR03-Activity Summary Report and C04PR26-CDBG Financial Summary.

**Condition**

During the course of our audit procedures, we noted that expenditure related amounts are reflected in reports generated by the Integrated Disbursement and Information System (IDIS) did not agree nor could be reconciled to the underlying accounting records of the City as maintained by the City's finance department.

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

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**(CONTINUED)**

**COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE**

**Audit Finding Reference Number**

**2012-12 Reporting, continued**

**Questioned Costs**

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

**Context**

The City expended \$16,893,017 under its CDBG Programs for the year ended December 31, 2012.

**Cause**

Management has been unable to reconcile expenditures reflected in IDIS to the underlying accounting records.

**Effect**

Un-reconciled differences between expenditure amounts and classifications reported in IDIS and the underlying accounting records.

**Recommendation**

We recommend that the City continue its efforts to reconcile expenditure related amounts as reflected in IDIS to the underlying accounting records.

**STATUS OF PRIOR YEAR'S  
AUDIT FINDINGS**

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**

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**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2011-01 Accounting and Reporting – Schedule of Expenditures of Federal Awards**

**Condition**

We noted weaknesses in the City's internal control as it relates to the accuracy and completeness of expenditure amounts reported in the SEFA that contributed to the following:

- Included in CFDA #14.228 – Disaster Community Development Block Grant (CDBG) expenditure amounts reported in the SEFA were approximately \$4,015,000 of expenditures that were incorrectly reported in CDBG program expenditures; and
- Omitted from CFDA #93.083 – Staffing for Adequate Fire and Emergency Response (SAFER) grant expenditures reported on the SEFA were approximately \$500,000 of expenditures which were incorrectly omitted from the SAFER grant program expenditures.

Adjustments were recorded by the City to address the aforementioned conditions as well as to properly state other expenditure amounts reflected in the SEFA.

**Recommendation**

We recommend that the City strengthen internal controls over the accuracy and completeness of expenditure amounts reported on the SEFA.

**Current Year Status**

**Resolved.** The City of New Orleans has hired seven (7) additional staff in the Finance Department. Staff's duties include reconciliation of the SEFA to subsidiary records.

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2011-02 – Financial Reporting**

**Condition**

During the course of our audit procedures, we noted that various financial reports submitted to Federal agencies or pass-through entities are often prepared and submitted by various departments external to the City's accounting department. Additionally, many subsidiary ledgers of expenditures of Federal awards are also maintained by various departments external to the City's accounting department. However, we noted that these financial reports and subsidiary ledgers are not reconciled to the accounting records maintained by the accounting departments.

**Recommendation**

We recommend that all reports of expenditures of Federal awards be reviewed or prepared by the City's accounting department to ensure agreement to the accounting records maintained by the accounting department.

**Current Year Status**

**Unresolved. (See Audit Finding 2012-10)**

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

2011-03 Cash Management – Excess Cash on Hand

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
14.218 Community Development Block Grant

**Condition**

During the course of our audit procedures, we noted that the City had excess cash of approximately \$5.5 million.

**Recommendation**

We recommend that internal control systems be strengthened to ensure the drawdowns of Federal cash are made only for immediate needs and after cost have been incurred.

**Current Year Status**

**Resolved.** The City of New Orleans has hired seven (7) additional staff in the Finance Department. Staff's duties include reconciliation of accounting records to CDBG draw-down reports to ensure that Federal funds drawn down are for immediate needs.

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

**2011-04 Special Tests and Provisions**

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
14.218 Community Development Block Grant

**Condition**

During the course of our audit procedures, we noted two (2) of four (4) applicants of the Disabled and Elderly Owner Occupied Rehabilitation (DE-OOR) program tested had expired initial eligibility statuses at the commencement of the rehabilitation work.

**Recommendation**

We recommend that internal control systems be strengthened to ensure that benefits are provided timely, and as necessary, participants should be re-certified once their eligibility statuses expired.

**Current Year Status**

**Resolved.** The City of New Orleans has revised its DE-OOR program application review procedures to ensure that participants remain eligible as rehabilitation work begins for each participant.

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

2011-05 Reporting

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
14.218 Community Development Block Grant  
14.239 Home Investment Partnership Program  
14.241 Housing Opportunities for Persons with AIDS

**Condition**

During the course of our audit procedures, we noted that expenditure related amounts are reflected in reports generated by the Integrated Disbursement and Information System (IDIS) did not agree nor could be reconciled to the underlying accounting records of the City.

**Recommendation**

We recommend that the City continue its efforts to reconcile expenditure related amounts as reflected in IDIS to the underlying accounting records.

**Current Year Status**

Unresolved. (See Audit Finding 2012-12)



**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

2011-06 Matching, Level of Effort, Earmarking

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
14.218 Community Development Block Grant

**Condition**

During the course of our audit procedures, we noted based on the IDIS reports provided, the City obligated and/or expended more than fifteen percent (15%) of its 2011 CDBG program year allocation on public service expenditures thereby exceeding the fifteen percent (15%) CDBG earmarking ceiling.

**Recommendation**

We recommend that the City strengthen its internal control systems relative to tracking public service expenditures and reconcile IDIS to the underlying accounting records to ensure proper calculation of earmarking requirements.

**Current Year Status**

Unresolved. (See Audit Finding 2012-12)

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

**2011-07 Sub-recipient Monitoring**

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
14.218 Community Development Block Grant  
14.239 Home Investment Partnership Program  
14.241 Housing Opportunities for Persons With AIDS

**Condition**

During the year ended December 31, 2011, the City disbursed approximately \$68,577,000 in Federal awards to sub-recipients under its major programs. During the course of our audit procedures we noted weaknesses in the internal control systems relative to sub-recipient monitoring that contributed to the following:

**CDBG**

- Undocumented fiscal and/or programmatic monitoring during the award period for three (3) of the eighteen (18) sub-recipients of CDBG funds selected for testing; and
- Undocumented follow-up on monitoring findings within a timely period for one (1) of the eighteen (18) sub-recipients of CDBG funds selected for testing.

**HOME**

- We were not provided supporting documentation regarding fiscal monitoring for three (3) of six (6) sub-recipients selected for testing.

**HOPWA**

- One (1) of six (6) sub-recipients of HOPWA funding was reimbursed for administrative cost in excess of seven percent (7%) of their total contractual allotment.

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

**2011-07 Sub-recipient Monitoring, continued**

Additionally, we also observed internal weaknesses surrounding various aspects of the City's control activities, and monitoring of sub-recipient activities.

**Recommendation**

We recommend that the City strengthen its internal control systems related to the monitoring of sub-recipients.

**Current Year Status**

**Resolved.** The City of New Orleans' Office of Community Development has hired three (3) additional staff to ensure the necessary and timely monitoring of sub-recipients. Also, the City of New Orleans utilizes software for the reporting, tracking, and monitoring of sub-recipients.

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

**2011-08 Reporting**

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
14.257 Homeless Prevention and Rapid Re-Housing Program

**Condition**

During the course of our audit procedures, we noted an un-reconciled difference of approximately \$1,986,000 between grant expenditures as reflected in the quarterly performance reports of approximately \$1,379,000 versus grant expenditures reflected in the SEFA of approximately \$3,365,000.

**Recommendation**

We recommend that the City ensure expenditures as reflected in quarterly performance reports agree to the underlying accounting records.

**Current Year Status**

**No Longer Applicable.**

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

2011-09 - Reporting

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Homeland Security

97.083 Staffing for Adequate Fire and Emergence Response (SAFER)

**Condition**

We noted differences of approximately \$3,124,000 between SAFER grant expenditures of \$4,412,000 as reported in the SEFA versus grant expenditures of \$1,288,000 as reflected on Federal Financial Report Standard Form (SF) 425.

**Recommendation**

We recommend that grant expenditures as reflected on SF 425's maintained by grant administrators be reconciled to the underlying accounting records maintained by the accounting department on a timely basis.

**Current Year Status**

**Resolved.** The City of New Orleans has hired seven (7) additional staff in the Finance Department. Staff's duties include reconciliation of grant expenditures reported on SF 425's to the underlying accounting records.

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

**2011-10 Reporting**

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Labor

17.258 – Workforce Investment Act – Adult Program

17.259 – Workforce Investment Act – Youth Activities

17.260 – Workforce Investment Act – Dislocated Worker

17.277 – Workforce Investment Act – National Emergency Grant

17.278 – Workforce Investment Act – Dislocated Worker

**Condition**

During the course of our audit procedures, we noted an un-reconciled difference of approximately \$226,000 between the total of 2011 grant expenditures of approximately \$4,419,000 as reported on the monthly grant expenditure reports prepared by grant administrators versus 2011 grant expenditures of \$4,645,000 as reported in the SEFA and supporting by the underlying records maintained by the accounting department of the City.

**Recommendation**

We recommend that grant expenditures as reflected on monthly grant expenditure reports maintained and prepared by grant administrators be reconciled to the underlying accounting records maintained by the accounting department of the City.

**Current Year Status**

**Unresolved.** (See Audit Finding 2012-04)

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

2011-11 Allowable Costs Principles

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Homeland Security  
97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

**Condition**

During the course of performing our audit procedures we noted that:

- Costs incurred by the City and charged to the Federal grant were not supported by an amended Project Worksheet (PW);
- Costs incurred by the City, charged to the Federal grant and requested for reimbursement were declared ineligible by FEMA pending execution of an amended PW; and
- The City has a significant number of on-going projects with expenditures that are reimbursable or anticipated to be reimbursable under the FEMA grant. However, the City does not have adequate controls to track FEMA expenditures that are (a) pending reimbursement, (b) pending execution of an amended PW or (c) have been declared ineligible by FEMA are properly reported.

**Recommendation**

We recommend that expenditures incurred that are outside of the scope of an existing PW not be charged to a Federal grant until an amended PW is executed.

**Current Year Status**

Unresolved. (See Audit Finding 2012-04)

**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

**2011-12 Matching, Level of Effort, Earmarking**

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
14.239 Home Investment Partnership Program

**Condition**

During the course of our audit procedures, based on our review of statistical reports of eligible applicants for homeownership assistance generated from the Integrated Disbursement and Information System (IDIS), the City reported that an applicant housed in one (1) of the one-hundred and twenty (120) units, occupied was not eligible to receive homebuyer assistance under the program.

**Recommendation**

We recommend that the City strengthen its internal control systems to ensure compliance with grant earmarking requirements.

**Current Year Status**

**Resolved.** The City of New Orleans has strengthened its internal controls to ensure compliance with income eligibility requirements by implementing a tracking system to track the eligibility of homeownership assistance applicants.



**CITY OF NEW ORLEANS**  
**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**  

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**(CONTINUED)**

**Audit Finding Reference Number**

2011-13 Eligibility

**Federal Program and Specific Federal Award Identification Number**

U.S. Department of Housing and Urban Development  
14.239 Home Investment Partnership Program

**Condition**

During the course of our audit, we were provided an Integrated Disbursement and Information System (IDIS) report of statistical data indicating (a) the number of eligible first-time home buyers certified during the year and (b) the number of eligible renters certified during the year. However, the City was unable to provide us a listing of the applicants applicable to the statistics reported in the IDIS report.

**Recommendation**

We recommend that the statistical eligibility participant data as reported in IDIS be reconciled to the eligibility determination files maintained by management.

**Current Year Status**

**Resolved.** The City of New Orleans has established an Intake eligibility form which states the eligibility date and the expiration date of the eligibility determination. This system ensures accurate reporting and tracking of all eligibility requirements which is monitored for final approval by the Deputy Director of Housing.

**EXIT CONFERENCE**

## **CITY OF NEW ORLEANS EXIT CONFERENCE**

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An exit conference and other meetings were held with the City of New Orleans to discuss the Single Audit report. Those who were in attendance and participated in those discussions are noted below. The applicable sections of the Single Audit report were also discussed with the respective fiscal and programmatic department heads and staff.

### **CITY OF NEW ORLEANS**

Council President Jacquelyn Brechtel Clarkson	-- Chairperson, Budget/Audit/BoR Committee
Councilmember Cynthia Hedge-Morrell	-- Member, Budget/Audit/BoR Committee
Councilmember Stacy Head	-- Member, Budget/Audit/BoR Committee
Councilmember Susan G. Guidry	-- Alternate, Budget/Audit/ BoR Committee
Mr. Norman Foster	-- Chief Financial Officer
Mr. Roy Guercio	-- Comptroller
Mr. Derrick Muse	-- Deputy Director of Finance
Ms. Natasha F. Muse	-- Director of Administrative Support Office of Community Development
Ms. Mia Wallace	-- Deputy Director, Compliance and Monitoring

### **BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Joseph A. Akanji, CPA	-- Engagement Partner
Mr. Armand E. Pinkney	-- Engagement Manager



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

(Retired)  
Michael B. Bruno, CPA (2011)

## **INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT**

To the Honorable Members of the City Council and the  
Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana

In *planning and performing* our audit of the Schedule of Expenditures of Federal Awards (the Schedule) of the City of New Orleans, Louisiana (the City) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

However, in the course of our audit, we became aware of a certain matter that is an opportunity for strengthening internal controls, improving operating efficiencies, and other conditions of the City. The following outlines our comment and recommendation regarding that matter:

### **2012-MLC-01 Requests for Reimbursement**

#### **Comment**

Many of the Federal grants administered by the City operate on a cost reimbursement basis. During the course of our test work, particularly as it relates to FEMA, we noted that reimbursements were not being requested in a timely manner thus placing a burden on the City's cash position pending receipt of reimbursement.

#### **Recommendation**

We recommend that the City ensure that request for reimbursement for all Federal grants administered by the City be prepared on a timely basis to minimize strain on the City's cash position.

**INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT**  
**CONTINUED**

To the Honorable Members of the City Council and the  
Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana  
Page 2

**Status of Prior Year's Comments**

**2011-MLC-01 Governing Body Oversight**

**Comment**

The City expends in excess of \$200 million in Federal awards annually and compliance with various Federal and contractual requirements is essential to the proper administration of Federal award programs by the City.

**Recommendation**

In order to assist in ensuring the City's compliance with Federal and contractual requirements, we recommend that consideration be given to the following:

- The establishment of an internal audit or comparable function within City government whose primary duties would include performing various procedures designed to test compliance with various Federal compliance requirements and other contractual requirements of Federal award programs during the award period, prior to the performance of the Annual Single Audit. The results of those procedures should be reported directly to the Budget/Audit/BoR Committee of the City Council; and
- The establishment of an interim reporting mechanism or process that would allow various City departments with primary responsibility for the administration of Federal awards to report to the Budget/Audit/BoR Committee on a periodic basis (the frequency to be determined by the Committee). The reporting process should include but not be limited to (a) the status of activities conducted under Federal award programs, (b) the status of outstanding audit findings from both Single Audits and Grantor audits or reviews, (c) the status of findings reported in audits of sub-recipients receiving Federal awards passed-through the City and (d) any other information the Committee deems necessary that would assist the

**INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT**  
**CONTINUED**

To the Honorable Members of the City Council and the  
Honorable Mitchell J. Landrieu, Mayor  
City of New Orleans  
New Orleans, Louisiana  
Page 3

Committee in fulfilling its oversight responsibilities relative to the administration  
of Federal award programs by the City of New Orleans and its sub-recipients.

