

**NEW MONEY ISSUE  
BOOK-ENTRY ONLY**

**OFFICIAL STATEMENT**

**RATINGS:  
Moody's: "A3"  
S&P: "BBB"  
Fitch: "A-"**  
(See "BOND RATINGS" herein.)

*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 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 2013A**  
**CITY OF NEW ORLEANS, LOUISIANA**

**Dated: Date of Delivery**

**Due: December 1, 2014 to December 1, 2042**

The referenced Taxable Public Improvement Bonds, Issue of 2013A (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, a Louisiana state banking corporation, in the City of Baton Rouge, Louisiana, or any successor trustee (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, 2013, and semiannually thereafter on June 1 and December 1 of each year. See Appendix "J"- Book-Entry Only System.

The Bonds maturing December 1, 2023 and thereafter 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, 2022, in whole or in part at any time and if less than a full maturity then by lot within such maturity at a redemption price equal to the principal net amount of the Bonds to be redeemed plus accrued interest to the redemption date. 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. The Bonds are additionally subject to mandatory redemption as described herein.

**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 third 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.

**The Maturity Schedule for the Bonds appears on the inside cover hereof.**

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 March 1, 2013, against payment therefor.

*The date of this Official Statement is January 30, 2013. This cover page and the following 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.*

**\$40,000,000**  
**CITY OF NEW ORLEANS, LOUISIANA**

**TAXABLE PUBLIC IMPROVEMENT BONDS, ISSUE OF 2013A**

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

<u>Due</u> <u>Dec. 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or Yield</u>	<u>CUSIP</u>	<u>Due</u> <u>Dec. 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or Yield</u>	<u>CUSIP</u>
2014	\$770,000	3.00%	0.90%	QR3	2023	\$1,035,000	3.70%	3.70%	RA9
2015	790,000	3.00	1.30	QS1	2024	1,075,000	3.90	3.90	RB7
2016	815,000	3.00	1.70	QT9	2025	1,115,000	4.00	4.00	RC5
2017	840,000	3.00	2.00	QU6	2026	1,160,000	4.10	4.10	RD3
2018	865,000	4.00	2.35	QV4	2027	1,210,000	4.25	4.25	RE1
2019	900,000	4.00	2.60	QW2	2028	1,260,000	4.35	4.35	RF8
2020	935,000	4.00	2.90	QX0	2029	1,315,000	4.40	4.40	RG6
2021	970,000	3.15	3.15	QY8	2030	1,375,000	4.50	4.50	RH4
2022	1,000,000	3.40	3.40	QZ5					

\$4,515,000 4.75% Term Bonds due Dec. 1, 2033, Yield 4.75%, CUSIP RL5  
\$7,080,000 4.75% Term Bonds due Dec. 1, 2037, Yield 4.85%, CUSIP RQ4  
\$10,975,000 5.00% Term Bonds due Dec. 1, 2042, Yield 5.00%, CUSIP RV3

**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 business line 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.

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**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.

**TABLE OF CONTENTS**

<b>INTRODUCTORY STATEMENT</b> .....	1	<b>INVESTOR CONSIDERATIONS</b> .....	35
Authorization of Bonds .....	2	Hurricanes Katrina and Rita .....	35
Board of Liquidation, City Debt; Administration of General Obligation Bonds .....	2	Hurricane Isaac .....	36
		Levees and Flood Protection .....	36
		Gulf Oil Spill .....	37
		Limitations on Remedies Available to Bondholders .....	37
<b>DESCRIPTION OF THE BONDS</b> .....	2	<b>TAX MATTERS</b> .....	38
Amount of Bonds Being Issued .....	2	Federal Taxes .....	38
Date of Issue .....	2	Tax Treatment of Original Issue Premium .....	38
Purpose of Issue .....	2	Original Issue Discount .....	38
Average Life .....	3	Federal Income Taxes .....	39
Form and Denominations .....	3	Medicare Contribution Tax .....	39
Maturities; Interest Payment Dates .....	3	Market Discount .....	39
Redemption Provisions .....	3	Sale or Redemption of the Bonds .....	40
Defeasance .....	4	Backup Withholding .....	40
Provisions Applicable if Book-Entry Only		Nonresident Bondowners .....	41
System is Terminated .....	5	ERISA .....	41
General .....	5	Changes in Federal and State Tax Law .....	41
Place of Payment .....	5		
Payment of Interest .....	5	<b>FINANCIAL ADVISORS</b> .....	42
Provisions for Transfer, Registration and Assignment ..	6	<b>LITIGATION AFFECTING THE CITY</b> .....	42
Results of November 2, 2004 Election .....	6	<b>PURCHASE OF THE BONDS</b> .....	46
Status of Existing General Obligation Bond Authorization	7	<b>LEGAL MATTERS</b> .....	47
		<b>FINANCIAL STATEMENTS</b> .....	47
<b>SECURITY FOR THE BONDS</b> .....	7	<b>GOVERNING AUTHORITY</b> .....	48
Security Interest .....	9	<b>CONTINUING DISCLOSURE</b> .....	48
Millage Rate Setting and Procedures .....	9	<b>BOND RATINGS</b> .....	48
Estimated Millage Required to Service the Bonds .....	10	<b>ADDITIONAL INFORMATION</b> .....	49
Legal Debt Limit .....	10	<b>CERTIFICATION AS TO OFFICIAL STATEMENT</b> .....	49
<b>BOARD OF LIQUIDATION</b> .....	10	<b>MISCELLANEOUS</b> .....	50
<b>THE CITY</b> .....	11	<b>MAPS</b>	
City Government .....	11	Appendix A - Official Notice of Bond Sale	
City Financial Management, Budgeting and Control .....	12	Appendix B - Financial and Statistical Data	
Budgets .....	13	Appendix C - 2011 Annual Financial Report of the City	
Revenues and Expenditures .....	15	Appendix D - 2013 Budget	
Financial Controls .....	19	Appendix E - 2011 Annual Statement of the Board of Liquidation	
Employee Relations .....	20	Appendix F - Debt Statement	
Retirement Systems .....	20	Appendix G - Annual Debt Service Requirements	
Post-Employment Benefits .....	25	Appendix H - Form of Legal Opinion of Co-Bond Counsel	
<b>SOURCE OF REVENUE</b> .....	27	Appendix I - Form of Continuing Disclosure Certificate	
Assessment Procedure .....	27	Appendix J - Book-Entry Only System	
Constitutional Amendments .....	29		
Homestead Exemptions .....	29		
Tax Rate Adjustment .....	30		
Penalty for Nonpayment of Taxes .....	30		
Property Tax Collections .....	30		
<b>DEBT STATEMENT</b> .....	31		
Short Term Debt .....	31		
Long Term Debt .....	31		
General Obligation Bonds of the City .....	31		
Overlapping Bonded Debt of Other Entities Secured by <i>Ad Valorem</i> Taxation .....	31		
Limited Tax Bonds of the City and its Agencies .....	31		
Certificates of Indebtedness .....	32		
Revenue Bonds - Sewerage and Water Board .....	33		
Other Revenue Bonds of Related Entities .....	33		
Sales Tax Bonds .....	33		
Hurricane-Related Borrowing .....	33		
Loan and Lease Agreements .....	34		
Trend of Indebtedness .....	35		

# CITY OF NEW ORLEANS, LOUISIANA

## MAYOR

Mitchell J. Landrieu

## CITY COUNCIL

Stacy S. Head, *Councilmember at Large, President*  
Jacquelyn B. Clarkson, *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  
Richard F. Cortizas  
Peggy C. Lewis

## Consultants and Advisors

*Postlethwaite & Netterville, APAC*  
*New Orleans, Louisiana*

*Auditors for the City*

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

*Auditors for the Board of Liquidation, City Debt*

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

*Co-Bond Counsel*

*The Cantrell Law Firm*  
*New Orleans, Louisiana*

*Co-Bond Counsel*

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

*Counsel to the Board of Liquidation,*  
*City Debt*

*Public Financial Management, Inc.*  
*Memphis, Tennessee*

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

*CLB Porter, LLC*  
*New Orleans, Louisiana*

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

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## **OFFICIAL STATEMENT**

**\$40,000,000**

### **TAXABLE PUBLIC IMPROVEMENT BONDS, SERIES 2013A**

## **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 January 30, 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 Annual Financial Report of the City for the year ended December 31, 2011 is included in Appendix “C” hereto. The Budget of the City for the year ending December 31, 2013 is included in Appendix “D” hereto. Audited financial statements of the Board of Liquidation for the year ended December 31, 2011, are included in Appendix “E” hereto. Maps indicating the general location of the City are included before Appendix “A” hereto.