**Current Year Status**

**Partially Resolved.** The City has presented to the Budget/Audit/ BoR Committee at several meetings throughout the year the status of sub-recipients monitoring, program, project, and activity performance. This process will continue as the committee deems necessary.

This letter does not affect our report dated June 27, 2013 on the Schedule of Expenditures of Federal Awards of the City of New Orleans. We have already discussed this matter with various City personnel, and would be pleased to discuss this matter in further detail, to perform an additional study of the matter or to assist you in implementing the recommendation.

The City's response to our comment and recommendation is described in a separate Corrective Action Plan. We did not audit the City's response contained in the corrective Action Plan and, accordingly, we express no opinion on it.

This letter is intended solely for the information and use of the City Council, the Mayor, management, the Louisiana Legislative Auditor and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

June 27, 2013



**CITY OF NEW ORLEANS  
CORRECTIVE ACTION PLAN - AUDIT FINDINGS  
DECEMBER 31, 2012**

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/ PASS THROUGH AGENCY CONTACTED
<p><b>2012-01 Accounting and Reporting-Schedule of Expenditures of Federal Awards(SEFA)</b></p> <p>The Independent Auditors noted that the City does not have adequate policies, procedures, and related internal controls to prepare an accurate and complete schedule of expenditures of federal awards on a timely basis and to ensure that expenditures are reported accurately, timely and in the proper accounting period.</p>	<p>The City agrees that the nature of the processing of payables prevents the timely preparation of a final SEFA. This audit year, the City began accruing invoices on a daily basis throughout the audit field work period. The SEFA is updated as often as possible to detect material changes in the determination of major programs. We will expand our sample size when testing on a monthly basis to determine that expenditures are recorded in the proper period.</p>	<p>Dec. 31, 2013</p>	<p>Norman Foster Chief Financial Officer</p>	<p>All Federal Awards</p>
<p><b>2012-02 FEMA Expenditures</b></p> <p>The Independent Auditors noted that the City does not have adequate processes and controls in place to ensure that all expenditures charged to FEMA are allowable and properly included in a project worksheet (PW).</p>	<p>The Department of Finance is implementing a project worksheet scope of work validation for all disbursements pending against the FEMA Fund. Before a payment voucher is approved, Finance will provide a copy of the vendor invoice to the Project Delivery Unit (PDU) to certify that it is within the project worksheet's scope. Once the PDU deems the work to be within scope, the disbursement will be released. If the PDU cannot confirm that the invoice matches the PW's scope, then the payment voucher will be rejected and a vendor payment will not be issued against the PW in the FEMA Fund.</p>	<p>Dec. 31, 2013</p>	<p>Norman Foster Chief Financial Officer</p> <p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p>	<p>U.S. Dept. of Homeland Security</p>
				<p>FEDERAL/</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	PASS THROUGH AGENCY CONTACTED
<p><b>2012-03 Reporting</b></p> <p>The Independent Auditors noted the City does not have adequate policies, procedures, and related internal controls to prepare an accurate and complete schedule of expenditures of federal awards on a timely basis and to ensure that expenditures are reported accurately, timely and in the proper accounting period.</p>	<p>The City agrees that the nature of the processing of payables prevents the timely preparation of a final SEFA. This audit year, the City began accruing invoices on a daily basis throughout the audit field work period. The SEFA is updated as often as possible to detect material changes in the determination of major programs. We will expand our sample size when testing on a monthly basis to determine that expenditures are recorded in the proper period.</p>	<p>Dec. 31, 2013</p>	<p>Norman Foster Chief Financial Officer</p>	<p>All Federal Awards</p>
<p><b>2012-04 Activities Allowed or Un-allowed</b></p> <p>The Independent Auditor noted the City does not have adequate processes and controls in place to ensure that all expenditures charged to FEMA are allowable and properly included in a project worksheet (PW).</p>	<p>The Department of Finance is implementing a project worksheet scope of work validation for all disbursements pending against the FEMA Fund. Before a payment voucher is approved, Finance will provide a copy of the vendor invoice to the Project Delivery Unit (PDU) to certify that it is within the project worksheet's scope. Once the PDU deems the work to be within scope, the disbursement will be released. If the PDU cannot confirm that the invoice matches the PW's scope, then the payment voucher will be rejected and a vendor payment will not be issued against the PW in the FEMA Fund.</p>	<p>Dec. 31, 2013</p>	<p>Norman Foster Chief Financial Officer</p> <p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p>	<p>U.S. Dept. of Homeland Security</p>
<p>AUDIT FINDINGS</p>	<p>PROPOSED CORRECTIVE ACTION</p>	<p>ANTICIPATED COMPLETION</p>	<p>CONTACT PERSON</p>	<p>FEDERAL/PASS THROUGH AGENCY</p>



		DATE		CONTACTED
<p><b>2012-05 Cash Management</b></p> <p>The Independent Auditors noted that for eighteen (18) of the disbursements selected for testing the funds received by the City in advance were not disbursed to the applicable vendors within seventy-two (72) hours of receipt.</p>	<p>The Management of the City of New Orleans has initiated staffing changes which includes removal of consulting agency staff and hiring permanent staff to focus on this specific area. Although the sample selected was 3% of all payments processed in 2012, the City will endeavor to ensure 100% compliance is achieved as it continues to monitor the date payment has been made to the City, the funds hit the City's bank account, and the vendor is paid.</p>	Dec. 31, 2013	<p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p>	HUD
<p><b>2012-06 Sub-recipient Monitoring</b></p> <p>The Independent Auditors noted that the City did not provide adequate documentation to demonstrate that it determined whether applicants for sub-awards provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its sub-award application or if not, before the award; and identified to sub-recipients the Federal award information (i.e. CFDA title and number, award name and number, whether the award was research and development, the name of the Federal awarding agency and applicable compliance requirements).</p>	<p>The City of New Orleans does not currently have a Notice of Funding Availability process due to the nature of the pass-through funding from the State. However, the City will ensure going forward that the DUNS number and CFDA # is verified.</p>	Dec. 31, 2013	<p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p>	HUD
<p><b>2012-07 Procurement and Suspension and Debarment</b></p> <p>The Independent Auditors noted two (2) construction contracts funded by the Recovery Act award did not contain "Buy American" provisions and the auditors were unable to ascertain that the City verified whether the applicable contractors were in compliance with the "Buy American" compliance requirements for Recovery Act funded construction projects.</p>	<p>The construction supplies in which the funding was used were made in America evidenced by verified and approved construction invoices and email documentation provided by the contractor.</p>	Dec. 31, 2013	<p>Cedric Grant  Deputy Mayor of Facilities, Infrastructure and Community Development</p>	HUD

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/ PASS THROUGH AGENCY CONTACTED
<p><b>2012- 08 Reporting</b></p> <p>The Independent Auditors noted the City did not prepare and submit form HUD 60002 for the two (2) projects involving housing rehabilitation, housing construction, or other public construction funded by the Recovery Act funded Community Development Block Grant.</p>	<p>The City of New Orleans did not file the Form 60002 for the project during the reporting period under audit; however, the form has since been filed by the City. Additionally, the City has since revised its policies and procedures to ensure status updates are provided on all projects to ensure timely submission of reports.</p>	<p>Dec. 31, 2013</p>	<p>Cedric Grant</p> <p>Deputy Mayor of Facilities, Infrastructure and Community Development</p>	<p>HUD</p>
<p><b>2012-09 Reporting</b></p> <p>The Independent Auditors noted that the City of New Orleans did not comply with reporting requirements of Section 1512 of the Recovery Act.</p>	<p>The City of New Orleans was provided the Section 1512 reporting for the 1st quarter of 2013. Previously only one person maintained this responsibility whom is no longer employed with the City. Going forward, the City will ensure to assign the responsibility of reporting to more than one employee to ensure timely filing.</p>	<p>Dec. 31, 2013</p>	<p>Cedric Grant</p> <p>Deputy Mayor of Facilities, Infrastructure and Community Development</p>	<p>HUD</p>
<p><b>2012-10 Reporting</b></p> <p>The Independent Auditors noted that financial reports submitted to Federal agencies or pass-through entities were prepared and submitted by various departments external to the City's accounting department. Additionally, many subsidiary ledgers of expenditures of Federal awards are also maintained by various departments external to the City's accounting department. However, we noted a difference of \$89,641 between these financial reports as prepared by grant personnel versus subsidiary ledgers records maintained by the accounting departments.</p>	<p>The City of New Orleans monthly reporting is based on the general ledger; additions for unpaid invoices and reversals for paid invoices are also made. The City's end of year accruals are more difficult to incorporate as some invoices are received after the reports have been submitted. The overall reporting variance is an immaterial 2%. Grant Drawdown allocations are ultimately determined by the State.</p>	<p>Dec. 31, 2013</p>	<p>Aimee Quirk, Economic Advisor to the Mayor</p> <p>Norman Foster Chief Financial Officer</p>	<p>Dept. of Labor</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/ PASS THROUGH AGENCY CONTACTED
<p><b>2012- 11 Matching, Level of Effort, Earmarking</b></p> <p>The Independent Auditors review of hiring performance reports indicate that staffing levels fell by nine (9) positions below the staffing level requirements contained in the grant agreement.</p>	<p>The Management of the City of New Orleans wrote a letter on behalf of the NOFD in April 2012 requesting an additional waiver due to CNO budgeting problems, but has not received a response. The City has submitted accurate staffing levels on all reports since the inception of the grant.</p>	<p>Dec. 31, 2013</p>	<p>Lt. Col. Jerry Sneed Deputy Mayor of Public safety</p> <p>Norman Foster Chief Financial Officer</p>	<p>FEMA</p>
<p><b>2012-12 Reporting</b></p> <p>The Independent Auditors noted the expenditures reflected in C04PR26-CDBG Financial Summary did not agree nor could be reconciled to the underlying accounting records of the City as maintained by the City's finance department.</p>	<p>The City of New Orleans hired additional staff to develop a workplan that includes reconciling IDIS and AFIN records on a monthly basis to reflect those of the Integrated Disbursement and Information System (IDIS) report of CDBG expenditures. Significant progress has been made in the implementation of the workplan, however a full reconciliation was not completed at the time of fieldwork.</p>	<p>Dec. 31, 2013</p>	<p>Cedric Grant</p> <p>Deputy Mayor of Facilities, Infrastructure and Community Development</p>	<p>HUD</p>

**CITY OF ORLEANS  
CORRECTIVE ACTION PLAN-INDEPENDENT AUDITOR'S COMMENTS TO MANAGEMENT  
DECEMBER 31, 2012**

MANAGEMENT COMMENTS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/ PASS THROUGH AGENCY CONTACT
<p><b>2012-MLC-01 Requests for Reimbursement</b></p> <p>Many of the Federal grants administered by the CNO operate on a cost reimbursement basis. During the course of our test work, particularly as it relates to FEMA we noted that reimbursements were not being requested in a timely manner thus placing a burden the City's cash position pending receipt of reimbursement.</p>	<p>The City processes and pays invoices as they are received. However, some invoices require FEMA to modify the grant documents. For this group of invoices, the decision is made to not impact the project. The invoice is paid and the request for reimbursement is held until the appropriate version of the grant document is approved. The City will continue to ensure timely request for reimbursements when appropriate.</p>	<p>Dec. 31, 2013</p>	<p>Norman Foster Chief Financial Officer</p> <p>Cedric Grant Deputy Mayor of Facilities, Infrastructure and Community Development</p>	<p>All Federal Awards</p>

**BUDGET SUMMARY  
FOR FISCAL YEAR 2014**

**SUMMARY OF ADOPTED 2014 BUDGET  
GENERAL FUND ONLY**

**BUDGETED REVENUES**

TAXES	305,460,326	60%
LICENSES AND PERMITS	55,925,111	11%
INTERGOV. REV	13,311,845	3%
SERVICE CHARGES	73,209,451	14%
FINES AND FORFEITS	28,633,547	6%
MISCELLANEOUS REVENUE	11,095,248	2%
OTHER FINANCING SOURCES	17,300,562	3%
<b>TOTAL BUDGETED REVENUES GENERAL FUND</b>	<b>\$ 504,936,090</b>	<b>100%</b>

**BUDGETED EXPENDITURES**

PERSONAL SERVICES	310,526,124	61%
OTHER OPERATING	165,875,936	33%
DEBT SERVICE	28,534,030	6%
<b>TOTAL BUDGETED EXPENDITURES GENERAL FUND</b>	<b>\$ 504,936,090</b>	<b>100%</b>

\* Personal Services include salary, pension, healthcare, and other benefits

**ANNUAL FINANCIAL STATEMENTS  
OF THE  
BOARD OF LIQUIDATION, CITY DEBT  
FOR THE YEAR ENDED  
DECEMBER 31, 2012**

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

**ANNUAL STATEMENT**

**DECEMBER 31, 2012**

**[www.boardofliquidation.com](http://www.boardofliquidation.com)**

BOARD OF LIQUIDATION, CITY DEBT  
NEW ORLEANS, LOUISIANA  
DECEMBER 31, 2012

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BOARD OF LIQUIDATION, CITY DEBT  
NEW ORLEANS, LOUISIANA  
DECEMBER 31, 2012

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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

Alan C. Arnold  
Mark M. Moody

Wm. Raymond Manning  
Henry F. O'Connor, Jr.

Jacquelyn B. Clarkson, Council at Large	Ex-Officio
Stacey S. Head, Council at Large	Ex-Officio
Mitchell J. Landrieu, Mayor	Ex-Officio

MEMBERS OF BOARD

ALAN C. ARNOLD  
WM. RAYMOND MANNING  
MARK M. MOODY  
HENRY F. O'CONNOR, JR.  
RICHARD P. WOLFE  
MARY K. ZERVIGON

## Board of Liquidation, City Debt

1300 PERDIDO STREET - ROOM 8E17

New Orleans, La. 70112

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JACQUELYN B. CLARKSON, EX OFFICIO  
STACY S. HEAD, EX OFFICIO  
MITCHELL J. LANDRIEU, EX OFFICIO

January 2, 2013

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

Ladies and Gentlemen:

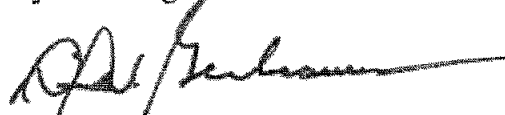
Under the provisions of the Constitution of Louisiana of 1921, made statutory by the Constitution of Louisiana of 1974, the Board of Liquidation, City Debt, is required to submit to the Council of the City of New Orleans a detailed report of all receipts and expenditures and all transactions of the Board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

These transactions are reported for the twelve month period ending December 31, 2012, 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 Barrington 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-Boulogny 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, 2012

## 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, 2012. 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, 2012

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 \$69,219,881. The Tax Credit Bond loan payable balance of \$112,889,969 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 2013. The 2012 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>2012</u>	<u>2011</u>	<u>Changes</u>
Total assets	\$ <u>95,790,110</u>	\$ <u>94,442,986</u>	\$ <u>1,347,124</u>
Total liabilities	\$ <u>26,570,229</u>	\$ <u>27,925,207</u>	\$ <u>(1,354,978)</u>
Total custodial debt service and reserve funds	\$ <u>69,219,881</u>	\$ <u>66,517,779</u>	\$ <u>2,702,102</u>
Receipts	\$449,484,574	\$151,461,962	\$298,022,612
Disbursements	<u>448,137,450</u>	<u>150,828,745</u>	<u>297,308,705</u>
Excess of receipts over disbursements	\$ <u><u>1,347,124</u></u>	\$ <u><u>633,217</u></u>	\$ <u><u>713,907</u></u>

BOARD OF LIQUIDATION, CITY DEBT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)  
DECEMBER 31, 2012

	<u>Custodial Accounts</u>		
	<u>2012</u>	<u>2011</u>	<u>Changes</u>
Total assets	\$ <u>21,456,370</u>	\$ <u>43,024,834</u>	\$ <u>(21,568,464)</u>
Total liabilities	\$ <u>86,587,676</u>	\$ <u>90,916,406</u>	\$ <u>(4,328,730)</u>
Total custodial debt service and reserve fund	\$ <u>(65,131,306)</u>	\$ <u>(47,891,572)</u>	\$ <u>(17,239,734)</u>
Receipts	\$ 68,058,282	\$ 62,203,406	\$ 5,854,876
Disbursements	<u>89,626,746</u>	<u>72,194,726</u>	<u>17,432,020</u>
(Deficiency) of receipts over disbursements	\$ <u>(21,568,464)</u>	\$ <u>(9,991,320)</u>	\$ <u>(11,577,144)</u>

	<u>Totals</u>		
	<u>2012</u>	<u>2011</u>	<u>Changes</u>
Total assets	\$ <u>117,246,480</u>	\$ <u>137,467,820</u>	\$ <u>(20,221,340)</u>
Total liabilities	\$ <u>113,157,905</u>	\$ <u>118,841,613</u>	\$ <u>(5,683,708)</u>
Total custodial, debt service and reserve funds	\$ <u>4,088,575</u>	\$ <u>18,626,207</u>	\$ <u>(14,537,632)</u>
Receipts	\$517,542,856	\$213,665,368	\$303,877,488
Disbursements	<u>537,764,196</u>	<u>223,023,471</u>	<u>314,740,725</u>
(Deficiency) of receipts over disbursements	\$ <u>(20,221,340)</u>	\$ <u>(9,358,103)</u>	\$ <u>(10,863,237)</u>

Key Changes in Assets and Liabilities include:

- Assets increased \$1,347,124 in debt administration due to additional general obligation bond ad valorem tax receipts.
- Assets decreased \$21,568,464 in the custodial accounts due to payment of debt.

Key changes in receipts include:

Debt Administration

- Ad valorem tax receipts increased \$2,246,019.
- Bond proceeds increased \$285,423,803 due to the sale of general obligation and DDD Bonds.
- Debt service funds increased \$10,376,963.
- Interest on investments decreased \$3,942.
- Excess debt service and reserve decreased \$20,213.



BOARD OF LIQUIDATION, CITY DEBT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)  
DECEMBER 31, 2012

Key changes in receipts include: (Cont'd)

Custodial Accounts

- Ad valorem taxes increased \$1,572,788.
- Interest on investments decreased \$44,364.
- Revenue Sharing - State of Louisiana decreased \$46,873.
- Bond proceeds increased \$4,417,331.
- Fee - Current year increased \$70,881.
- Fee - Prior years decreased \$82,662.
- Excess reserve and debt service funds decreased \$32,225.

Key changes in disbursements include:

Debt Administration

- Interest payments increased \$2,233,938. This increase follows the payments required under the debt service schedules.
- Principal payments on bonds decreased \$120,954,580. The majority of this decrease was due to refunded bonds called in 2012.
- Premium received on bonds decreased \$470,235 due to Audubon Aquarium Bonds Series 2001A and 2001B called October 1, 2011.
- Purchase of securities increased \$176,506,735. This is due to the purchase of escrow securities for the refunded general obligation and DDD bonds.
- Funds returned to the City of New Orleans, Sewerage & Water Board, and Audubon Park Commission decreased by \$2,462,403.
- Cost of Issuance increased \$532,601.
- Personal services decreased \$9,277. This is mainly due to the employer's pension contribution rate decreasing from 23.814% in 2011 to 20.655% in 2012.

Custodial Accounts

- Warrants paid increased \$16,188,485.
- Debt service decreased \$1,243,489.

Long-term Debt Administration

At the end of the fiscal year, the Board administers total bonded debt outstanding of \$470,076,615 in General Obligation Bonds and \$21,500,000 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. 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, 2012

*Long-term Debt Administration (Cont'd)*

Outstanding bonds administered by the Board at December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
<b>City of New Orleans:</b>		
General Obligation Bonds	\$470,076,615	\$509,543,556
Limited Tax Bonds	\$ 21,500,000	\$ 23,360,000
<b>Sewerage &amp; Water Board of New Orleans:</b>		
Drainage System Bonds	\$ 17,630,000	\$ 18,990,000
Sewerage Service Revenue Bonds	\$148,585,000	\$160,985,000
Sewerage Service Revenue Bonds Louisiana Department of Health and Hospitals	\$ 2,310,000	\$ 2,400,000
Sewerage Service Subordinate Revenue Bonds Louisiana Department of Environmental Quality	\$ 9,000,000	\$ 9,000,000
Water Revenue Bonds	\$ 30,090,000	\$ 32,415,000
<b>Audubon Park Commission:</b>		
Audubon Park Improvement Bonds	\$ 1,345,000	\$ 1,635,000
Audubon Aquarium Bonds	\$ 27,695,000	\$ 30,260,000
<b>Downtown Development District:</b>		
Downtown Development District Bonds	\$ 5,205,000	\$ 5,450,000

*Bond Ratings*

Bond ratings for the General Obligation Bonds of the City of New Orleans at December 31, 2012 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](http://www.boardofliquidation.com).

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(1905-1985)  
KEITH T. HAMILTON, C.P.A.  
(1932-2003)  
LEROY P. LEGENDRE, C.P.A.  
(Retired)

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, 2012 as listed in the table of contents, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Board of Liquidation, City Debt, as of December 31, 2012, and cash receipts, disbursements and changes in liabilities, custodial, debt service and reserve fund balances thereof for the year then ended in accordance with the basis of accounting described in Note B.

### **Other-Matters**

The modified cash basis, which is a comprehensive basis of accounting other than 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 opinions on the financial statements that collectively comprise the Board of Liquidation, City Debt's financial statements as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. 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

Mrs. Mary K. Zervigon, President, and Members  
Board of Liquidation, City Debt

to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 information is fairly stated in all material respects in relation to the financial statements 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 22, 2013

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, 2012

	<u>Debt Administration</u>	<u>Account of Sewerage &amp; Water Board</u>
<u>ASSETS</u>		
Cash	\$ 740,597	\$ 228,379
Money market accounts	95,049,513	15,562,760
Total Assets	\$ 95,790,110	\$ 15,791,139
 <u>LIABILITIES, CUSTODIAL, DEBT SERVICE AND RESERVE FUNDS</u>		
Interest payable	\$ 87,819	\$ 0
Principal payable	163,200	0
Cost of Issuance Payable	16,917	0
Tax Credit Bond loan payable	26,302,293	73,776,956
Reserve funds	51,456,590	0
Debt service funds	17,763,291	0
Custodial fund balance (deficit)	0	(57,985,817)
Total Liabilities, Custodial, Debt Service and Reserve Funds	\$ 95,790,110	\$ 15,791,139

See accompanying notes to financial statements.

Account of Downtown Development District	Account of Audubon Park Commission	Accounts of Special Taxing Districts	Total (Memorandum Only)
\$ 32,706	\$ 30,239	\$ 0	\$ 1,031,921
2,598,407	1,081,438	1,922,441	116,214,559
<u>\$ 2,631,113</u>	<u>\$ 1,111,677</u>	<u>\$ 1,922,441</u>	<u>\$ 117,246,480</u>
\$ 0	\$ 0	\$ 0	\$ 87,819
0	0	0	163,200
0	0	0	16,917
1,523,966	11,286,754	0	112,889,969
0	0	0	51,456,590
0	0	0	17,763,291
<u>1,107,147</u>	<u>(10,175,077)</u>	<u>1,922,441</u>	<u>(65,131,306)</u>
<u>\$ 2,631,113</u>	<u>\$ 1,111,677</u>	<u>\$ 1,922,441</u>	<u>\$ 117,246,480</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, 2012

	<u>Debt</u> <u>Administration</u>	<u>Account of</u> <u>Sewerage &amp; Water</u> <u>Board</u>
<u>RECEIPTS</u>		
Ad valorem taxes-Current year	\$ 67,086,446	\$ 41,764,578
Ad valorem taxes-Prior years	2,232,691	1,461,518
Bond proceeds-new issue	309,818,881	8,328,806
Bond proceeds-premium	26,127,849	0
Bond proceeds-cost of issuance	859,914	0
Fee-Current year	0	0
Fee-Prior years	0	0
Revenue sharing-State of Louisiana	0	276,270
Debt service funds	41,659,352	0
Debt service-reserve funds-Capitalized		
Interest Escrow	325,578	0
Debt service funds-Federal subsidy-Taxable		
Build America Bonds	1,112,192	0
Interest on investments	208,598	86,825
Excess reserve and debt service funds	53,073	27,982
<i>Total receipts</i>	449,484,574	51,945,979
<u>DISBURSEMENTS</u>		
Interest on bonds	59,859,731	0
Interest on bonds-Tax Credit Bond Loan	5,499,960	0
Principal on bonds	174,609,942	0
Principal on bonds-Tax Credit Bond Loan	5,643,645	0
Purchase escrow securities	201,114,997	0
Administrative expenses-LADHH	18,796	0
Warrants	0	69,490,213
Debt service	0	2,610,148
Personal services	388,600	0
Contractual services	67,419	0
Office expenses	31,264	0
Funds returned to City of New Orleans, Sewerage & Water Board, and Audubon Park Commission	49,482	0
Cost of issuance	853,614	0
<i>Total disbursements</i>	448,137,450	72,100,361
Excess (Deficiency) of receipts over disbursements	1,347,124	(20,154,382)
Liabilities, Custodial, Debt Service and Reserve Funds at:		
December 31, 2011	94,442,986	35,945,521
December 31, 2012	\$ 95,790,110	\$ 15,791,139

See accompanying notes to financial statements.

Account of Downtown Development District	Account of Audubon Park Commission	Accounts of Special Taxing Districts	Total (Memorandum Only)
\$ 5,289,482	\$ 8,342,887	\$ 969,070	\$ 123,452,463
188,403	294,173	23,069	4,199,854
0	0	0	318,147,687
0	0	0	26,127,849
0	0	0	859,914
0	0	946,693	946,693
0	0	41,767	41,767
0	0	0	276,270
0	0	0	41,659,352
0	0	0	325,578
0	0	0	1,112,192
5,668	3,730	6,493	311,314
407	461	0	81,923
<u>5,483,960</u>	<u>8,641,251</u>	<u>1,987,092</u>	<u>517,542,856</u>
0	0	0	59,859,731
0	0	0	5,499,960
0	0	0	174,609,942
0	0	0	5,643,645
0	0	0	201,114,997
0	0	0	18,796
4,966,989	4,659,158	2,123,600	81,239,960
671,034	5,105,558	0	8,386,740
0	0	0	388,600
0	0	0	67,419
0	0	46	31,310
0	0	0	49,482
0	0	0	853,614
<u>5,638,023</u>	<u>9,764,716</u>	<u>2,123,646</u>	<u>537,764,196</u>
(154,063)	(1,123,465)	(136,554)	(20,221,340)
<u>2,785,176</u>	<u>2,235,142</u>	<u>2,058,995</u>	<u>137,467,820</u>
<u>\$ 2,631,113</u>	<u>\$ 1,111,677</u>	<u>\$ 1,922,441</u>	<u>\$ 117,246,480</u>

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
DECEMBER 31, 2012

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, 2012

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 Barrington Subdivision 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, 2012

C. Bank Balances

At December 31, 2012, the Board's deposits with banks consisted of cash and money market accounts as follows:

Demand accounts	\$ 2,626,457
Money market accounts	<u>116,773,899</u>
Total Bank Balances	<u>\$119,400,356</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	\$ 750,000
Collateralized	<u>118,650,356</u>
Total Bank Balances	<u>\$119,400,356</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, 2012 the Board's liability for annual and sick leave totaled \$144,000.

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, 2012

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. The retirement board has increased the consecutive months of service for average compensation to sixty months for employees not eligible for retirement on December 31, 2011.

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 5% of their salary in 2012, increasing to 6% in 2013. 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 \$49,206 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 were distributed to the Bank of New York, the Board's paying agent, as debt service maturities became payable. Once transferred, the debt service payments were made and the loan proceeds were recorded as loans payable in the appropriate custodial accounts.

These loans matured on July 15, 2012, at which time the borrower applied for a five year deferment, which was denied by the Louisiana Office of Administration. All borrowers have elected to 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, 2012

Gulf Opportunity Tax Credit Bond Loan Program (Cont'd)

Total amounts borrowed and payable under these loans at December 31, 2012 are:

Cooperative Endeavor Agreement between the State and:

	<u>Borrowed</u>	<u>Paid 2012</u>	<u>Outstanding at 12/31/12</u>
Board of Liquidation:			
General obligation bonds	\$ 24,713,549	\$1,176,666	\$ 23,536,883
Limited tax bonds	<u>2,903,660</u>	<u>138,250</u>	<u>2,765,410</u>
	<u>27,617,209</u>	<u>1,314,916</u>	<u>26,302,293</u>
Downtown Development District	<u>1,600,153</u>	<u>76,187</u>	<u>1,523,966</u>
Audubon Park Commission:			
Audubon Park Commission 0.32 Mills	1,091,230	51,956	1,039,274
Audubon Park Commission 2.99 Mills	<u>10,759,776</u>	<u>512,296</u>	<u>10,247,480</u>
	<u>11,851,006</u>	<u>564,252</u>	<u>11,286,754</u>
Sewerage & Water Board	<u>77,465,247</u>	<u>3,688,291</u>	<u>73,776,956</u>
	<u>\$118,533,615</u>	<u>\$5,643,646</u>	<u>\$112,889,969</u>

As of December 31, 2012, the \$24,713,549 available for general obligation bonds was borrowed to make fiscal year 2006 debt service payments.

As of December 31, 2012, 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, 2012, \$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, 2012, 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, 2012, 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.

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.

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
(Continued)  
DECEMBER 31, 2012

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, 2012. Accordingly, the escrow account and refunded bonds are not included on these financial statements. At December 31, 2012, the escrow balance consists of \$296,771 to be used for payment of capitalized interest.

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.

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.



BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
(Continued)  
DECEMBER 31, 2012

Louisiana Department of Environmental Quality Revolving Loan Fund (Cont'd)

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. Downtown Development District Limited Tax Refunding Bonds, Series 2012

On June 13, 2012, the Downtown Development District of New Orleans entered into a transaction whereby it issued \$5,485,000 of Limited Tax Refunding Bonds, Series 2012, on a tax exempt private placement basis with Sun Trust Equipment Finance & Leasing Corporation, for the purpose of refunding outstanding Limited Tax Bonds, Series 2001. Net proceeds from issuance of the refunding bonds, along with excess debt service funds and excess debt service reserve funds, were placed in an irrevocable escrow account and were used for payment of all principal and interest on the refunded bonds. At December 31, 2012, the outstanding balance of the refunded Limited Tax Bonds totaled \$-0-.