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

This Official Statement contains information which has been furnished or obtained from the sources indicated. The factors affecting the City’s financial condition and the security for the Bonds are described throughout this Official Statement, which should be read in its entirety. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete and each such document, statute, report or instrument is qualified in its entirety by reference to each such document, statute, report or instrument, copies of which are available from the Board of Liquidation. 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 “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 Louisiana law, the Board of Liquidation is responsible for separating and administering funds dedicated to the repayment of the general obligation debt from the operating budget of the City. All *ad valorem* taxes levied by the City Council in each year for the payment of general obligation bonds are transferred to the Board of Liquidation, which has responsibility for the deposit and investment of such tax receipts and the servicing of the outstanding general obligation bonds. Once the property tax dollars are received by the Board of Liquidation, they are irrevocably dedicated to repay debt service on the City’s general obligation bonds unless the obligation is otherwise discharged as provided by law.

## **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 third 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 March 1, 2013.

### **Purpose of Issue**

The Bonds are being issued for the purpose of 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.



## **Average Life**

The average life of the Bonds is approximately 18.628 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 inside cover page of this Official Statement. Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2013 (each an “Interest Payment Date”), at the rates per annum indicated on the inside 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, 2023, and thereafter, are callable for redemption at the option of the City, acting through the Board of Liquidation, prior to their stated maturities, on and after December 1, 2022, in whole or in part at any time and if less than a full maturity then by lot within such maturity at a redemption price equal to the principal net amount of the Bonds to be redeemed plus accrued interest to the redemption date. 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.

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. Bonds are not required to be redeemed in inverse order of maturity. 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, 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 to the date fixed for redemption:

<b>Year (Dec. 1)</b>	<b>Principal Amount</b>
2031	\$1,435,000
2032	1,505,000
2033*	1,575,000

\* *Final Maturity.*

The Bonds maturing on December 1, 2037, 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 to the date fixed for redemption:

<b>Year (Dec. 1)</b>	<b>Principal Amount</b>
2034	\$1,650,000
2035	1,725,000
2036	1,810,000
2037*	1,895,000

\* *Final Maturity.*

The Bonds maturing on December 1, 2042, 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 to the date fixed for redemption:

<b>Year (Dec. 1)</b>	<b>Principal Amount</b>
2038	\$1,985,000
2039	2,085,000
2040	2,190,000
2041	2,300,000
2042*	2,415,000

\* *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, a Louisiana state banking corporation, 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 third 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, Issuer of 2007A, were issued on and dated December 14, 2007 and \$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. 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	2013 Bonds	Remainder
<b>Streets</b>	\$162,900,000	\$65,000,000	\$27,874,846	\$70,025,154
<b>Recreation Facilities</b>	43,545,000	16,607,500	1,996,451	24,941,049
<b>Libraries</b>	8,100,000	4,700,000	1,010,000	2,390,000
<b>Other Public Buildings</b>	45,455,000	28,692,500	9,118,703	7,643,797

**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 Constitution and laws of Louisiana to impose and collect annually, in excess of all other taxes, a tax, on all property subject to taxation within the City sufficient to pay the principal of and interest and redemption premiums, if any, on all of the City’s general obligation bonds in each year. This special tax, when collected, is immediately segregated and paid over to the Board of Liquidation to be used for the payment of debt service on the Bonds as set forth below. See Appendix “B” for more information regarding the assessed value of property in the City and the *ad valorem* tax collection record of the City.

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

*“Section 33. Political Subdivisions; General Obligation Bonds.*

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

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

*Section 1034. Authority to issue particular type bonds*

*A. General obligation bonds.*

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

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

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

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

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

Upon issuance of the Bonds, the City will have \$510,076,614 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 of Louisiana for the perfection and priority of our pledge.

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

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

## **Millage Rate Setting and Procedures**

The Board of Liquidation annually recommends to the City Council the property tax millage to be levied for the payment of debt service on the City’s general obligation bonded indebtedness for the succeeding year. The Board of Liquidation’s millage recommendation takes into consideration the 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 levied 25.50 mills on the 2013 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 2013. 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

2013 Total Assessed Valuation	\$3,521,911,530
35% of Total Assessed Valuation (lowest thousand)	\$1,232,669,000
Less Amount of Outstanding General Obligation Bonds as of January 2, 2013	\$ 470,076,614*
Less Amount of Proposed General Obligation Bonds	\$ <u>40,000,000</u>
Total General Obligation Indebtedness of the City After Giving Effect to the Proposed Bonds	\$ 510,076,614
Percentage of 2013 Total Assessed Valuation	14.48%
Remaining General Obligation Bond Capacity for Capital Improvements	\$ <u><u>722,592,386</u></u> **

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

\*\* Includes \$105,000,000 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 360,740, is the largest populated city in the State of Louisiana (the “State”). The City’s system of government is established in its Home Rule Charter (the “Charter”). The Constitution prohibits the Louisiana Legislature from enacting any law affecting the structure, organization or distribution of the power and function of any local political subdivision which operates under a home rule charter. The Charter may be amended only by the affirmative vote of a majority of the qualified voters in the City voting at an election called by the City Council on its own initiative or upon receipt by it of a petition of not less than ten thousand registered voters.

A number of important local governmental functions in the City are performed by entities which, in varying degrees, operate independently of City government. These entities include the Sewerage and Water Board of New Orleans, which is responsible for water, sewer and drainage service for the City, the Orleans Parish School Board, which is responsible for elementary and secondary education in the City, the New Orleans Aviation Board, which operates the Louis

Armstrong International Airport, and the Orleans Levee Board, which has primary responsibility for levees, sea walls and breakwaters surrounding the City. These and other similar entities have their own budgets and revenue sources, and are not included in the City's budget. (See Appendix "F"-Debt Statement).

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

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

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

### **City Financial Management, Budgeting and Control**

The City's finances are overseen by the First Deputy Mayor and Chief Administrative Officer and the Director of Finance. The First Deputy Mayor and Chief Administrative Officer prepares the annual operating and capital budgets and supervises the execution of budget ordinances. After the budget is adopted by the City Council, the First Deputy Mayor and Chief Administrative Officer provides a schedule of expenditure allotments by which the timing of expenditures and the nature of expenditures within a department are controlled. All changes to allotments, other than amendments that transfer an appropriation from one classification to another, must be approved by the First Deputy Mayor and Chief Administrative Officer. The Charter provides that the Mayor shall direct appropriate revisions in allotments to keep expenditures within the revenues received or anticipated.

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

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

**Andy Kopplin** serves as 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 Louisiana's rebuilding, from \$13 billion to \$28 billion. Before heading the LRA, Kopplin was Chief of Staff to two consecutive Louisiana governors, Democrat Kathleen Babineaux Blanco and Republican M.J. "Mike" Foster, Jr. He joined Foster's staff in 1996 as Policy Director, and in that role led the pioneering effort to create the State's community college system. Mr. Kopplin holds a bachelor's degree from Rice University; a master's in Public Policy from Harvard University's Kennedy School of Government, and is a 1986 Harry S. Truman Scholarship winner.