K. City of New Orleans General Obligation Refunding Bonds, Series 2012

On August 28, 2012, the City of New Orleans entered into a transaction whereby it issued \$167,840,000 of general obligation bonds for the purpose of refunding a portion of its outstanding general obligation bonds outstanding at August 28, 2012. Net proceeds from issuance of the refunding bonds were placed in an irrevocable escrow account and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest on the refunded bonds. Accordingly, the escrow account and the refunded bonds are not included in these financial statements. At December 31, 2012, the outstanding balance of the refunded general obligation bonds totaled \$59,325,000.

L. 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 AND  
DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS  
DECEMBER 31, 2012

	General Obligation Bonds	Capital Improvement Limited Tax	LADHH Loan Revenue Bonds	Drainage System Bonds 6 mill	Drainage System Bonds 9 mill
<u>ASSETS</u>					
Cash	\$ 505,189	\$ 0	\$ 2,340	\$ 80	\$ 23,905
Money market accounts	53,987,433	5,118,180	2,218,299	0	95,786
Total Assets	<u>\$ 54,492,622</u>	<u>\$ 5,118,180</u>	<u>\$ 2,220,639</u>	<u>\$ 80</u>	<u>\$ 119,691</u>
<u>LIABILITIES, DEBT SERVICE AND RESERVE FUNDS</u>					
Interest payable	\$ 38,554	\$ 0	\$ 0	\$ 80	\$ 5,755
Principal payable	74,300	0	0	0	18,150
Cost of Issuance payable	16,917	0	0	0	0
Tax Credit Bond loan payable	23,536,883	2,765,410	0	0	0
Reserve funds	30,825,968	0	0	0	0
Debt service funds	0	2,352,770	2,220,639	0	95,786
Total Liabilities, Debt Service and Reserve Funds	<u>\$ 54,492,622</u>	<u>\$ 5,118,180</u>	<u>\$ 2,220,639</u>	<u>\$ 80</u>	<u>\$ 119,691</u>

Water Revenue Bonds	Sewerage Service Revenue Bonds	Sewerage & Water Board Matured Bonds	Audubon Park Commission Bonds	Audubon Park Commission Aquarium Bonds	Downtown Develop- ment District Tax Bonds	Defeased Bonds	Total
\$ 7,561	\$ 22,938	\$ 37,142	\$ 3,821	\$ 72,485	\$ 2,124	\$ 63,012	\$ 740,597
5,196,670	27,656,603	0	328,127	182,000	266,415	0	95,049,513
<u>\$ 5,204,231</u>	<u>\$ 27,679,541</u>	<u>\$ 37,142</u>	<u>\$ 331,948</u>	<u>\$ 254,485</u>	<u>\$ 268,539</u>	<u>\$ 63,012</u>	<u>\$ 95,790,110</u>
\$ 2,506	\$ 810	\$ 12,142	\$ 710	\$ 0	\$ 0	\$ 27,262	\$ 87,819
5,000	5,000	25,000	0	0	0	35,750	163,200
0	0	0	0	0	0	0	16,917
0	0	0	0	0	0	0	26,302,293
3,928,380	16,164,124	0	307,088	0	231,030	0	51,456,590
1,268,345	11,509,607	0	24,150	254,485	37,509	0	17,763,291
<u>\$ 5,204,231</u>	<u>\$ 27,679,541</u>	<u>\$ 37,142</u>	<u>\$ 331,948</u>	<u>\$ 254,485</u>	<u>\$ 268,539</u>	<u>\$ 63,012</u>	<u>\$ 95,790,110</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, 2012

	<u>Drainage System Fund 3 mill</u>	<u>Drainage System Fund 6 mill</u>	<u>Drainage System Fund 9 mill</u>
<u>ASSETS</u>			
Cash	\$ 2,762	\$ 19,415	\$ 5,411
Money market accounts	546,491	3,021,917	7,892,654
<i>Total Assets</i>	<u>\$ 549,253</u>	<u>\$ 3,041,332</u>	<u>\$ 7,898,065</u>
 <u>LIABILITES AND CUSTODIAL FUNDS</u>			
Tax Credit Bond loan payable	\$ 0	\$ 0	\$ 4,128,711
Custodial fund balance (deficit)	549,253	3,041,332	3,769,354
<i>Total Liabilities and Custodial Funds</i>	<u>\$ 549,253</u>	<u>\$ 3,041,332</u>	<u>\$ 7,898,065</u>

<u>Drainage System Bond Proceeds</u>	<u>Water Revenue Bond Proceeds</u>	<u>Sewerage Service Revenue Bond Proceeds</u>	<u>Total</u>
\$ 7,704	\$ 124,148	\$ 68,939	\$ 228,379
0	1,831,919	2,269,779	15,562,760
<u>\$ 7,704</u>	<u>\$ 1,956,067</u>	<u>\$ 2,338,718</u>	<u>\$ 15,791,139</u>
\$ 0	\$ 6,482,943	\$ 63,165,302	\$ 73,776,956
7,704	(4,526,876)	(60,826,584)	(57,985,817)
<u>\$ 7,704</u>	<u>\$ 1,956,067</u>	<u>\$ 2,338,718</u>	<u>\$ 15,791,139</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, 2012

	Special Tax Fund	DDD Bond Proceeds	Total
<u>ASSETS</u>			
Cash	\$ 29,819	\$ 2,887	\$ 32,706
Money market accounts	2,242,000	356,407	2,598,407
<i>Total Assets</i>	\$ 2,271,819	\$ 359,294	\$ 2,631,113
 <u>LIABILITIES AND CUSTODIAL FUNDS</u>			
Tax Credit Bond loan payable	\$ 1,523,966	\$ 0	\$ 1,523,966
Custodial fund balance	747,853	359,294	1,107,147
<i>Total Liabilities and Custodial Funds</i>	\$ 2,271,819	\$ 359,294	\$ 2,631,113

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, 2012

	Aquarium Tax Fund	Aquarium Bond Proceeds	Special Tax Fund	Total
<u>ASSETS</u>				
Cash	\$ 26,585	\$ 0	\$ 3,654	\$ 30,239
Money market accounts	0	1,081,438	0	1,081,438
<i>Total Assets</i>	<u>\$ 26,585</u>	<u>\$ 1,081,438</u>	<u>\$ 3,654</u>	<u>\$ 1,111,677</u>
<u>LIABILITIES AND CUSTODIAL FUNDS</u>				
Tax Credit Bond loan payable	\$ 10,247,480	\$ 0	\$ 1,039,274	\$ 11,286,754
Custodial fund balance (deficit)	(10,220,895)	1,081,438	(1,035,620)	(10,175,077)
<i>Total Liabilities and Custodial Funds</i>	<u>\$ 26,585</u>	<u>\$ 1,081,438</u>	<u>\$ 3,654</u>	<u>\$ 1,111,677</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, 2012

	Garden District	Huntington Park Subdivision Improvement District	Kingswood Subdivision Improvement District	Lake Barrington Subdivision Improvement District	Lake Bullard Subdivision Improvement District	Lake Carmel Subdivision Improvement District
<u>ASSETS</u>						
Money market accounts	\$ 996,031	\$ 18,025	\$ 25,522	\$ 16,853	\$ 16,269	\$ 54,232
<u>CUSTODIAL FUND</u>						
<u>BALANCE</u>	\$ 996,031	\$ 18,025	\$ 25,522	\$ 16,853	\$ 16,269	\$ 54,232

<u>Lake Forest Estates Improvement District</u>	<u>Lake Oaks Subdivision Improvement District</u>	<u>McKendall Estates Neighborhood Improvement District</u>	<u>Springlake Improvement District</u>	<u>Touro- Boulogny Security District</u>	<u>Twinbrook Security District</u>	<u>Upper Hurtsville Security District</u>	<u>Total</u>
<u>\$ 102,141</u>	<u>\$ 61,108</u>	<u>\$ 36,150</u>	<u>\$ 30,678</u>	<u>\$ 244,972</u>	<u>\$ 136,541</u>	<u>\$ 183,919</u>	<u>\$ 1,922,441</u>
<u>\$ 102,141</u>	<u>\$ 61,108</u>	<u>\$ 36,150</u>	<u>\$ 30,678</u>	<u>\$ 244,972</u>	<u>\$ 136,541</u>	<u>\$ 183,919</u>	<u>\$ 1,922,441</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, 2012

	General Obligation Bonds	Capital Improvement Limited Tax	LADHH Loan Revenue Bonds	Drainage System Bonds 6 mill	Drainage System Bonds 9 mill
<b>RECEIPTS</b>					
Ad valorem taxes-Current year	\$ 64,274,769	\$ 2,811,677	\$ 0	\$ 0	\$ 0
Ad valorem taxes-Prior years	2,232,691	0	0	0	0
Bond proceeds-Refunding	166,762,147	0	0	0	0
Bond proceeds-Premium	26,127,849	0	0	0	0
Bond proceeds-cost of issuance	773,240	0	0	0	0
Bond proceeds-reserve funds	0	0	0	0	0
Revenue sharing-State of Louisiana	0	0	0	0	0
Debt service funds	0	0	1,336	0	2,608,812
Debt service funds-Capitalized					
Interest Escrow	0	0	0	0	0
Debt service funds-Federal subsidy-					
Taxable Build America Bonds	1,112,192	0	0	0	0
Cost of Issuance-new bond issue	0	0	0	0	0
Interest on investments	208,598	0	0	0	0
Excess debt service funds	0	0	0	0	0
Excess reserve and debt service funds	0	0	3,360	0	0
Total receipts	<u>261,491,486</u>	<u>2,811,677</u>	<u>4,696</u>	<u>0</u>	<u>2,608,812</u>
<b>DISBURSEMENTS</b>					
Interest on bonds	42,421,996	1,112,200	45,652	0	846,048
Interest on bonds-Tax Credit Bond Loan	1,146,709	134,730	0	0	201,149
Principal on bonds	20,069,942	1,860,000	90,000	0	1,360,000
Principal on bonds-Tax Credit Bond Loan	1,176,666	138,250	0	0	206,404
Purchase of escrow securities	195,636,247	0	0	0	0
Administrative Expenses	0	0	7,738	0	0
Personal services	388,600	0	0	0	0
Contractual services	67,419	0	0	0	0
Office expenses	31,264	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	756,323	0	0	0	0
Total disbursements	<u>261,695,166</u>	<u>3,245,180</u>	<u>143,390</u>	<u>0</u>	<u>2,613,601</u>
Excess (Deficiency) of receipts over disbursements	(203,680)	(433,503)	(138,694)	0	(4,789)
Liabilities, Debt Service and Reserve funds at:					
December 31, 2011	54,696,302	5,551,683	\$ 2,359,333	80	124,480
December 31, 2012	<u>\$ 54,492,622</u>	<u>\$ 5,118,180</u>	<u>\$ 2,220,639</u>	<u>\$ 80</u>	<u>\$ 119,691</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	\$ 67,086,446
0	0	0	0	0	0	0	2,232,691
0	0	0	0	0	5,398,327	137,658,407	309,818,881
0	0	0	0	0	0	0	26,127,849
0	0	0	0	0	86,674	0	859,914
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
4,720,302	28,552,310	0	476,114	4,629,444	671,034	0	41,659,352
0	0	0	0	325,578	0	0	325,578
0	0	0	0	0	0	0	1,112,192
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	208,598
0	0	0	0	0	0	0	0
9,391	39,466	0	461	0	395	0	53,073
4,729,693	28,591,776	0	476,575	4,955,022	6,156,430	137,658,407	449,484,574
1,592,393	7,872,640	0	84,730	1,390,357	204,783	4,288,932	59,859,731
315,847	3,077,391	0	50,633	499,254	74,247	0	5,499,960
2,325,000	12,400,000	0	290,000	2,565,000	280,000	133,370,000	174,609,942
324,098	3,157,788	0	51,956	512,296	76,187	0	5,643,645
0	0	0	0	0	5,478,750	0	201,114,997
0	11,058	0	0	0	0	0	18,796
0	0	0	0	0	0	0	388,600
0	0	0	0	0	0	0	67,419
0	0	0	0	0	0	0	31,264
9,381	39,233	0	461	0	407	0	49,482
0	3,817	0	0	8,924	84,550	0	853,614
4,566,719	26,561,927	0	477,780	4,975,831	6,198,924	137,658,932	448,137,450
162,974	2,029,849	0	(1,205)	(20,809)	(42,494)	(525)	1,347,124
5,041,257	25,649,692	37,142	333,153	275,294	311,033	63,537	94,442,986
\$ 5,204,231	\$ 27,679,541	\$ 37,142	\$ 331,948	\$ 254,485	\$ 268,539	\$ 63,012	\$ 95,790,110

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, 2012

	LADHH Loan Revenue Bonds	Construction & Extention Fund 2 mill	Drainage System Fund 3 mill
<u>RECEIPTS</u>			
Ad valorem taxes-Current year	\$ 0	\$ 0	\$ 11,845,609
Ad valorem taxes-Prior years	0	1,336	414,108
Bond proceeds	955,676	0	0
Revenue sharing-State of Louisiana	0	0	276,270
Interest on investments	0	0	32,880
Excess reserve and debt service funds	0	0	0
<i>Total receipts</i>	955,676	1,336	12,568,867
<u>DISBURSEMENTS</u>			
Warrants	955,676	0	17,172,488
Debt service	0	1,336	0
<i>Total disbursements</i>	955,676	1,336	17,172,488
Excess (Deficiency) of receipts over disbursements	0	0	(4,603,621)
Liabilities and Custodial Fund Balance at:			
December 31, 2011	0	0	5,152,874
December 31, 2012	\$ 0	\$ 0	\$ 549,253

Drainage System Fund 6 mill	Drainage System Fund 9 mill	Drainage System Bond Proceeds	Water Revenue Bond Proceeds	Service Revenue Bond Proceeds	Total
\$ 11,972,577	\$ 17,946,392	\$ 0	\$ 0	\$ 0	\$ 41,764,578
418,634	627,440	0	0	0	1,461,518
0	0	0	0	7,373,130	8,328,806
0	0	0	0	0	276,270
22,214	23,605	458	2,782	4,886	86,825
0	0	0	3,718	24,264	27,982
<u>12,413,425</u>	<u>18,597,437</u>	<u>458</u>	<u>6,500</u>	<u>7,402,280</u>	<u>51,945,979</u>
13,439,932	26,884,173	1,019,617	98,484	9,919,843	69,490,213
0	2,608,812	0	0	0	2,610,148
<u>13,439,932</u>	<u>29,492,985</u>	<u>1,019,617</u>	<u>98,484</u>	<u>9,919,843</u>	<u>72,100,361</u>
(1,026,507)	(10,895,548)	(1,019,159)	(91,984)	(2,517,563)	(20,154,382)
4,067,839	18,793,613	1,026,863	2,048,051	4,856,281	35,945,521
<u>\$ 3,041,332</u>	<u>\$ 7,898,065</u>	<u>\$ 7,704</u>	<u>\$ 1,956,067</u>	<u>\$ 2,338,718</u>	<u>\$ 15,791,139</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, 2012

	Special Tax Fund	DDD Bond Proceeds	Total
<u>RECEIPTS</u>			
Ad valorem taxes-Current year	\$ 5,289,482	\$ 0	\$ 5,289,482
Ad valorem taxes-Prior years	188,403	0	188,403
Interest on investments	5,132	536	5,668
Excess reserve and debt service funds	0	407	407
<i>Total receipts</i>	5,483,017	943	5,483,960
<u>DISBURSEMENTS</u>			
Warrants	4,966,989	0	4,966,989
Debt service	671,034	0	671,034
<i>Total disbursements</i>	5,638,023	0	5,638,023
Excess (Deficiency) of receipts over disbursements	(155,006)	943	(154,063)
Liabilities and Custodial Fund Balance at:			
December 31, 2011	2,426,825	358,351	2,785,176
December 31, 2012	\$ 2,271,819	\$ 359,294	\$ 2,631,113

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, 2012

	Aquarium Tax Fund	Aquarium Bond Proceeds	Special Tax Fund	Total
<u>RECEIPTS</u>				
Ad valorem taxes-Current year	\$ 7,536,288	\$ 0	\$ 806,599	\$ 8,342,887
Ad valorem taxes-Prior years	265,705	0	28,468	294,173
Interest on investments	0	3,730	0	3,730
Excess reserve and debt service funds	0	0	461	461
<i>Total receipts</i>	<u>7,801,993</u>	<u>3,730</u>	<u>835,528</u>	<u>8,641,251</u>
<u>DISBURSEMENTS</u>				
Warrants	3,218,500	1,076,158	364,500	4,659,158
Debt service	4,629,444	0	476,114	5,105,558
<i>Total disbursements</i>	<u>7,847,944</u>	<u>1,076,158</u>	<u>840,614</u>	<u>9,764,716</u>
Excess of receipts over disbursements	(45,951)	(1,072,428)	(5,086)	(1,123,465)
Liabilities and Custodial Fund Balance at:				
December 31, 2011	72,536	2,153,866	8,740	2,235,142
December 31, 2012	<u>\$ 26,585</u>	<u>\$ 1,081,438</u>	<u>\$ 3,654</u>	<u>\$ 1,111,677</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, 2012

	Garden District Security Tax District	Huntington Park Improvement District	Kingswood Subdivision Improvement District	Lake Barrington Subdivision Improvement District	Lake Bullard Neighborhood Improvement District	Lake Carmel Subdivision Improvement District
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RECEIPTS

Ad valorem taxes- Current year	\$ 700,030	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Ad valorem taxes- Prior years	16,217	0	0	0	0	0
Fee-Current year	0	22,374	68,538	58,820	63,596	74,712
Fee-Prior year	0	1,848	11,167	0	6,118	8,073
Interest on investments	3,087	60	250	79	193	184
<i>Total receipts</i>	719,334	24,282	79,955	58,899	69,907	82,969

DISBURSEMENTS

Warrants	745,000	20,000	200,000	42,000	120,000	65,000
Office expenses	0	0	0	46	0	0
<i>Total disbursements</i>	745,000	20,000	200,000	42,046	120,000	65,000

Excess (Deficiency) of receipts over disbursements	(25,666)	4,282	(120,045)	16,853	(50,093)	17,969
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Custodial Fund Balance at:

December 31, 2011	1,021,697	13,743	145,567	0	66,362	36,263
December 31, 2012	\$ 996,031	\$ 18,025	\$ 25,522	\$ 16,853	\$ 16,269	\$ 54,232

Lake Forest Estates Improvement District	Lake Oaks Subdivision Improvement District	McKendall Estates Neighborhood Improvement District	Springlake Improvement District	Touro- Boulogny Security District	Twinbrook Security District	Upper Hurtsville Security District	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 269,040	\$ 0	\$ 0	\$ 969,070
0	0	0	0	6,852	0	0	23,069
80,548	95,235	46,777	34,650	0	229,114	172,329	946,693
5,210	347	742	4,356	0	3,485	421	41,767
309	204	100	101	810	510	606	6,493
86,067	95,786	47,619	39,107	276,702	233,109	173,356	1,987,092
80,000	96,600	25,000	40,000	300,000	230,000	160,000	2,123,600
0	0	0	0	0	0	0	46
80,000	96,600	25,000	40,000	300,000	230,000	160,000	2,123,646
6,067	(814)	22,619	(893)	(23,298)	3,109	13,356	(136,554)
96,074	61,922	13,531	31,571	268,270	133,432	170,563	2,058,995
\$ 102,141	\$ 61,108	\$ 36,150	\$ 30,678	\$ 244,972	\$ 136,541	\$ 183,919	\$ 1,922,441

BOARD OF LIQUIDATION, CITY DEBT  
SCHEDULE OF BOND SALES  
DECEMBER 31, 2012

Downtown Development District Limited Tax Refunding Bonds, Series 2012

Sold: May 16, 2012      Delivered: June 13, 2012

Bonds Dated: June 13, 2012, and due December 1, 2012 through December 1, 2026

Average life of issue: 8.048253 years

Net Interest Cost: 2.68%

True Interest Cost: 2.68%

Sold to: SunTrust Equipment Finance & Leasing Corp.

Sources:

Bond Proceeds	\$ 5,485,000
Excess Debt Service Fund-DDD Tax	37,584
Excess Debt Service Reserve Fund-BP01	42,839
Total	\$ 5,565,423

Uses:

Deposit to Escrow Account	\$ 5,398,326
Deposit to Debt Service Fund-DDD Tax to Escrow Account	37,584
Deposit to Debt Service Reserve Fund-DDD Tax to Escrow Account	42,839
Cost of Issuance - Bank Discount	5,000
Cost of Issuance	81,674
Total	\$ 5,565,423

General Obligation Refunding Bonds, Series 2012

Sold: July 25, 2012      Delivered: August 28, 2012

Bonds Dated: August 28, 2012, and due December 1, 2012 through December 1, 2033

Average life of issue: 11.132 years

Net Interest Cost: 3.557265%

True Interest Cost: 3.231320%

Sold to: CitiGroup Global Markets, Inc.

Sources:

Par Amount of Bond Proceeds	\$ 167,840,000
Net Original Issue Premium	26,127,849
Underwriters Discount	(304,613)
Excess Debt Service Funds to Escrow Account	2,746,251
Total	\$ 196,409,487

Uses:

Purchase Escrow Securities	\$ 195,636,247
Assured Guaranty - Bond Insurance	222,211
Cost of Issuance	551,029
Total	\$ 196,409,487

BOARD OF LIQUIDATION, CITY DEBT  
SCHEDULE OF BONDED DEBT ADMINISTERED BY BOARD OF LIQUIDATION, CITY DEBT  
DECEMBER 31, 2012

	Date of Bonds	Final Serial Maturity	Average Annual Interest Cost
<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 (Note D.)	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 (Note D.)	Oct. 1, 2003	Oct. 1, 2033	5.021%
Public Improvement Bonds, Issue of 2004 (Note D.)	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%
General Obligation Refunding Bonds, Series 2012	Aug. 28, 2012	Dec. 1, 2033	3.231%
<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%
<u>SEWERAGE SERVICE REVENUE BONDS (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%

See accompanying notes.

Principal due 2013	Interest due 2013	Debt Service due 2013	Amount Outstanding (Note A.)
\$ 5,513,423	\$ 19,931,577	\$ 25,445,000	\$ 27,826,615
3,945,000	3,159,475	7,104,475	57,445,000
0	0	0	0
0	0	0	0
0	0	0	0
1,040,000	54,600	1,094,600	1,040,000
790,000	103,025	893,025	2,495,000
380,000	616,575	996,575	14,015,000
4,590,000	4,813,950	9,403,950	92,550,000
1,645,000	3,514,075	5,159,075	69,065,000
760,000	3,136,900	3,896,900	38,550,000
1,950,000	8,087,800	10,037,800	167,090,000
<u>\$ 20,613,423</u>	<u>\$ 43,417,977</u>	<u>\$ 64,031,400</u>	<u>\$ 470,076,615</u>
<u>\$ 1,950,000</u>	<u>\$ 1,026,250</u>	<u>\$ 2,976,250</u>	<u>\$ 21,500,000</u>
\$ 595,000	\$ 198,280	\$ 793,280	\$ 4,040,000
830,000	593,218	1,423,218	13,590,000
<u>\$ 1,425,000</u>	<u>\$ 791,498</u>	<u>\$ 2,216,498</u>	<u>\$ 17,630,000</u>
\$ 1,940,000	\$ 532,903	\$ 2,472,903	\$ 10,875,000
1,510,000	461,294	1,971,294	10,215,000
1,465,000	750,391	2,215,391	14,505,000
1,120,000	564,295	1,684,295	10,995,000
1,685,000	881,700	2,566,700	18,370,000
2,790,000	1,727,750	4,517,750	35,950,000
260,000	137,971	397,971	3,530,000
1,485,000	948,481	2,433,481	22,885,000
765,000	1,243,675	2,008,675	21,260,000
<u>\$ 13,020,000</u>	<u>\$ 7,248,460</u>	<u>\$ 20,268,460</u>	<u>\$ 148,585,000</u>

BOARD OF LIQUIDATION, CITY DEBT  
 SCHEDULE OF BONDED DEBT ADMINISTERED BY BOARD OF LIQUIDATION, CITY DEBT (CONTINUED)  
 DECEMBER 31, 2012

	Date of Bonds	Final Serial Maturity	Average Annual Interest Cost
<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 SUBORDINATE BONDS (Note G.)</u>			
LA Department of Environmental Quality Revolving Loan			
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 .4 MILL (Note I.)</u>			
Refunding & Improvement Bonds, Series 1997	Jan. 1, 1997	Dec. 1, 2016	5.422%
<u>AUDUBON PARK COMMISSION AQUARIUM BONDS 3.8 MILL (Note J.)</u>			
Refunding Bonds, Series 2003A	July 9, 2003	Oct. 1, 2013	3.726%
Bond Series 2011A-1	Sept. 22, 2011	Oct. 1, 2021	3.085%
Taxable Bond Series 2011A-2	Sept. 22, 2011	Oct. 1, 2014	1.872%
<u>DOWNTOWN DEVELOPMENT DISTRICT TAX BONDS 22.97 MILL (Note K.)</u>			
Limited Tax Bonds Series 2012	June 13, 2012	Dec. 1, 2026	2.680%

See accompanying notes.

Principal due 2013	Interest due 2013	Debt Service due 2013	Amount Outstanding (Note A.)
\$ 34,000	\$ 22,006	\$ 56,006	\$ 747,000
56,000	36,642	92,642	1,563,000
<u>\$ 90,000</u>	<u>\$ 58,648</u>	<u>\$ 148,648</u>	<u>\$ 2,310,000</u>
<u>\$ 411,000</u>	<u>\$ 85,500</u>	<u>\$ 496,500</u>	<u>\$ 9,000,000</u>
\$ 965,000	\$ 315,630	1,280,630	\$ 6,535,000
1,470,000	1,177,750	2,647,750	23,555,000
<u>\$ 2,435,000</u>	<u>\$ 1,493,380</u>	<u>\$ 3,928,380</u>	<u>\$ 30,090,000</u>
<u>\$ 310,000</u>	<u>\$ 69,940</u>	<u>\$ 379,940</u>	<u>\$ 1,345,000</u>
\$ 2,695,000	\$ 134,750	\$ 2,829,750	\$ 2,695,000
0	1,089,150	1,089,150	24,370,000
0	10,710	10,710	630,000
<u>\$ 2,695,000</u>	<u>\$ 1,234,610</u>	<u>\$ 3,929,610</u>	<u>\$ 27,695,000</u>
<u>\$ 305,000</u>	<u>\$ 139,494</u>	<u>\$ 444,494</u>	<u>\$ 5,205,000</u>

BOARD OF LIQUIDATION, CITY DEBT  
 SCHEDULE OF BONDED DEBT ADMINISTERED BY BOARD OF LIQUIDATION, CITY DEBT (CONTINUED)  
 DECEMBER 31, 2012

	Date of Bonds	Date of Defeasance	Date of Calls or Final Maturity
<u>DEFEASED BONDS - DEBT SERVICE</u>			
<u>GUARANTEED BY ESCROW AGREEMENTS</u>			
GENERAL OBLIGATION BONDS-			
DEFEASED (Note L.)			
Public Improvement Bonds, Issue of 2003	Oct. 1, 2003	Aug. 28, 2012	Dec. 1, 2013
Public Improvement Bonds, Issue of 2004	July 13, 2004	Aug. 28, 2012	Dec. 1, 2014

	Date of Bonds	Escrow Established	Date of Final Capitalized Interest Payment
<u>CAPITALIZED INTEREST PAYMENTS-</u>			
<u>DEBT SERVICE GUARANTEED</u>			
<u>BY ESCROW AGREEMENT</u>			

AUDUBON PARK COMMISSION AQUARIUM-			
CAPITALIZED INTEREST (Note M.)			
Audubon Park Commission Aquarium Series 2011A-2 Taxable	Oct. 1, 2011	Oct. 1, 2011	Oct. 1, 2013

See accompanying notes.



Principal due 2013	Interest and Premium due 2013	Debt Service due 2013	Amount Outstanding (Note A.)
\$ 33,350,000	\$ 1,667,500	\$ 35,017,500	\$ 33,350,000
0	1,343,763	1,343,763	25,975,000
<u>\$ 33,350,000</u>	<u>\$ 3,011,263</u>	<u>\$ 36,361,263</u>	<u>\$ 59,325,000</u>

Principal due 2013	Interest and Premium due 2013	Debt Service due 2013	Amount Outstanding (Note A.)
\$ 0	\$ 296,771	\$ 296,771	\$ 0

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO SCHEDULE OF BONDED DEBT ADMINISTERED  
BY BOARD OF LIQUIDATION, CITY DEBT  
DECEMBER 31, 2012

- 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: \$1,232,669,000; 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. General Obligation Bonds, Series 1991 - A portion of these Issues Refunded in 1998 and 2002. Debt Service guaranteed by Escrow Agreement.
- Note D. General Obligation Refunding Bonds, Series 1998, Public Improvement, Issue 2003, and Public Improvement, Series 2004 - A portion of these Issues Refunded in 2012. Debt Service guaranteed by Escrow Agreement.
- Note E. Limited Tax Bonds - Debt Service Coverage: 2012 Tax Yield 100% of Debt Service due.
- Note F. Drainage System Bonds - Debt Service Coverage: 2012 Tax Yield 810% 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, 2012, \$3,113,511 was drawn from the loan fund. LADEQ 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, 2012, \$7,471,505 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: 2012 Tax Yield 212% 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: 2012 Tax Yield 192% of Debt Service due. Reserve Fund: None.
- Note K. Downtown Development District Bonds - Debt Service Coverage: 2012 Tax Yield 1,190% of Debt Service due. Reserve Fund: Sufficient to cover 1/2 of the high year's Principal and Interest due. This issue was used to refund the outstanding portion of Downtown Development District Bonds, Series 2001.
- Note L. General Obligation Bonds - Defeased: Only a portion are refunded in 2012. Defeased bonds are not obligations of the City of New Orleans.
- Note M. Audubon Park Commission Aquarium Bonds, Series 2011A-2 Taxable: An Escrow with the Bank of New York Mellon was created on September 22, 2011, to pay debt service due with capitalized interest payments from escrow on April 1, 2012, October 1, 2012, April 1, 2013, and October 1, 2013.