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

## **Budgets**

### ***The Capital Budget and Program***

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

<u>Year</u>	<u>Proposed Bonds</u>
2013	\$80,000,000*
2014	35,000,000
2015	30,000,000
2016	0
2017	0

\* Includes Bonds.

The City issued \$75,000,000 of general obligation bonds in 2007 and \$40,000,000 of general obligation bonds in 2010, being the first and second emissions of the total \$260,000,000 in general obligation bonds authorized to be issued in an election held on November 2, 2004. 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. If the City does not receive the direct pay subsidy relative to the Build America Bonds in any year, the Board of Liquidation will have to adjust the general obligation bond millage upward to compensate for the loss of revenue.

At this time, the City does not anticipate in paying costs of the capital program with Bonds other than general obligation bonds.

### ***The Operating Budget***

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

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

A summary of the initially adopted City General Fund Budget for the year ending December 31, 2013 follows:

<b>Revenues</b>	<b>Amount</b>	<b>% of Total</b>
Taxes	\$298,585,365	60.76%
Licenses & Permits	53,070,128	10.80%
Intergovernmental	10,574,665	2.15%
Service Charges	73,156,961	14.89%
Other Financing Sources	15,818,312	3.22%
Miscellaneous	9,758,841	1.99%
Fines and Forfeitures	<u>30,415,000</u>	<u>6.19%</u>
<b>Total Revenues</b>	<b><u>\$491,379,272</u></b>	<b>100.00%</b>
<b>Expenditures</b>	<b>Amount</b>	<b>% of Total</b>
Personal Services	\$299,810,578	61.01%
Other Operating	161,305,789	32.83%
Debt Service	<u>30,262,905</u>	<u>6.16%</u>
<b>Total Expenditures</b>	<b><u>\$491,379,272</u></b>	<b>100.00%</b>

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

The City's Charter further provides that the City Council may amend the budget during the year by means of ordinances. 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**

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

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

(All Dollars in Thousands)

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

Source: City of New Orleans Annual Financial Reports.

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

(All Dollars in Thousands)

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

Source: City of New Orleans Annual Financial Reports.

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

(All Dollars in Thousands)

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

Source: City of New Orleans Annual Financial Reports.



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

(All Dollars in Thousands)

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

Source: City of New Orleans Annual Financial Reports.

**Financial Controls**

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

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

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

## **Employee Relations**

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

The compensation of classified City employees is set by a comprehensive pay plan prepared by the Civil Service Commission and submitted 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 Louisiana 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 4% 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):

<b>Employees'</b>	<b>Old Police System</b>	<b>Old Fire System</b>	<b>New Fire System</b>	<b>System</b>
Annual required contribution*	\$20,851	–	\$22,613	\$29,424
Annual pension cost*	19,720	–	18,084	28,087
Contributions made*	19,918	–	20,975	11,987
Actuarial valuation date	1/01/2011	12/31/2011	1/01/2011	1/01/2011
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method	Aggregate level normal cost method
Amortization method	(a)	(b)	Specific number of years - level amount, closed	(c)
Remaining amortization period	(a)	(b)	3 years	(c)
Asset valuation method	Adjusted market value	Cost which approximates market	Market value	Three-year averaging market value
Actuarial assumptions:				
Investment rate of return	7.75%	7.00%	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 current year are as follows (amounts in thousands):

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

The NPOs were approximately \$15,988,000, \$58,252,000, and \$36,396,000 respectively, at December 31, 2011, and are recorded in the governmental activities of the government-wide statement of net assets. (See Appendix “C”-2011 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	12/31/11	\$ 19,720	66 %	\$ 15,988
	12/31/10	20,686	63	16,186
	12/31/09	16,760	75	8,532
Old Fire System	12/31/11	17,892	121	61,125
	12/31/10	17,892	121	61,125
	12/31/09	18,576	7	64,851
New Fire System	12/31/11	28,087	87	36,397
	12/31/10	22,576	109	17,735
	12/31/09	13,681	77	6,590

**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”- 2011 Annual Financial Report of the City, Note 2-Deposits and Investments, pages 41-43 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>
<b>Employees' System:</b>						
12/31/2009	\$ 387,146	\$ 478,552	\$ (91,406)	80.90%	\$ 89,366	(102.28)%
12/31/2010	384,106	485,221	(101,115)	79.16	85,927	(117.68)
12/31/2011	379,526	507,173	(127,647)	74.83	93,636	(136.32)
<b>Old Police System:</b>						
12/31/2009	1,809	1,787	22	101.23	--	N/A
12/31/2010	1,831	1,787	44	102.46	--	N/A
12/31/2011	1,805	1,787	18	101.01	--	N/A
<b>Old Fire System:</b>						
12/31/2009	11,455	166,081	(154,626)	6.90	--	N/A
12/31/2010	14,007	171,822	(157,815)	8.15	--	N/A
12/31/2011	14,862	171,593	(156,731)	8.66	--	N/A
<b>New Fire System:</b>						
12/31/2009	189,803	375,118	(185,315)	50.60	27,700	(669.01)
12/31/2010	160,645	406,732	(246,087)	39.50	27,427	(897.24)
12/31/2011	159,645	430,550	(270,905)	37.08	29,994	(903.20)

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

Member Deferred Retirement Option Plan ("DROP") and Partial Lump-Sum Option Plan ("PLOP") accounts were not increased during the year ended December 31, 2011. 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, 2011, the amount of DROP benefits owed to members is estimated to be \$15,809,790 and \$3,149,017 for the New Fire System and Old Fire System,

respectively. As of December 31, 2011, the amount of PLOP benefits owed to these members is estimated to be \$11,290,212 and \$1,412,022 for the New 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. During the year, 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 Fund was awarded on April 5, 2012 a winding up judgment. Liquidators were appointed over the FIA Leveraged Fund to fulfill the redemption. The receivable as of December 31, 2011 is valued at \$18,425,727. There is little chance of recovery.

### **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 2011 contains further information regarding the City Pension and other post-employment benefit obligations. See Appendix "C"- 2011 Annual Financial Report of the City, Note 2-Deposits and Investments, pages 41-43 therein; Note 7-Pension Plans and Postretirement Healthcare, pages 54-63 therein; and Required Supplementary Information, pages 73 and 76-77 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 2011, the City’s portion of health care funding cost for retired employees totaled approximately \$9,085,000. These amounts were applied toward the net other post-employment benefit (“OPEB”) obligation.

**Annual Required Contribution.** The City’s 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 2011 was \$13,391,720, as set forth below:

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

**Net Post-Employment Benefit Obligation (Asset).** The table below shows the City’s net OPEB obligation for fiscal year 2011:

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

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

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

**Funded Status and Funding Progress.** In fiscal year 2011, the City made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2011 actuarial valuation, the most recent valuation, the AAL at the end of fiscal year 2011 was \$162,047,409 which is defined as that portion,



as determined by a particular actuarial cost method (the City uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

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

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

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”- 2011 Annual Financial Report of the City, Note 7-Pension Plans and Postretirement Healthcare, pages 62-63 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 Constitution provides that the classifications of property subject to *ad valorem* taxation and the percentage of fair market value applicable to each classification for the purpose of determining assessed valuation are as follows:

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

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

Under the Constitution, the assessor is required to determine the fair market value of all property subject to taxation within the City, except public service properties that are valued by the Tax Commission. The Tax Commission is required by statute to measure annually the level of appraisals or assessments and the degree of uniformity of assessments for each major class and type of property in each parish throughout the State and to hold a public hearing to hear any complaints. If the appraisal or assessment level of a parish deviates by more than 10% from the percentage of fair market or use valuation, the Tax Commission is to order the assessor, within a period of one year, to reappraise all property within the parish or district or within one or more property classifications, certify the assessment lists for the year in which the order is issued, and in the following year again measure the level of appraisals or assessments for each major class and type of property in the parish. If the appraisal or assessment levels of a parish deviate again by more than 10% from the required percentage of fair market or use value, the Tax Commission may not certify the assessment rolls.

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

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

By law, assessment lists shall be open for public inspection from August 1 through August 15 of each year in the Parish, and the Orleans Parish Assessor must finish the preparation and listing on the assessment lists of all real and personal property and certify his roll to the Board of Review. The Board of Review is required to certify the roll to the Tax Commission on or before October 20 of each year. The roll is then filed with the tax collector (City’s Director of Finance). The City Council, as the governing authority of the City, annually adopts by December 1 an

ordinance levying the *ad valorem* taxes (other than the *ad valorem* taxes levied by the Orleans Law Enforcement District, Orleans Parish School Board and the Orleans Levee District) on taxable real and personal property for the following calendar year. Taxes on real property are payable on January 1 and are delinquent February 1. Taxes on personal property are payable on May 1 and are delinquent on June 1.

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

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

### **Constitutional Amendments**

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

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

### **Homestead Exemptions**

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

Approximately 12.31% of the total assessed valuation of the Issuer for 2013 represents homestead exempt property. The special *ad valorem* tax is subject to homestead exemption.

## **Tax Rate Adjustment**

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

In order to roll the maximum authorized millage forward, the governing authority of the Issuer must publish notice of its intent to do so two times before a date specified in the statute (currently July 15) and hold a public hearing not less than 30 days following the second publication. The governing authority of the Issuer must approve the roll forward by a two-thirds vote of its total membership. Upon approval, the millage rate as rolled forward becomes the new maximum millage rate that may be levied by the Issuer. If the governing authority does not roll forward prior to the next reassessment year, the Issuer may not roll forward to compensate for the prior reassessment.

## **Penalty for Nonpayment of Taxes**

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

A delinquent tax incurs a penalty of ten percent of the amount of the tax on the day such tax become delinquent (normally February 1). A delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid. Each April 1, all current year’s delinquent *ad valorem* taxes incur an additional penalty of 9½% of the total tax, statutory interest and 10% delinquent penalty to defray costs of collection by an outside collection agent. The additional 9½% represents payment to a private collection enterprise now contracted by the City. (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 January 2, 2013, the City had \$470,076,614 aggregate principal amount of its general obligation bonds outstanding (excluding the Bonds). In calculating the amount of general obligation bonds outstanding, there is deducted the amount on deposit in debt service and reserve funds dedicated to the payment of general obligation bonds. The issuance of general obligation bonds subject to this limitation must be approved by the City’s voters at an election. See “SECURITY FOR THE BONDS-Legal Debt Limit” herein.

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

As of January 2, 2013, the Law Enforcement District of the Parish of Orleans, State of Louisiana had a total of \$35,715,000 of general obligation bonds outstanding which are secured by and payable from unlimited *ad valorem* taxes.

As of January 2, 2013, the Parishwide School District of the Parish of Orleans, State of Louisiana had a total of \$80,200,000 of general obligation bonds for public school purposes outstanding which are secured by and payable from unlimited *ad valorem* taxes, and the Orleans Parish School Board had a total of \$94,791,529 of revenue bonds outstanding which are payable from (i) 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 January 2, 2013, the City had outstanding \$21,500,000 of Limited Tax Bonds, Series 2005 (“2005 Tax Bonds”), dated July 6, 2005, and maturing March 1, 2013 to March 1, 2019, inclusive, and March 1, 2021, 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 January 2, 2013, the City had outstanding \$25,605,000 of Taxable Limited Tax Certificates of Indebtedness, Series 2004B (the “Series 2004B Certificates”), issued for the purpose of financing a portion of the cost of refunding and extending the City’s outstanding Certificates of

Indebtedness and paying certain judgements against the City. \$195,885,000 of Taxable Limited Tax Refunding Bonds, Series 2012 (“Series 2012 Refunding Bonds”), dated October 23, 2012, all of which is outstanding, were issued for the purposes of refunding, restructuring and extending the City’s outstanding Taxable Pension Revenue Bonds, Series 2000, and Taxable Bonds, Series 2011. Said obligations are payable from proceeds derived from the levy and collection of a special *ad valorem* tax of 14.91 mills (13.91 mills adjusted due to reassessment) which the City is authorized to levy for general purposes pursuant to the Louisiana Constitution of 1974, as amended (the “Constitutional Tax”).

The City is authorized to issue limited tax bonds for the Audubon Commission payable solely from the proceeds of special *ad valorem* taxes. The maximum principal and interest payable in any year on Audubon Commission limited tax bonds at any time outstanding may not exceed 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 January 2, 2013, the Audubon Commission had outstanding \$1,345,000 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 \$27,695,000 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 January 2, 2013, the City had outstanding \$5,205,000 of limited tax bonds for the Downtown Development District, maturing December 1, 2013 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 January 2, 2013, the City had \$17,630,000 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 January 2, 2013, the City had outstanding \$410,000 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 January 2, 2013, there were outstanding \$30,120,000 of water revenue bonds and \$157,585,000 of sewerage service revenue bonds issued by the City for the Sewerage and Water Board.

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

The City is authorized through the New Orleans Aviation Board (the "Aviation Board") to issue revenue bonds which are secured by and payable solely from the revenues derived from the operation of New Orleans International Airport. As of January 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 January 2, 2013, there were \$129,230,000 of outstanding passenger facility charge revenue bonds of the Aviation Board.

As of January 2, 2013, the Orleans Parish Communication District had \$5,525,000 of its Revenue Bonds, Series 2004 outstanding, which are payable from a dedication of the proceeds of the emergency telephone tax and the excess of annual revenues of the District.

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 January 2, 2013, \$8,125,000 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 Louisiana Legislature. The City does not presently have any outstanding sales tax bonds; however, the City does have outstanding \$19,535,000 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, to date, forgiven the Stafford Act loans made to the City and the New Orleans Aviation Board, and \$36,790,000 of such loans made to the Sewerage and Water Board, with the remainder now due January 2016. 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, 2011, the outstanding Section 108 loans included: \$4,259,000 for the development of the American Can Factory into apartments; \$8,814,000 of obligations for the development of the Jazzland Theme Park; \$3,731,000 for the development of the Palace of the East; and \$7,047,000 for LA Artworks.

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

### **Trend of Indebtedness**

The following table sets forth a ten year trend in the amounts of general obligation bonds, limited tax bonds 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.

Nearly eight years after the storms, the City is experiencing an economic recovery. The estimated population of the City in 2011 (the last estimate available from the U.S. Census) was 360,740, reflecting a 3.7% growth over the 2010 Census. The pre-Katrina population of the City was approximately 435,000. City sales tax revenues in fiscal year 2011 were 99.34% of those in fiscal

year 2004. Tourism continues to show steady growth with over 8.75 million tourists visiting the City in 2011, the second consecutive year since Katrina that the number of visitors has topped 8 million. By contrast, an estimated 10.1 million tourists visited the City in 2004, the last full year prior to the storm. Visitors spent an estimated \$5.47 billion in the City in 2011, the highest total in the City's history. While not all economic indicators have reached pre-Katrina levels, the City is recovering at a steady pace.

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

### **Hurricane Isaac**

Hurricane Isaac made landfall on August 29, 2012, the 7<sup>th</sup> 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. Early indications suggest the levees described below performed as designed. The City currently estimates it will incur approximately \$25,000,000 in additional expenditures resulting from debris removal, clean up costs and extraordinary maintenance resulting from Hurricane Isaac; however, FEMA will pay between 75% and 90% of such expenditures. As a result, the City expects to pay between \$2,500,000 and \$6,000,000 as a result of Hurricane Isaac and is instituting measures to pay such costs without negatively impacting its operating budget.