BOARD OF LIQUIDATION, CITY DEBT  
 SCHEDULE OF DEDICATED AD VALOREM TAX MILLAGE  
 AVAILABLE FOR SERVICING OF BONDED DEBT  
 DECEMBER 31, 2012

	1993 through 2002
<u>DEBT SERVICE</u>	26.90
<u>CAPITAL IMPROVEMENT LIMITED TAX (Note B.)</u>	2.50
<u>SEWERAGE &amp; WATER BOARD:</u>	
Construction & Extension of Sewerage, Water & Drainage System (Tax expired 12/31/91)	N/A
Operation, Maintenance and Construction & Extension of Drainage System	6.40
Operation, Maintenance and Construction of Drainage System	6.48
Operation, Maintenance and Construction of Drainage System	9.71
<u>AUDUBON PARK COMMISSION:</u>	
Audubon Park Zoo	0.44
Audubon Park Aquarium (Note C.)	4.11
<u>DOWNTOWN DEVELOPMENT DISTRICT</u>	15.90

See accompanying notes.

Millage (Note A.)

2003 through <u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	2010 through <u>2013</u>
28.40	38.20	31.70	23.80	23.80	25.50
2.50	2.50	2.50	1.82	1.82	1.82
N/A	N/A	N/A	N/A	N/A	N/A
6.40	6.40	6.40	4.66	4.54	4.66
6.48	6.48	6.48	4.71	4.60	4.71
9.71	9.71	9.71	7.06	6.89	7.06
0.44	0.44	0.44	0.32	0.32	0.32
4.11	4.11	4.11	2.99	2.99	2.99
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, 2012

- 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.
- Note C. The 3.8 mills for Audubon Park Aquarium was in effect for the first time in 1987.

BOARD OF LIQUIDATION, CITY DEBT  
 SCHEDULE OF SEWERAGE & WATER BOARD MATURED BONDS-DEBT ADMINISTRATION  
 DECEMBER 31, 2012

	Sewerage, Water & Drainage Bonds 2 mill *	Drainage System Bonds 3 mill 6.40	Total
<u>ASSETS</u>			
Cash	\$ 30,243	\$ 6,899	\$ 37,142
Total Assets	\$ 30,243	\$ 6,899	\$ 37,142
<u>LIABILITIES</u>			
Interest payable	\$ 10,243	\$ 1,899	\$ 12,142
Principal payable	20,000	5,000	25,000
Total Liabilities	\$ 30,243	\$ 6,899	\$ 37,142

\* 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, 2012

	General Obligation Bonds	Sewerage Service Revenue Bonds	Water Revenue Bonds	Audubon Park Commission Improve- ment Bonds	Downtown Develop- ment District	Total
<u>ASSETS</u>						
Cash	\$ 38,678	\$ 14,320	\$ 7,795	\$ 2,219	\$ 0	\$ 63,012
<u>LIABILITIES</u>						
Interest payable	\$ 15,463	\$ 1,785	\$ 7,795	\$ 2,219	\$ 0	\$ 27,262
Principal payable	23,215	12,535	0	0	0	35,750
<i>Total Liabilities</i>	<u>\$ 38,678</u>	<u>\$ 14,320</u>	<u>\$ 7,795</u>	<u>\$ 2,219</u>	<u>\$ 0</u>	<u>\$ 63,012</u>

BOARD OF LIQUIDATION, CITY DEBT  
SCHEDULE OF DEFEASED BONDS-DEBT ADMINISTRATION  
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
LIABILITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Obligation Bonds	Sewerage Service Revenue Bonds
	Bonds	Bonds
<u>RECEIPTS</u>		
Debt service funds-Escrow Interest	\$ 4,259,657	\$ 0
Debt service funds-Escrow Principal	127,920,000	0
<i>Total Receipts</i>	132,179,657	0
<u>DISBURSEMENTS</u>		
Interest on refunded bonds	4,259,657	0
Principal on refunded bonds	127,920,000	0
<i>Total Disbursements</i>	132,179,657	0
Excess of receipts over disbursements	0	0
December 31, 2011	38,678	14,320
December 31, 2012	\$ 38,678	\$ 14,320



Water Revenue Bonds	Audubon Park Commission Improvement Bonds	Downtown Development District	Total
\$ 0	\$ 0	\$ 28,750	\$ 4,288,407
0	0	5,450,000	133,370,000
0	0	5,478,750	137,658,407
525	0	28,750	4,288,932
0	0	5,450,000	133,370,000
525	0	5,478,750	137,658,932
(525)	0	0	(525)
8,320	2,219	0	63,537
\$ 7,795	\$ 2,219	\$ 0	\$ 63,012

BOARD OF LIQUIDATION, CITY DEBT  
SCHEDULE OF ITEMIZED DISBURSEMENTS-INTEREST, PREMIUM AND PRINCIPAL PAID  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Interest Paid	
	Debt Service Fund	Federal Subsidy Taxable BAB
<b>BONDS</b>		
<u>GENERAL OBLIGATION BONDS</u>		
Street Improvement Bonds, Series D	\$ 2,160	\$ 0
Public Improvement Bonds, Issue of 2001	497,593	0
Public Improvement Bonds, Issue of 2002	751,709	0
Public Improvement Bonds, Issue of 2003	941,113	0
Public Improvement Bonds, Issue of 2004	804,906	0
Public Improvement Bonds, Issue of 2005A	636,650	0
Public Improvement Bonds, Issue of 2007A	3,593,075	0
Public Improvement Bonds, Issue of 2010A	2,065,500	1,112,192
General Obligation Refunding Bonds, Series 1991	19,473,059	0
General Obligation Refunding Bonds, Series 1998	3,908,981	0
General Obligation Refunding Bonds, Series 2002	1,509,384	0
General Obligation Refunding Bonds, Series 2005	5,032,450	0
General Obligation Refunding Bonds, Series 2012	2,093,223	0
<i>Total General Obligation Bonds</i>	41,309,803	1,112,192
<u>SPECIAL TAX BONDS</u>		
Limited Tax Bonds, Series 2005	1,112,200	0
<u>SEWER &amp; WATER BOARD SPECIAL TAX BONDS</u>		
Drainage System Bonds, Series 1998	224,785	0
Drainage System Bonds, Series 2002	621,263	0
Total Drainage System 9 mill bonds	846,048	0
<u>SEWER &amp; WATER BOARD REVENUE BONDS</u>		
Sewerage Service Revenue Bonds, Series 1997	632,128	0
Sewerage Service Revenue Bonds, Series 1998	530,194	0
Sewerage Service Revenue Bonds, Series 2000	826,984	0
Sewerage Service Revenue Bonds, Series 2000B	619,355	0
Sewerage Service Revenue Bonds, Series 2001	960,093	0
Sewerage Service Revenue Bonds, Series 2002	1,863,625	0
Sewerage Service Revenue Bonds, Series 2003	150,721	0
Sewerage Service Revenue Bonds, Series 2004	1,004,100	0
Sewerage Service Revenue Bonds, Series 2009	1,275,488	0
Total Sewerage Service Revenue Bonds	7,862,688	0
Water Revenue Bonds, Series 1998	358,643	0
Water Revenue Bonds, Series 2002	1,233,750	0
Total Water Revenue Bonds	\$ 1,592,393	\$ 0

Total Interest	Premium Paid	Principal Paid	Total Interest, Premium and Principal
	Debt Service Fund	Debt Service Fund	
\$ 2,160	\$ 0	\$ 8,000	\$ 10,160
497,593	0	0	497,593
751,709	0	820,000	1,571,709
941,113	0	1,005,000	1,946,113
804,906	0	750,000	1,554,906
636,650	0	365,000	1,001,650
3,593,075	0	1,580,000	5,173,075
3,177,692	0	735,000	3,912,692
19,473,059	0	5,971,942	25,445,001
3,908,981	0	3,715,000	7,623,981
1,509,384	0	0	1,509,384
5,032,450	0	4,370,000	9,402,450
2,093,223	0	750,000	2,843,223
42,421,995	0	20,069,942	62,491,937
1,112,200	0	1,860,000	2,972,200
224,785	0	570,000	794,785
621,263	0	790,000	1,411,263
846,048	0	1,360,000	2,206,048
632,128	0	1,840,000	2,472,128
530,194	0	1,445,000	1,975,194
826,984	0	1,385,000	2,211,984
619,355	0	1,060,000	1,679,355
960,093	0	1,615,000	2,575,093
1,863,625	0	2,645,000	4,508,625
150,721	0	250,000	400,721
1,004,100	0	1,430,000	2,434,100
1,275,488	0	730,000	2,005,488
7,862,688	0	12,400,000	20,262,688
358,643	0	925,000	1,283,643
1,233,750	0	1,400,000	2,633,750
\$ 1,592,393	\$ 0	\$ 2,325,000	\$ 3,917,393

BOARD OF LIQUIDATION, CITY DEBT  
SCHEDULE OF ITEMIZED DISBURSEMENTS-INTEREST, PREMIUM AND PRINCIPAL PAID (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Interest Paid	
	Debt Service Fund	Federal Subsidy Taxable BAB
<u>LADHH LOAN REVENUE BONDS</u>		
Revenue Bonds, Series 2010A, Taxable ARRA	\$ 18,930	\$ 0
Revenue Bonds, Series 2010B, Taxable ARRA	26,723	0
Total Revenue Bonds-LADHH	<u>45,653</u>	<u>0</u>
<u>SEWERAGE &amp; WATER BOARD SUBORDINATE REVENUE BONDS</u>		
Sewerage Revenue Subordinate Bonds, Series 2011	<u>9,952</u>	<u>0</u>
<u>AUDUBON COMMISSION SPECIAL TAX BONDS</u>		
Audubon Park Commission Improvement Bonds, Series 1997	<u>84,730</u>	<u>0</u>
Audubon Park Commission Aquarium Bonds, Series 2003A	263,000	0
Audubon Park Commission Aquarium Bonds, Series 2011A-1	1,116,379	0
Audubon Park Commission Aquarium Bonds, Series 2011A-2	10,978	0
Total Audubon Park Commission Aquarium Bonds	<u>1,390,357</u>	<u>0</u>
<u>DOWNTOWN DEVELOPMENT DISTRICT SPECIAL TAX BONDS</u>		
Downtown Development District Special Tax Bonds, Series 2001	136,184	0
Downtown Development District Special Tax Bonds, Series 2012	68,599	0
Total Downtown Development District Bonds	<u>204,783</u>	<u>0</u>
<u>DEFEASED BONDS</u>		
<u>GENERAL OBLIGATION DEFEASED BONDS</u>		
General Obligation Refunding Bonds, Series 1998	266,533	0
General Obligation Refunding Bonds, Series 2002	1,534,541	0
Public Improvement Bonds, Issue of 2001	243,268	0
Public Improvement Bonds, Issue of 2002	709,684	0
Public Improvement Bonds, Issue of 2003	833,750	0
Public Improvement Bonds, Issue of 2004	671,881	0
Total General Obligation Defeased Bonds	<u>4,259,657</u>	<u>0</u>
<u>SEWER &amp; WATER BOARD REVENUE BONDS</u>		
Water Revenue Bonds, Series E	<u>525</u>	<u>0</u>
<u>DOWNTOWN DEVELOPMENT DISTRICT SPECIAL TAX BONDS</u>		
Downtown Development District Special Tax Bonds, Series 2001	<u>\$ 28,750</u>	<u>\$ 0</u>
<i>Total Itemized Disbursements-Interest, Principal and Premium Paid excluding GO Zone Loan Payments</i>	<u>\$ 58,747,539</u>	<u>\$ 1,112,192</u>

	Premium Paid	Principal Paid	
Total Interest	Debt Service Fund	Debt Service Fund	Total Interest, Premium and Principal
\$ 18,930	\$ 0	\$ 53,000	\$ 71,930
26,723	0	37,000	63,723
<u>45,653</u>	<u>0</u>	<u>90,000</u>	<u>135,653</u>
9,952	0	0	9,952
84,730	0	290,000	374,730
263,000	0	2,565,000	2,828,000
1,116,379	0	0	1,116,379
10,978	0	0	10,978
<u>1,390,357</u>	<u>0</u>	<u>2,565,000</u>	<u>3,955,357</u>
136,184	0	0	136,184
68,599	0	280,000	348,599
<u>204,783</u>	<u>0</u>	<u>280,000</u>	<u>484,783</u>
266,533	0	22,955,000	23,221,533
1,534,541	0	58,415,000	59,949,541
243,268	0	19,610,000	19,853,268
709,684	0	26,940,000	27,649,684
833,750	0	0	833,750
671,881	0	0	671,881
<u>4,259,657</u>	<u>0</u>	<u>127,920,000</u>	<u>132,179,657</u>
525	0	0	525
\$ 28,750	0	\$ 5,450,000	\$ 5,478,750
<u>\$ 59,859,731</u>	<u>\$ 0</u>	<u>\$ 174,609,942</u>	<u>\$ 234,469,673</u>

BOARD OF LIQUIDATION, CITY DEBT  
SCHEDULE OF ITEMIZED DISBURSEMENTS-INTEREST, PREMIUM AND PRINCIPAL PAID (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Interest Paid	
Debt Service Fund	Federal Subsidy Taxable BAB	
<u>GO ZONE LOAN PAID TO LA DEPARTMENT OF ADMINISTRATION</u>		
<u>GENERAL OBLIGATION BONDS</u>		
General Obligation Bonds	\$ 1,146,709	\$ 0
<u>SPECIAL TAX BONDS</u>		
Limited Tax Bonds, Series 2005	134,730	0
<u>SEWER &amp; WATER BOARD SPECIAL TAX BONDS</u>		
Drainage System Bonds, Series 1998	71,528	0
Drainage System Bonds, Series 2002	129,757	0
Total Drainage System 9 mill bonds	201,285	0
<u>SEWER &amp; WATER BOARD REVENUE BONDS</u>		
Sewerage Service Revenue Bonds, Series 1997	232,916	0
Sewerage Service Revenue Bonds, Series 1998	184,033	0
Sewerage Service Revenue Bonds, Series 2000	129,757	0
Sewerage Service Revenue Bonds, Series 2000B	155,996	0
Sewerage Service Revenue Bonds, Series 2001	246,216	0
Sewerage Service Revenue Bonds, Series 2002	412,636	0
Sewerage Service Revenue Bonds, Series 2003	23,004	0
Sewerage Service Revenue Bonds, Series 2004	231,119	0
Sewerage Service Revenue Bonds, Series 2009	1,461,478	0
Total Sewerage Service Revenue Bonds	3,077,155	0
Water Revenue Bonds, Series 1998	115,380	0
Water Revenue Bonds, Series 2002	200,567	0
Total Water Revenue Bonds	315,947	0
<u>AUDUBON COMMISSION SPECIAL TAX BONDS</u>		
Audubon Commission Improvement Bonds .44 Mills	50,633	0
Audubon Commission Aquarium Bonds 4.11 Mills	499,254	0
Total Audubon Commission Special Bonds	549,887	0
<u>DOWNTOWN DEVELOPMENT DISTRICT SPECIAL TAX BONDS</u>		
Downtown Development District Special Tax Bonds	74,247	0
Total GO Zone Paid to LA Department of Administration	\$ 5,499,960	\$ 0
Total Itemized Disbursements-Interest, Principal and Premium Paid	\$ 64,247,499	\$ 1,112,192

	Premium Paid	Principal Paid	
Total Interest	Debt Service Fund	Debt Service Fund	Total Interest, Premium and Principal
\$ 1,146,709	\$ 0	\$ 1,176,666	\$ 2,323,375
134,730	0	138,250	272,980
71,528	0	73,389	144,917
129,757	0	133,016	262,773
201,285	0	206,405	407,690
232,916	0	238,955	471,871
184,033	0	188,684	372,717
129,757	0	133,314	263,071
155,996	0	160,022	316,018
246,216	0	252,787	499,003
412,636	0	423,420	836,056
23,004	0	23,671	46,675
231,119	0	237,151	468,270
1,461,478	0	1,499,784	2,961,262
3,077,155	0	3,157,788	6,234,943
115,380	0	118,197	233,577
200,567	0	205,901	406,468
315,947	0	324,098	640,045
50,633	0	51,956	102,589
499,254	0	512,297	1,011,551
549,887	0	564,253	1,114,140
74,247	0	76,187	150,434
\$ 5,499,960	\$ 0	\$ 5,643,647	\$ 11,143,607
\$ 65,359,691	\$ 0	\$ 180,253,589	\$ 245,613,280

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(Retired)

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, 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, the financial statements of the Board of Liquidation, City Debt as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Board of Liquidation, City Debt's basic financial statements, and have issued our report thereon dated March 22, 2013.