The City 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.

## **Gulf Oil Spill**

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

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

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

On November 15, 2012, a settlement was reached between BP and the federal government for \$4.5 billion, a record for a criminal penalty in the United States.

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

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

Under Louisiana 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”). Interest on the Bonds will be fully subject to federal income taxation. Thus, owners of the Bonds generally must include interest on the Bonds in gross income for federal income tax purposes (See Appendix “H”).

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

The Bonds maturing December 1, 2014 to December 1, 2020, 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.

### **Original Issue Discount**

The Bond maturing December 1, 2037 (the “OID Bond”) is sold to its original owners at a discount. The difference between the initial public offering price and its stated amount constitutes original issue discount treated as interest which is **not** excluded from gross income for federal income tax purposes.

Owners of an OID Bond 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 Bond 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 an OID Bond.

## **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.

### **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 Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bonds.

In all events, all investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Bonds.

## **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein. In addition, such legislation (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. For example, ongoing negotiations between the Executive and Legislative Branches of the United States government to resolve federal budget deficits 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.

## 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 Louisiana, 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 affecting the financial position of the City at this time:

### ***New Orleans Firefighters Local No. 632, et al v. The City of New Orleans, et al, Civil District Court 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 1974 Louisiana Constitution. Plaintiffs sought back pay and “all other damages” arising from the alleged unconstitutional “taking” of excess unused annual leave days and injunctive relief enjoining the City from denying the plaintiffs the use of accrued annual leave beyond the City-imposed limit (then 90 days).

The plaintiffs amended their petition on April 24, 1985, adding the Director of Personnel and the Civil Service Commission as defendants and asserting a second cause of action 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), school board (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 Pittsburg, PA, Republic Insurance Company, Louisiana Insurance Guaranty Association as successor in interest to Southern American Insurance Company, and United States Fire Insurance Company. The 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 76 plaintiffs. The 76 Plaintiffs first flight trials were continued without date pending pre-trial motions, writs and appeals to the Fourth Circuit and Supreme Court. Recently, in 2012 the Supreme Court remanded the insurance coverage issues back to trial court. The matter is now before the U.S. Supreme Court pending decision in regard to the attempted recusal of Judge Nadine Ramsey as the appointed judge.

In 2011, the plaintiffs made a demand on the defendants for approximately \$96,000,000, not including judicial interest. 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 ("Motion") was held in the above-referenced matter. On August 24, 2011, Judge Bagneris granted plaintiffs' Motion. Since

that time, defendants have appealed the Court's certification of the class, and said appeal is still pending in the 4<sup>th</sup> Circuit. The City's liability varies greatly depending on whether the 4<sup>th</sup> Circuit upholds the class and the scope of said class. Regardless, the potential exposure to the City could range between \$2,326,281.90 and \$11,419,979.60.

***Bartholomew/Holmes/Madison, United States District Court 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 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 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 12-7061:***

This case concerns the New Fire System, although certain aspects could impact the Old Fire System as well. The Actuary has determined that the fund is underfunded by \$17,500,000 and has demanded that the City fund the difference. In addition to disputing certain procedural matters, the City argues that the Actuary has made very conservative assumptions in arriving at this figure and therefore overstated the shortfall. Additionally, the City argues that the underfunding of the New Fire System was the result of several factors and not solely attributable to a lack of City contributions.

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

This is a case in which 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 have alleged 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 \$5 million to \$10 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. 22035 (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.

***Geoffrey Clayton v. Officer David Zullo, et al, United States District Court 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 “tazed” him, 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.

***Tyralyn 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 NOPA 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 are \$3,000,000.00 in damages.

The following is a summary of additional relevant litigation that has been threatened against the City but not yet filed:

***Earl and Justin Sipp:***

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 not been filed by the family members, however, the City anticipates that one may be filed in the near future. If the officers’ actions are found to constitute excessive force, then the City estimates the potential liability could be substantial.

***Wendal Allen:***

On March 7, 2012 police executed search warrant for narcotics at the home of Wendal Allen, who was shot and killed during the execution of the warrant by a City police officer. The family of the decedent has submitted a draft of a complaint they plan to file in federal court alleging excessive force and other violations under Section 1983. If the officers’ actions are found to constitute excessive force and/or found to have other violations under Section 1983, then the potential liability could be substantial.

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

**PURCHASE OF THE BONDS**

Raymond James & Associates, Inc., Memphis, Tennessee, 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 \$39,709,339.78, which amount equals par, less Underwriter’s discount of \$553,762.52, plus net original issue premium of \$263,102.30.

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.

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

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

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

## **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, 2013 (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 Louisiana officially designated State Information Depository). Any notices of listed events will be filed in a timely manner, not in excess of ten (10) business days after the occurrence of any listed event, by the Dissemination Agent with the MSRB (and with any future Louisiana officially designated State Information Depository). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth herein under the caption "APPENDIX I - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the 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 2007 to 2011. The City's Annual Report for the fiscal year ended December 31, 2010 was filed by the Dissemination Agent with the MSRB on September 30, 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 Annual Report for fiscal year 2012 is due on August 31, 2013.

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.

## **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-" (stable 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 (1) 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, 2011, the date of the last audited financial statements of the City appearing in the Official Statement.

## MISCELLANEOUS

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

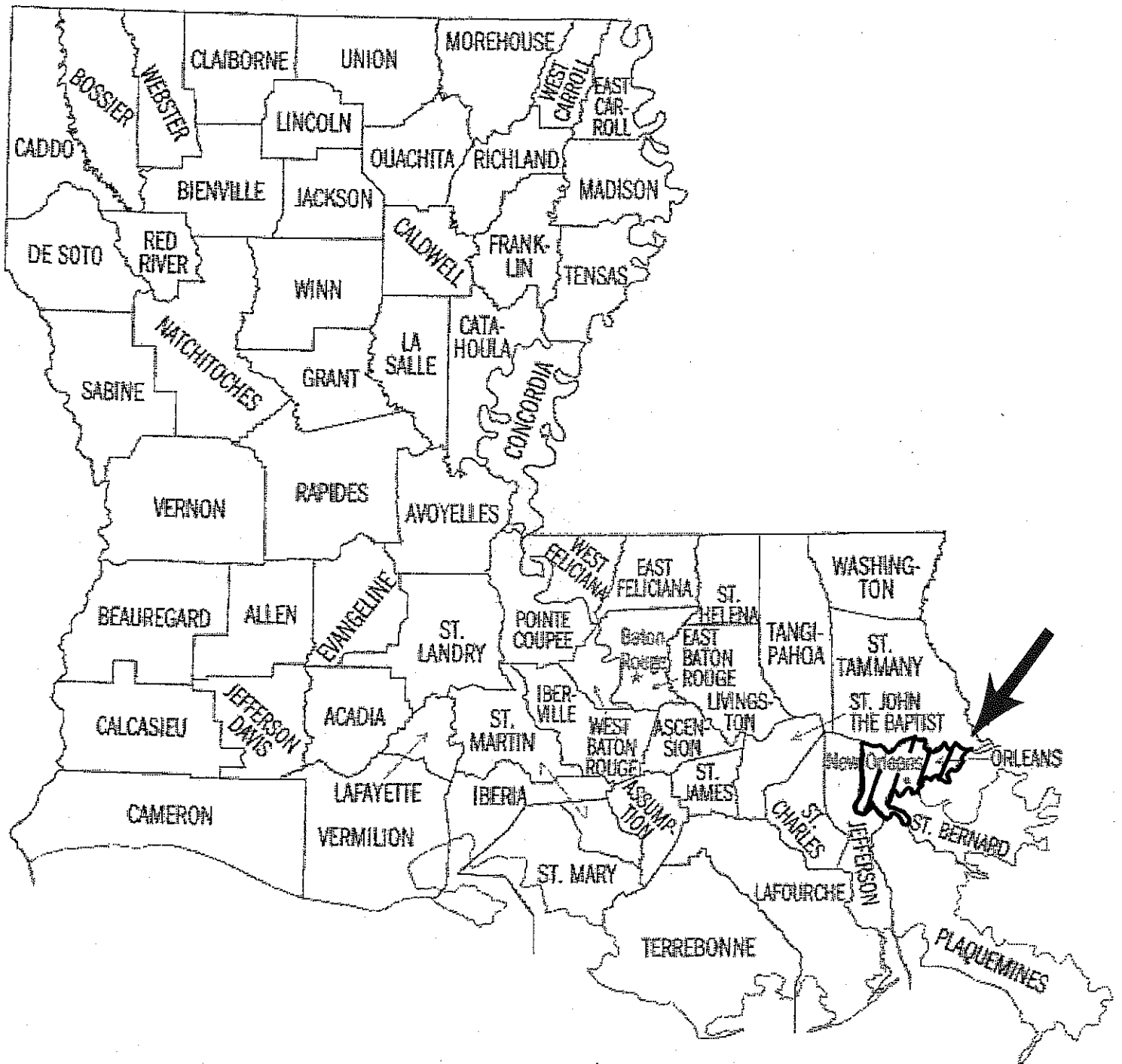
Potential purchasers of the Bonds should consult their own tax advisors as to the consequences of investing in the Bonds. Also, see "TAX MATTERS" herein.

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

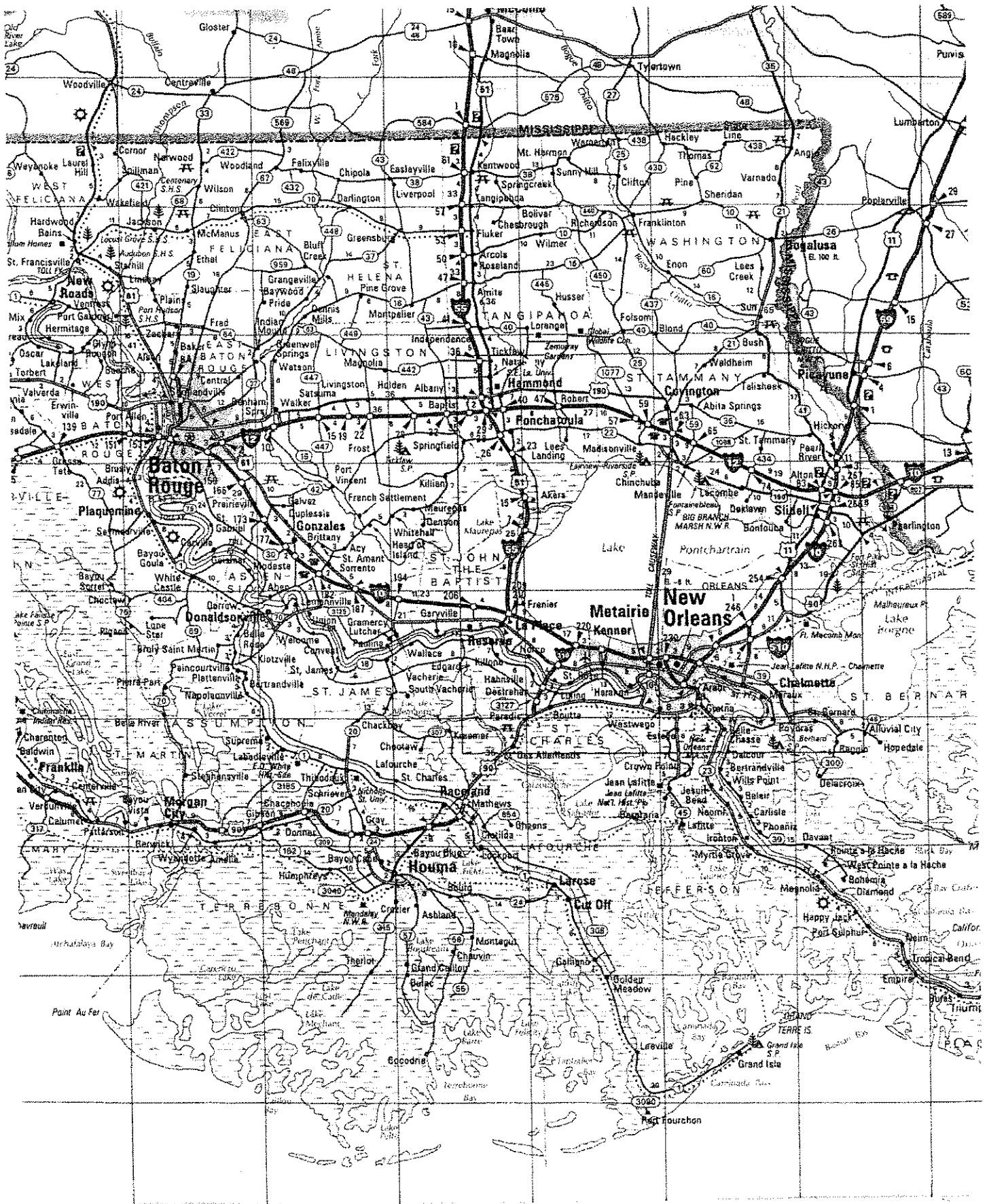
*/s/ Norman S. Foster*  
**Norman S. Foster**  
**Director of Finance**  
**City of New Orleans, Louisiana**



**MAPS**



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



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**APPENDIX "A"**

**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 2013A**

**Electronic bids via PARITY®  
will be received until eleven o'clock a.m.,  
New Orleans, Louisiana (Central) Time  
on Wednesday, January 30, 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, January 30, 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, a Louisiana state banking corporation, in the City of 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, 2013 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, a Louisiana state banking corporation, in the City of 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	\$ 840,000	2029	\$1,295,000
2015	850,000	2030	1,355,000
2016	860,000	2031	1,415,000
2017	870,000	2032	1,485,000
2018	885,000	2033	1,560,000
2019	905,000	2034	1,635,000
2020	930,000	2035	1,715,000
2021	955,000	2036	1,805,000
2022	985,000	2037	1,895,000
2023	1,020,000	2038	1,990,000
2024	1,055,000	2039	2,090,000
2025	1,095,000	2040	2,200,000
2026	1,140,000	2041	2,315,000
2027	1,185,000	2042	2,435,000
2028	1,235,000		

\*Preliminary, subject to adjustment.

**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 in order to maintain level debt service, the Board reserves the right to either increase or decrease the principal amount of any maturity of the Bonds.

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, 2023 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, 2022, in whole or in part at any time and if less than a full maturity then by lot within such maturity at a redemption price equal to the principal net amount of the Bonds to be redeemed plus accrued interest to the redemption date. 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 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 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 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 the terms of the purchase contract.

**Electronic Bids:** Electronic bids will be received via PARITY®, in the manner described below, until 11:00 o’clock a.m., New Orleans, Louisiana time, on Wednesday, January 30, 2013.

Bids may be submitted electronically via PARITY® 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® conflict with this Official Notice of Bond Sale, the terms of this Official Notice of Bond Sale shall control. For further information about PARITY®, potential bidders may contact PARITY® at i-Deal (212) 849-5021.

**Disclaimer:** Each prospective electronic bidder shall be solely responsible to register to bid via PARITY® as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® 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®, shall have any duty or obligation to provide or assure access to PARITY® to any prospective bidder, and neither the Board nor PARITY® 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®. The Board is using PARITY® 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® 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® 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® at i-Deal or (212) 849-5021 and notify the Board’s Financial Advisor, Public Financial Management (901) 682-8356, 530 Oak Court Drive, Suite 160, Memphis, Tennessee 38117.