Internal Control Over Financial Reporting

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

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



Mrs. Mary K. Zervigon, President, and Members  
Board of Liquidation, City Debt

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*Paciera, Gautreau & Priest, LLC*

March 22, 2013

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**APPENDIX “F”**

**DEBT STATEMENT**

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**STATEMENT OF DIRECT AND UNDERLYING BONDED DEBT  
AS OF DECEMBER 2, 2013**

(The accompanying notes are an integral part of this statement)

Notes	Name of Issuer & Issue	Interest Rates (%)	Dated Date	Final Maturity Date	Principal Outstanding	Principal Amount Due Within One Year
(1)	<b><u>Direct Debt of the City of New Orleans, Louisiana*</u></b>					
(2)	General Obligation Refunding Bonds, Series 1991	0.0	9/15/91	9/01/18	\$ 22,313,192**	\$ 5,141,926
(2)	General Obligation Refunding Bonds, Series 1998	5.5	12/01/98	12/01/21	53,500,000	2,885,000
(2)	Public Improvement Bonds, Issue of 2004	4.125-4.25	7/13/04	12/01/15	1,705,000	830,000
(2)	Public Improvement Bonds, Issue of 2005A	4.0-5.5	5/24/05	12/01/34	13,635,000	395,000
(2)	General Obligation Refunding Bonds, Series 2005	5.0-5.25	7/06/05	12/01/29	87,960,000	6,120,000
(2)	Public Improvement Bonds, Issue of 2007A	5.0-5.25	12/14/07	12/01/36	67,420,000	1,715,000
(2)	Taxable Public Improvement Bonds, Issue of 2010A (Build America Bonds - Federally Taxable - Direct Payment to Issuer)	6.2-8.8	1/19/10	12/01/39	37,790,000	785,000
(2)	General Obligation Refunding Bonds, Series 2012	3.0-5.0	8/28/12	12/01/33	165,140,000	2,995,000
(2)	Taxable Public Improvement Bonds, Issue of 2013A	3.0-5.0	3/01/13	12/01/42	40,000,000	770,000
(3)	Certificates of Indebtedness, Series 2005	3.59	7/11/05	12/01/14	205,000	205,000
(4)	Taxable Limited Tax Certificates of Indebtedness, Series 2004B	4.75	12/23/04	3/01/14	13,135,000	13,135,000
(5)	Taxable Limited Tax Refunding Bonds, Series 2012	1.399-4.961	10/23/12	9/01/30	195,885,000	0
(6)	Sales Tax Increment Revenue Bonds (St. Thomas Economic Development District), Series 2003	8.125	11/03/03	4/01/50	10,950,000	90,000
(7)	Variable Rate Revenue Bonds (Canal Street Improvements Project), Series 2004	variable	9/29/04	8/01/24	7,610,000	540,000
(8)	Limited Tax Bonds, Series 2005	5.0	7/06/05	3/01/21	19,550,000	2,040,000
(9)	Revenue Bond, Series 2010A	3.45	2/12/10	2/01/31	743,000	30,000
(9)	Revenue Bond, Series 2010B	3.45	2/12/10	2/01/31	1,484,000	61,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana (Certificates of Indebtedness, Capital leases, LCDA Bonds)	4.64	7/19/06	7/15/26	47,175,876	2,724,925
(A)	Cooperative Endeavor Agreement with the State of Louisiana (General Obligation Bonds)	4.64	7/19/06	7/15/26	22,305,619	1,288,394
(A)	Cooperative Endeavor Agreement with the State of Louisiana (Capital Improvement Bonds)	4.64	7/19/06	7/15/26	2,620,746	151,377
(10)	<b><u>Underlying Debt of the Orleans Parish School Board of the Parish of Orleans, State of Louisiana</u></b>					
(11)	Public School Refunding Bonds, Series 1991	--	12/19/91	2/01/15	3,464,208*	2,910,329
(11)	Public School Refunding Bonds, Series 2011 (Taxable)	1.85-2.30	12/01/11	2/01/15	6,220,000	3,080,000
(11)	Revenue Bonds (Taxable QSCB), Series 2011B	4.4	12/20/11	2/01/21	79,055,000	(a)
(12)	Promissory Note (CDL Federal Program) <sup>†</sup>	2.93	8/28/06	8/27/16	11,348,388	(b)
(13)	<b><u>Underlying Debt of Parishwide School District of the Parish of Orleans, State of Louisiana</u></b>					
(2)	General Obligation School Refunding Bonds, Series 2010	2.5-5.0	9/01/10	9/01/20	71,055,000	9,535,000

\* Excludes Section 108 HUD loans.

\*\* Original principal amount of compound interest bonds.

(a) Various amounts are required to be deposited annually into a sinking fund.

(b) Subject to prepayment, extension and/or cancellation.

<u>Notes</u>	<u>Name of Issuer &amp; 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>
(14)	<b><u>Underlying Debt of the Audubon Commission</u></b>					
(15)	Audubon Commission Improvement and Refunding Bonds, Series 1997	5.2	1/01/97	12/01/16	\$ 1,035,000	\$ 325,000
(16)	Audubon Commission Aquarium Tax Bonds, Series 2011A-1	3.0-5.0	9/22/11	10/01/21	24,370,000	2,075,000
(16)	Audubon Commission Aquarium Tax Bonds, Series 2011A-2 (Taxable)	1.7	9/22/11	10/01/14	630,000	630,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana (Revenue Bonds)	4.64	7/19/06	7/15/26	4,429,345	255,843
(A)	Cooperative Endeavor Agreement with the State of Louisiana (4.11 Mill Tax Bonds)	4.64	7/19/06	7/15/26	9,711,412	560,941
(A)	Cooperative Endeavor Agreement with the State of Louisiana (.44 Mill Tax Bonds)	4.64	7/19/06	7/15/26	984,908	56,889
(17)	<b><u>Underlying Debt of the Sewerage and Water Board</u></b>					
(18)	Drainage System Bonds, Series 1998	4.8-5.0	12/01/98	12/01/18	3,445,000	625,000
(18)	Drainage System Bonds, Series 2002	4.0-4.65	10/01/02	12/01/22	12,760,000	865,000
(19)	Water Revenue Bonds, Series 1998	4.75-4.9	12/01/98	12/01/18	5,570,000	1,015,000
(19)	Water Revenue Bonds, Series 2002	5.0	10/01/02	12/01/22	22,085,000	1,530,000
(20)	Sewerage Service Revenue Bonds, Series 1997	5.375-5.4	6/01/97	6/01/17	8,935,000	2,050,000
(20)	Sewerage Service Revenue Bonds, Series 1998	4.75-5.0	12/01/98	6/01/18	8,705,000	1,585,000
(20)	Sewerage Service Revenue Bonds, Series 2000	5.375-5.5	5/01/00	6/01/20	13,040,000	1,555,000
(20)	Sewerage Service Revenue Bonds, Series 2000B	5.2-5.5	11/01/00	6/01/20	9,875,000	1,185,000
(20)	Sewerage Service Revenue Bonds, Series 2001	4.9-5.2	12/01/01	6/01/21	16,685,000	1,760,000
(20)	Sewerage Service Revenue Bonds, Series 2002	5.0	12/01/02	6/01/22	33,160,000	2,945,000
(20)	Sewerage Service Revenue Bonds, Series 2003	3.6-4.375	12/03/03	6/01/23	3,270,000	270,000
(20)	Sewerage Service Revenue Bonds, Series 2004	4.0-5.0	12/16/04	6/01/24	21,400,000	1,545,000
(20)	Sewerage Service Refunding Bonds, Series 2009	5.0-6.25	7/14/09	6/01/29	20,495,000	800,000
(20)	Sewerage Service Subordinate Revenue Bonds, Series 2011	0.95	11/22/11	11/01/32	8,589,000	415,000
(12)	Promissory Note (CDL Federal Program) <sup>†</sup>	2.93	8/16/06	01/2016	25,166,747	(b)
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	7/19/06	7/15/26	69,917,529	4,038,505
(21)	<b><u>Underlying Debt of the Regional Transit Authority</u></b>					
(22)	Sales Tax Revenue Bonds, Series 1991	0.0	12/01/91	12/01/21	5,961,294*	946,835
(22)	Sales Tax Revenue Bonds, Series 2010	4.0-5.0	10/14/10	12/01/30	68,765,000	2,740,000
(23)	LCDA Revenue Bonds (Canal Streetcar Project), Series 2000	variable	9/12/00	2/28/25	20,803,400	1,354,600
(23)	LCDA Revenue Bonds (Desire Streetcar Project), Series 2000A	variable	9/12/00	11/28/29	23,479,856	962,400
(12)	Promissory Note (CDL Federal Program) <sup>†</sup>	2.93	8/08/06	8/07/16	896,756	(b)
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	10/02/06	7/15/26	32,373,015	1,869,897

\* Includes \$7,990,733 original principal amount of Capital Appreciation Bonds.

(b) 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)	<b><u>Underlying Debt of Law Enforcement District of the Parish of Orleans, State of Louisiana</u></b>					
(2)	General Obligation Bonds, Series 2008	3.8-4.05	12/01/08	9/01/18	\$ 5,000,000	\$1,000,000
(2)	General Obligation Bonds, Series 2009	3.55-3.8	3/01/09	9/01/18	6,040,000	1,105,000
(2)	General Obligation Bonds, Series 2010	4.0	3/01/10	9/01/24	12,365,000	845,000
(2)	General Obligation Bonds, Series 2011	2.97	12/02/11	9/01/26	4,425,000	285,000
(2)	General Obligation Bonds, Series 2012	2.85	4/27/12	9/01/26	4,470,000	285,000
(2)	General Obligation Bonds, Series 2013	1.95	6/14/13	9/01/22	9,500,000	955,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	7/19/06	7/15/26	15,574,794	899,615
(25)	<b><u>Underlying Debt of the New Orleans Aviation Board</u></b>					
(26)	Revenue Bonds (Passenger Facility Charge Projects), Series 2007A	5.0-5.5	11/20/07	1/01/38	60,575,000	1,225,000
(26)	Revenue Refunding Bonds (Passenger Facility Charge Projects), Series 2007B-1	5.25	11/20/07	1/01/20	4,295,000	0
(26)	Revenue Refunding Bonds (Passenger Facility Charge Projects), Series 2007B-2	5.0-5.25	11/20/07	1/01/19	10,720,000	1,825,000
(26)	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
(26)	Gulf Opportunity Zone Revenue Bonds (Passenger Facility Charge Projects), Series 2010B	5.125	5/26/10	1/01/38	1,285,000	0
(27)	Revenue Refunding Bonds (Restructuring GARBs), Series 2009A-1	4.25-6.0	2/03/09	1/01/23	73,960,000	0
(27)	Revenue Refunding Bonds (Restructuring GARBs), Series 2009A-2	4.25-6.0	2/03/09	1/01/23	23,055,000	0
(27)	Revenue Refunding Bonds (Restructuring GARBs), Series 2009B (Taxable)	5.0-5.1	2/03/09	1/01/15	14,715,000	8,900,000
(28)	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	7/19/06	7/15/26	31,925,569	1,844,052
(29)	<b><u>Underlying Debt of the Orleans Levee District</u></b>					
(30)	Public Improvement Bonds, Series 1986	5.95	8/29/86	11/01/15	5,925,000	2,860,000
(31)	Levee Improvement Bonds, Series 1986	5.95	8/28/86	11/01/14	5,295,000	5,295,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	7/19/06	7/15/26	23,580,152	1,362,013
(32)	<b><u>Underlying Debt of the Orleans Parish Communications District, State of Louisiana</u></b>					
(33)	Revenue Bonds, Series 2004	4.1-4.35	9/24/04	9/01/19	4,840,000	715,000
(12)	Promissory Note (CDL Federal Program) <sup>†</sup>	2.93	8/28/06	8/27/16	471,154	(b)
(12)	Promissory Note (CDL Federal Program) <sup>†</sup>	2.68	1/18/06	1/17/16	799,416	(b)
(34)	<b><u>Underlying Debt of the French Market District</u></b>					
(35)	Taxable Revenue Bonds, Series 2005A	6.15	8/03/06	5/01/25	4,050,605	191,587

(b) Subject to prepayment, extension and/or cancellation.

<u>Notes</u>	<u>Name of Issuer &amp; 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>
(36)	<b><u>Underlying Debt of the Downtown Development District of the City of New Orleans</u></b>					
(37)	Downtown Development District Limited Tax Refunding Bonds, Series 2012	2.68	6/13/12	12/01/26	\$4,900,000	\$315,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	7/19/06	7/15/26	1,444,244	83,421
(38)	<b><u>Underlying Debt of the Public Belt Commission for the City of New Orleans</u></b>					
(39)	Taxable Indebtedness, Series 2012	2.955	4/20/12	6/01/17	1,220,000	290,000

#### 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 2014 taxable assessed valuation for City of New Orleans, Louisiana (the “City”) purposes is approximately \$3,130,466,269. Certain City taxes are levied on the total assessed value of the City, which is approximately \$3,579,163,150 for 2014.
- (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 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 14.91 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.
- (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 an *ad valorem* tax of 13.91 mills (subject to adjustment from time to time due to reassessment), which the issuer is authorized to impose and collect in each year the bonds are outstanding, to be levied on all property subject to taxation within the corporate boundaries of the issuer.
- (6) Secured by and payable solely from an irrevocable pledge and dedication of the City’s 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 (iii) 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 2½ mills (subject to adjustment from time to time due to reassessment), which the City is authorized to collect for a period of 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 2014 assessed valuation of the Orleans Parish School Board is approximately \$3,579,163,150, of which approximately \$3,130,466,269 is taxable.
- (11) Secured by and payable as to both principal and interest solely from the revenues from (i) a constitutional millage of 27.65 mills and (ii) a ½% sales and use tax authorized in an election held in the parish on November 4, 1980, subject only to the payment of the reasonable costs and expenses of collecting and administering said sales and use tax.
- (12) Secured by a pledge of the issuer's revenues for each fiscal year after payment of outstanding bonded indebtedness.
- (13) The total 2014 assessed valuation of Parishwide School District of the Parish of Orleans is approximately \$3,579,163,150, of which approximately \$3,130,466,269 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 0.44 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 2.99 mills special *ad valorem* tax subject to taxation within the City authorized to be collected for a period of 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) Secured by and payable from a pledge and dedication of the funds to be derived by the City from the levy and collection of a special tax of 9.71 mills (such rate being subject to adjustment from time to time due to reassessment), which has been authorized to be levied in each of the years 1982 through 2031, inclusive, pursuant to an election held in the City on May 16, 1981.
- (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 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 2014 taxable assessed valuation of approximately \$3,130,466,269.
- (25) 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.
- (26) 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.

- (27) 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.
- (28) 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.
- (29) The Orleans Levee District is parishwide and has a 2014 taxable assessed valuation of approximately \$3,130,466,269.
- (30) Payable from the Orleans Levee District's 6.55 mills constitutional *ad valorem* tax (subject to adjustment from time to time due to reassessment).
- (31) Payable from the Orleans Levee District's 6.55 mills special levee improvement *ad valorem* tax (subject to adjustment from time to time due to reassessment).
- (32) The Orleans Parish Communications District is parishwide.
- (33) 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.
- (34) The French Market Corporation is a non-profit corporation owned by the City of New Orleans.
- (35) Payable from the revenues of the French Market.
- (36) The 2012 taxable assessed valuation of the Downtown Development District is \$386,948,870. The 2013 taxable assessed valuation is currently unavailable.
- (37) 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.
- (38) The Public Belt Commission for the City of New Orleans is parishwide.
- (39) 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; Louisiana Stadium and Exposition District; Board of Commissioners of the Port of New Orleans, and all operating and capital leases.)*

<sup>†</sup> 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"**

**ANNUAL DEBT SERVICE REQUIREMENTS**

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**ANNUAL DEBT SERVICE REQUIREMENTS ON OUTSTANDING DEBT  
AND TAXABLE PUBLIC IMPROVEMENT BONDS, ISSUE OF 2014A, OF  
THE CITY OF NEW ORLEANS, LOUISIANA**

CALENDAR YEAR	OUTSTANDING BONDS (a)			TAXABLE ISSUE OF 2014A BONDS			TOTAL REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL	(12/1) PRINCIPAL	(6/1; 12/1) INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2014	21,636,925.60	44,836,676.94	66,473,602.54	745,000.00	1,906,134.03	2,651,134.03	22,381,925.60	46,742,810.97	69,124,736.57
2015	22,335,364.70	44,399,930.34	66,735,295.04	640,000.00	2,198,675.00	2,838,675.00	22,975,364.70	46,598,605.34	69,573,970.04
2016	22,833,778.70	43,916,763.84	66,750,542.54	660,000.00	2,179,475.00	2,839,475.00	23,493,778.70	46,096,238.84	69,590,017.54
2017	23,418,227.20	43,309,705.34	66,727,932.54	675,000.00	2,159,675.00	2,834,675.00	24,093,227.20	45,469,380.34	69,562,607.54
2018	23,638,896.00	42,640,586.54	66,279,482.54	695,000.00	2,139,425.00	2,834,425.00	24,333,896.00	44,780,011.54	69,113,907.54
2019	43,180,000.00	20,007,257.54	63,187,257.54	725,000.00	2,111,625.00	2,836,625.00	43,905,000.00	22,118,882.54	66,023,882.54
2020	45,140,000.00	17,762,820.04	62,902,820.04	760,000.00	2,075,375.00	2,835,375.00	45,900,000.00	19,838,195.04	65,738,195.04
2021	47,430,000.00	15,413,947.54	62,843,947.54	800,000.00	2,037,375.00	2,837,375.00	48,230,000.00	17,451,322.54	65,681,322.54
2022	17,250,000.00	12,949,606.28	30,199,606.28	840,000.00	1,997,375.00	2,837,375.00	18,090,000.00	14,946,981.28	33,036,981.28
2023	18,115,000.00	12,069,726.28	30,184,726.28	880,000.00	1,955,375.00	2,835,375.00	18,995,000.00	14,025,101.28	33,020,101.28
2024	18,925,000.00	11,156,688.78	30,081,688.78	925,000.00	1,911,375.00	2,836,375.00	19,850,000.00	13,068,063.78	32,918,063.78
2025	19,875,000.00	10,181,151.28	30,056,151.28	970,000.00	1,867,900.00	2,837,900.00	20,845,000.00	12,049,051.28	32,894,051.28
2026	19,215,000.00	9,154,507.52	28,369,507.52	1,015,000.00	1,819,400.00	2,834,400.00	20,230,000.00	10,973,907.52	31,203,907.52
2027	16,985,000.00	8,168,997.52	25,153,997.52	1,070,000.00	1,766,620.00	2,836,620.00	18,055,000.00	9,935,617.52	27,990,617.52
2028	15,085,000.00	7,286,667.52	22,371,667.52	1,130,000.00	1,709,375.00	2,839,375.00	16,215,000.00	8,996,042.52	25,211,042.52
2029	15,825,000.00	6,492,520.02	22,317,520.02	1,190,000.00	1,646,660.00	2,836,660.00	17,015,000.00	8,139,180.02	25,154,180.02
2030	14,265,000.00	5,658,597.52	19,923,597.52	1,260,000.00	1,578,830.00	2,838,830.00	15,525,000.00	7,237,427.52	22,762,427.52
2031	13,500,000.00	4,895,001.26	18,395,001.26	1,330,000.00	1,507,010.00	2,837,010.00	14,830,000.00	6,402,011.26	21,232,011.26
2032	12,190,000.00	4,163,527.50	16,353,527.50	1,405,000.00	1,430,535.00	2,835,535.00	13,595,000.00	5,594,062.50	19,189,062.50
2033	12,760,000.00	3,494,705.00	16,254,705.00	1,485,000.00	1,349,747.50	2,834,747.50	14,245,000.00	4,844,452.50	19,089,452.50
2034	8,900,000.00	2,804,400.00	11,704,400.00	1,575,000.00	1,264,360.00	2,839,360.00	10,475,000.00	4,068,760.00	14,543,760.00
2035	8,265,000.00	2,288,737.50	10,553,737.50	1,670,000.00	1,169,072.50	2,839,072.50	9,935,000.00	3,457,810.00	13,392,810.00
2036	8,680,000.00	1,790,675.00	10,470,675.00	1,770,000.00	1,068,037.50	2,838,037.50	10,450,000.00	2,858,712.50	13,308,712.50
2037	4,160,000.00	1,267,522.50	5,427,522.50	1,875,000.00	960,952.50	2,835,952.50	6,035,000.00	2,228,475.00	8,263,475.00
2038	4,365,000.00	978,190.00	5,343,190.00	1,990,000.00	847,515.00	2,837,515.00	6,355,000.00	1,825,705.00	8,180,705.00
2039	4,585,000.00	669,500.00	5,254,500.00	2,110,000.00	727,120.00	2,837,120.00	6,695,000.00	1,396,620.00	8,091,620.00
2040	2,190,000.00	345,250.00	2,535,250.00	2,240,000.00	598,410.00	2,838,410.00	4,430,000.00	943,660.00	5,373,660.00
2041	2,300,000.00	235,750.00	2,535,750.00	2,375,000.00	461,770.00	2,836,770.00	4,675,000.00	697,520.00	5,372,520.00
2042	2,415,000.00	120,750.00	2,535,750.00	2,520,000.00	316,895.00	2,836,895.00	4,935,000.00	437,645.00	5,372,645.00
2043				2,675,000.00	163,175.00	2,838,175.00	2,675,000.00	163,175.00	2,838,175.00
<b>TOTALS</b>	<b>489,463,192.20</b>	<b>378,460,159.60</b>	<b>867,923,351.80</b>	<b>40,000,000.00</b>	<b>44,925,269.03</b>	<b>84,925,269.03</b>	<b>529,463,192.20</b>	<b>423,385,428.63</b>	<b>952,848,620.83</b>

(a) Outstanding: General Obligation Refunding Bonds, Series 1991; General Obligation Refunding Bonds, Series 1998; Public Improvement Bonds, Issue of 2004; Public Improvement Bonds, Issue of 2005A; General Obligation Refunding Bonds, Series 2005; Public Improvement Bonds, Issue of 2007A; Taxable Public Improvement Bonds, Issue of 2010A; General Obligation Refunding Bonds, Series 2012 and Taxable Public Improvement Bonds, Issue of 2013A.  
For more information on the Outstanding Bonds see Appendix F - Debt Statement herein.

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**FORM OF LEGAL OPINION  
OF  
FOLEY & JUDELL, L.L.P.  
AND  
THE CANTRELL LAW FIRM,  
CO-BOND COUNSEL**

[FORM OF LEGAL OPINION]

**FOLEY & JUDELL, L.L.P.**  
One Canal Place, Suite 2600  
365 Canal Street  
New Orleans, Louisiana 70130  
Tel: (504) 568-1249  
Fax: (504) 565-3900

**THE CANTRELL LAW FIRM**  
300 Cantrell Centre  
309 Baronne Street  
New Orleans, Louisiana 70112  
Tel: (504) 585-7347  
Fax: (504) 585-5159

Co-Bond Counsel  
to the  
Board of Liquidation, City Debt

Board of Liquidation, City Debt  
City of New Orleans, Louisiana  
New Orleans, Louisiana

**\$40,000,000**  
**CITY OF NEW ORLEANS, LOUISIANA**  
**TAXABLE PUBLIC IMPROVEMENT BONDS, ISSUE OF 2014A**

We have acted as co-bond counsel to the City of New Orleans, Louisiana (the "City"), in connection with the issuance of the captioned bonds (the "Bonds"). The Bonds are issued in fully registered form, are dated, bear interest at the rates, are subject to redemption, are payable, and mature on the dates and in the principal amounts as set forth in the Bond Resolution (hereinafter defined).

The Bonds have been issued by the City pursuant to a resolution adopted by the Board of Liquidation, City Debt (the "Board of Liquidation"), on December 11, 2013 (the "Bond Resolution"), under the authority conferred by Part XIV, Chapter 4, Title 39 of the Louisiana Revised Statutes of 1950, as amended (the "Act"), and other constitutional and statutory authority, and are the fourth emission of \$260,000,000 of bonds that were specially authorized at an election held on November 2, 2004, the results of which election have been duly promulgated in accordance with law.

We have examined the provisions of the Constitution and statutes of the State of Louisiana, a certified transcript of the proceedings of the governing authority of the City and the Board of Liquidation 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 representations contained in the Bond Resolution and in 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.
2. All taxable property within the territory of the City is subject to the levy of *ad valorem* taxes for the payment of the principal of and interest on the Bonds without limit as to rate or amount.



3. Interest on the Bonds is *not* excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

4. Under the Act, the Bonds are exempt from all taxation for state, parish, municipal, or other purposes in the State of Louisiana.

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 and the Bond 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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**APPENDIX "I"**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$40,000,000**

**CITY OF NEW ORLEANS, LOUISIANA**

**TAXABLE PUBLIC IMPROVEMENT BONDS, ISSUE OF 2014A**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of New Orleans, Louisiana (the "Issuer"), 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 Issuer, acting through its duly authorized President, in connection with the issuance of the above-captioned bonds of the City of New Orleans, Louisiana (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board on December 11, 2013 (the "Resolution"), and are described in that certain Official Statement dated December 11, 2013 (the "Official Statement") which contains certain information concerning the Issuer, the *ad valorem* taxes securing the Bonds and certain financial and other information relating thereto. The Issuer 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 Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

**"Dissemination Agent"** shall mean the duly appointed Secretary of the Board, or any successor Dissemination Agent designated by the City acting through the Board.

**"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 searchable portable document format (PDF) to the following:

Municipal Securities Rulemaking Board  
Electronic Municipal Market Access Center  
[www.emma.msrb.org](http://www.emma.msrb.org)

**"Official Statement"** shall mean the Official Statement with respect to the Bonds, the City and the Board dated December 11, 2013.

**"Participating Underwriter"** shall mean any of the original Purchasers (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.

**"Bond Resolution"** or **"Resolution"** shall mean the Bond Resolution as adopted by the Board on December 11, 2013, 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 S.E.C. Rule 15c2-12(b) (5).

SECTION 3. *Provision of Annual Reports.*

- a. The City acting through the Board shall, or shall cause the Dissemination Agent to, in each year no later than eight (8) months from the end of the Issuer's fiscal year, with the first such report to be due not later than August 31, 2014, 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 City's Annual Report shall contain or incorporate by reference the following.

- a. 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.

- b. 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.
- c. The total amount of general obligation debt of the City issued, as well as any general obligation debt which has been authorized but not yet issued.
- d. Any material changes in the assessment procedures and the homestead exemption as authorized by law.
- e. The assessed value of taxable property in the City and homestead exemptions for the most recent tax year available from the Louisiana Tax Commission.
- f. The assessed value of property by classifications for the City for the most recent tax year available from the Louisiana Tax Commission.
- g. The assessed valuations of taxable property in the City including motor vehicles for the prior tax year.
- h. The millage rates for the prior tax year.
- i. The *ad valorem* tax levies and collections of the City and the Board for the prior tax year.
- j. A listing of the ten largest *ad valorem* taxpayers within the City for the prior tax year.
- k. Updated information reflecting the trend of indebtedness of the Issuer.

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:

- (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 events;
- (xiii) The consummation of a merger, consolidation, or acquisition involving an Issuer or the sale of all or substantially all of the assets of the Issuer, 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; or
- (xv) other material event notice.

(b) Whenever the City or the Board obtains knowledge of the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with each of the Repositories in a timely manner but in any event within ten (10) days of the date the City or the Board obtains knowledge of the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described above in (viii) and (ix) need not be given under this paragraph (b) any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Bond Resolution.

(c) In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(ix), the City shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the Issuer or the Board), solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation, or administrative order.

(e) The Issuer and the Board acknowledge that they are not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Issuer and the City do not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

**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 Issuer 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 both the City and the Board under this Disclosure Certificate shall terminate upon the legal 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 Issuer, or type of business conducted;
- (b) This Disclosure Certificate, as amended, or the provision, as waived, would 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 Issuer shall describe such amendment in the next Annual Report relating to the Issuer 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 date being presented by or in respect of the Issuer.

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 Bondowner (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

Issuer 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. *Mandatory Electronic Filing with MSRB and Other Stipulations.* All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org>, as provided by the Rule. Any document submitted to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB, and shall be submitted in word-searchable PDF format (without regard to diagrams, images and other non-textual elements).

IN FAITH WHEREOF, the undersigned have executed this Continuing Disclosure Certificate on this, the \_\_\_\_ day of \_\_\_\_\_, 2014.

CITY OF NEW ORLEANS, LOUISIANA

By: \_\_\_\_\_  
Mayor

BOARD OF LIQUIDATION, CITY DEBT

ATTEST:

By: \_\_\_\_\_  
President

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: \$40,000,000 Taxable Public Improvement Bonds, Issue of 2014A

Date of Issuance: January 21, 2014

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 Section 21 of the Bond Resolution of the Board dated December 11, 2014, providing for the issuance of the above bonds. The Issuer anticipates that its Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

BOARD OF LIQUIDATION, CITY DEBT

By: \_\_\_\_\_  
Secretary

**APPENDIX “J”**

**BOOK-ENTRY ONLY SYSTEM**

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## 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](http://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 CANNOT AND DOES 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 AND PREMIUM, IF ANY, 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 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.