**Electronic Bidding Procedures:** Electronic bids must be submitted for the purchase of the Bonds (all or none) via PARITY®. Bids will be communicated electronically to the Board at 11:00 o'clock a.m., local New Orleans, Louisiana time, on Wednesday, January 30, 2013. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via PARITY®, (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® 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® 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, 2023 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 the 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.

**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 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 March 1, 2013, 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. 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 2007, 2008, 2009, 2010 and 2011 were filed on August 28, 2008, August 24, 2009, August 30, 2010, September 30, 2011 and September 4, 2012, respectively.

**Additional Information and Official Statements:** Further information and particulars, including 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 <http://www.boardofliquidation.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  
Website: [www.boardofliquidation.com](http://www.boardofliquidation.com)

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

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

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

## Assessed Valuations

The following table sets forth the assessed value of taxable property in the City and homestead exemptions for the years 2003-2013.

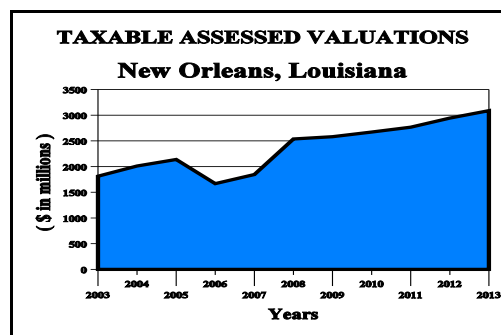
### Assessed Value of Property in the City

<b>Tax Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Property</b>	<b>Total Assessed Valuation</b>	<b>Less: Homestead Exemptions</b>	<b>Taxable Assessed Valuation</b>
2003	\$1,668,593,521	\$448,788,841	\$173,844,970	\$2,291,227,332	\$478,666,076	\$1,812,561,256
2004	1,852,618,536	484,006,473	164,249,110	2,500,874,119	489,517,102	2,011,357,017
2005	1,967,375,676	465,782,621	171,451,660	2,604,609,957	465,989,854	2,138,620,103
2006	1,432,380,307	394,823,507	170,463,560	1,997,667,374	328,776,640	1,668,890,734
2007	1,650,948,720	344,397,546	139,643,310	2,134,989,576	288,851,693	1,846,137,883
2008	2,295,689,798	393,879,207	145,035,610	2,834,604,615	297,101,026	2,537,503,589
2009	2,353,204,380	405,715,110	152,439,600	2,911,363,090	330,225,920	2,581,137,170
2010	2,489,812,690	387,333,971	163,911,580	3,041,058,241	369,086,386	2,671,971,855
2011	2,586,081,540	385,699,970	167,557,410	3,139,338,920	372,613,310	2,766,725,610
2012	2,760,973,210	390,952,232	183,003,600	3,334,929,042	392,534,175	2,942,394,867
<b>2013</b>	<b>2,915,068,780</b>	<b>413,120,240</b>	<b>193,722,510</b>	<b>3,521,911,530</b>	<b>433,616,519</b>	<b>3,088,295,011</b>

Sources: Tax Commission (2003-2007); Department of Finance, City of New Orleans (2008-2013).

(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 2009 through 2013.

<u>Purpose</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(\$ per \$1,000 of Taxable Assessed Value)				
<b>City:</b>					
<b>General Purposes*</b>	10.85	10.85	13.91	13.91	13.91
City Services	0.87	0.87	1.19	1.19	1.19
Debt Service on General Obligation Bonds	23.80	25.50	25.50	25.50	25.50
Fire and Police	4.66	4.66	6.40	6.40	6.40
Police (1)	3.98	3.98	5.26	5.26	5.26
Fire (1)	3.94	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	1.82	1.82	1.82	1.82	1.82
Parkway & Recreation	2.18	2.18	3.00	3.00	3.00
Streets (Traffic Control Devices)	1.38	1.38	1.90	1.90	1.90
Sewerage and Water Board:					
Drainage System (Act 617 of 1977)	4.54	4.71	4.71	4.71	4.71
Drainage System (Ord. 6289, M.C.S.)	4.60	4.66	4.66	4.66	4.66
Drainage System (R-81-29)	<u>6.89</u>	<u>7.06</u>	<u>7.06</u>	<u>7.06</u>	<u>7.06</u>
<b>Total City Tax Rates</b>	<b>77.78</b>	<b>81.15</b>	<b>88.89</b>	<b>88.89</b>	<b>88.89</b>
Orleans Law Enforcement District	2.90	2.90	2.90	2.90	2.90
Orleans Parish School Board	<u>38.47</u>	<u>44.12</u>	<u>44.12</u>	<u>44.12</u>	<u>44.81</u>
<b>Total Parishwide Tax Rates</b>	<b>119.15</b>	<b>128.17</b>	<b>135.91</b>	<b>135.91</b>	<b>136.60</b>
Orleans Levee District (Eastbank)	10.95	11.67	11.67	11.67	11.67
Algiers Levee District (Westbank)	9.28	12.76	12.76	12.76	12.36
Downtown Development District (2)	14.76	14.76	14.76	14.76	14.76
New Orleans Regional Business Park (3)	20.85	20.85	20.85	20.85	--
Garden District Security	12.00	11.62	16.00	16.00	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.

## 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.

## Property Tax Collections

The following table shows property tax levied in each year from 2003 through October 2012, the amounts collected and the percentage of such levy that has been collected since the date the taxes were imposed, as reported by the City Finance Department:

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

<u>Tax Year</u>	<u>Total Levied</u>	<u>Collected through October 31, 2012 (includes cleared receivables)</u>		<u>Balance Due at October 31, 2012</u>		<u>Collected During 2012 Amount</u>
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
<u>Real Estate Taxes</u>						
2003	\$217,039	\$215,410	99.25%	\$ 1,629	0.75%	\$ 752
2004*	247,328	245,120	99.11	2,208	0.89	908
2005	267,327	264,894	99.09	2,433	0.91	1,967
2006**	219,991	217,719	98.97	2,272	1.03	1,178
2007	250,462	246,845	98.56	3,617	1.44	2,000
2008	269,746	265,944	98.59	3,802	1.41	1,677
2009	275,869	271,694	98.49	4,175	1.51	1,561
2010	309,800	304,373	98.25	5,427	1.75	2,567
2011	339,370	331,419	97.66	7,951	2.34	10,982
2012	362,262	340,101	93.88	22,161	6.12	340,101

\* 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 through October 31, 2012 (includes cleared receivables)</u>		<u>Balance Due at October 31, 2012</u>		<u>Collected During 2012 Amount</u>
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
<i><u>Personal Property Taxes</u></i>						
2003	\$110,691	\$103,756	93.73%	\$6,935	6.27%	\$ 0
2004*	115,676	109,234	94.43	6,442	5.57	0
2005	106,354	100,809	94.79	5,545	5.21	0
2006**	99,477	95,157	95.66	4,320	4.34	0
2007	82,046	77,967	95.03	4,079	4.97	0
2008	67,548	64,074	94.86	3,474	5.14	0
2009	69,935	66,546	95.15	3,389	4.85	122
2010	74,530	70,452	94.53	4,078	5.47	253
2011	78,996	74,991	94.93	4,005	5.07	787
2012	81,685	78,228	95.77	3,457	4.23	78,228

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

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

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

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

## Sales and Other Taxes

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

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

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

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

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

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



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

### Default Record

The City has never defaulted in the payment of its outstanding bonds.

### Audit Report

Included in Appendix “C” hereto is a copy of the audited financial statements of the City for the fiscal year ended December 31, 2011, audited by of Postlethwaite & Netterville, A Professional Accounting Corporation, and their report, dated as of June 29, 2012, is included therein. 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 copy of the budget for the City for the fiscal year ending December 31, 2013.

### GASB 45

Effective with the fiscal year beginning January 1, 2007, the City implemented Government Accounting Standards Board Statement Number 45 (“GASB 45”). A summary of the impact of the City’s post-employment benefit obligations on the finances of the City is further explained in Note 7-Pension Plans and Postretirement Healthcare Benefits-of the 2011 audited financial statements of the City found in Appendix “C” hereto. See page 60 of the audit and pages 24-31 of the body of the Official Statement.

## Bank Balances

The City reported the following balances in its various funds and accounts as of October 31, 2012:

<u>Name of Fund</u>	<u>Balances</u>		
	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
General Fund	\$1,580,149	\$ 889,759	\$2,469,908
Capital Projects Operating Fund	6,085,136	--	6,085,136
Neighborhood Housing Impr.	3,057,250	1,900,056	4,957,306
NO Economic Development	1,738,722	1,068,797	2,807,519
Environmental Disaster Litigation	319,519	--	319,519
Environmental Impr. Revolving Fund	--	685,363	685,363
Miscellaneous Donations	203,084	--	203,084
Housing & Environment Impr.	748,917	--	748,917
Sidewalk Pavement Rev. Fund	--	2,063	2,063
NO Special Events Fund	227	--	227
Adopt-A-Pothole/Streets	283	--	283
NOPD Crime Prevention	937	--	937
Sanitation Recycling Exp.	3,089	70,061	73,150
NO Film Comm. Trust	32,629	163,039	195,668
National League of Cities	5,851	--	5,851
Music & Entertainment Comm.	58,481	121,404	179,885
Mayor's Office of Tourism & Arts	147,005	--	147,005
Parking Management Fund	283,154	1,078,605	1,361,759
Library Special Revenue Fund	<u>7,969,750</u>	<u>--</u>	<u>7,969,750</u>
Totals	<u>\$22,234,183</u>	<u>\$5,979,147</u>	<u>\$28,213,330</u>

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

## ECONOMIC INDICATORS

### Per Capita Personal Income

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

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

\* 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. April 25, 2012.

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

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

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

The preliminary figures for December 2012 for the City were reported as follows:  
(*Information updated from Preliminary Official Statement.*)

<u>Month</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Parish Rate</u>	<u>State Rate</u>
12/12	144,577	134,786	9,791	6.8	5.5*

\* Seasonally adjusted rate was 5.5.

Source: Louisiana Workforce Commission. January 25, 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)**

(*Information updated from Preliminary Official Statement.*)

	<u>Revised Dec. 2011</u>	<u>Revised Nov. 2012</u>	<u>Preliminary Dec. 2012</u>
Mining & Logging	6.8	7.2	7.2
Construction	28.0	27.3	26.5
Manufacturing	31.5	29.2	29.5
Trade, Transportation, & Utilities	107.9	105.6	105.9
Information	7.6	7.6	7.6
Financial Activities	25.0	26.5	25.1
Professional and Business Services	69.6	69.1	70.9
Education and Health Services	78.8	81.7	80.1
Leisure and Hospitality	73.0	77.3	78.0
Other Services	18.4	18.5	18.4
Government	82.7	81.6	81.2
<b>Total</b>	<b><u>529.3</u></b>	<b><u>531.6</u></b>	<b><u>530.4</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 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, 2008, 2009, 2010, 2011 AND SECOND QUARTER 2012** *(All data not seasonally adjusted.)*

<b>O RLEANS PARISH</b>					
<b>EMPLOYMENT</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012:2</b>
<b>Total</b>	<b>172,045</b>	<b>168,587</b>	<b>170,413</b>	<b>173,986</b>	<b>178,910</b>
Agriculture, Forestry, Fishing, and Hunting	58	26	22	32	44
Mining	3,819	3,618	3,253	2,867	2,341
Utilities	1,173	1,163	918	906	917
Construction	4,793	5,285	5,388	5,419	5,396
Manufacturing	7,642	5,929	4,959	4,536	3,991
Wholesale Trade	4,415	4,002	3,881	3,896	3,847
Retail Trade	12,614	12,284	12,057	12,428	12,980
Transportation and Warehousing	8,412	7,885	7,827	8,259	8,416
Information	4,846	3,033	3,644	3,724	6,449
Finance and Insurance	5,932	5,546	5,475	5,468	5,355
Real Estate and Rental and Leasing	2,266	2,222	2,241	2,460	2,577
Professional and Technical Services	13,663	13,815	14,410	14,709	14,514
Management of Companies and Enterprises	3,374	3,404	3,335	3,396	3,335
Administrative and Waste Services	9,921	9,248	9,338	9,439	10,125
Educational Services	19,582	20,530	20,829	20,997	21,295
Health Care and Social Assistance	19,865	20,858	20,796	21,171	21,402
Arts, Entertainment, and Recreation	6,833	4,696	4,955	4,975	4,967
Accommodation and Food Services	25,146	27,300	28,949	31,410	33,348
Other Services, except Public Administration	5,196	5,046	5,082	5,277	5,335
Public Administration	12,003	12,222	12,796	12,308	12,054
<b>EARNINGS (\$ in Thousands)</b>	<b>Annual</b>	<b>Annual</b>	<b>Annual</b>	<b>Annual</b>	<b>Quarterly</b>
<b>Total</b>	<b>\$8,593,380</b>	<b>\$8,345,790</b>	<b>\$8,495,490</b>	<b>\$8,695,793</b>	<b>\$2,097,887</b>
Agriculture, Forestry, Fishing, and Hunting	1,644	651	582	832	243
Mining	549,370	464,398	457,342	468,700	77,307
Utilities	69,360	75,613	62,992	59,338	14,245
Construction	250,097	282,951	277,992	303,632	68,425
Manufacturing	454,267	371,651	347,694	312,078	56,671
Wholesale Trade	291,788	259,132	256,367	261,481	61,521
Retail Trade	336,659	327,778	329,070	337,523	86,330
Transportation and Warehousing	457,515	438,754	432,784	442,060	106,226
Information	203,641	179,392	219,928	212,131	85,524
Finance and Insurance	446,596	402,903	421,229	447,832	102,095
Real Estate and Rental and Leasing	87,560	87,414	90,643	99,529	25,322
Professional and Technical Services	1,028,595	1,034,419	1,097,435	1,134,831	252,806
Management of Companies and Enterprises	287,506	277,857	253,922	302,939	67,155
Administrative and Waste Services	420,591	335,288	373,362	388,368	89,441
Educational Services	1,023,359	1,068,251	1,090,133	1,110,765	282,368
Health Care and Social Assistance	912,795	976,605	944,806	957,888	242,368
Arts, Entertainment, and Recreation	280,450	195,013	210,190	193,151	49,333
Accommodation and Food Services	578,725	647,413	694,634	750,433	205,801
Other Services, except Public Administration	162,998	164,896	168,093	174,815	43,505
Public Administration	732,260	740,668	758,141	725,732	179,723

Source: Louisiana Workforce Commission.



## Construction

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

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

## Housing

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

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

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

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

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

## **Education**

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

<u>Year</u>	<u>Membership End of Session</u>	<u>Average Daily Membership</u>	<u>Average Daily Attendance</u>
1996-97	80,218	82,304.5	74,211.5
1997-98	80,509	81,712.4	73,822.8
1998-99	80,237	80,969.5	73,531.2
1999-00	78,128	79,245.5	74,826.5
2000-01	74,880	75,575.9	70,535.5
2001-02	71,294	71,897.2	66,397.0
2002-03	68,077	68,778.4	63,041.4
2003-04	66,041	66,682.3	61,961.3
2004-05	63,702	63,969.9	59,721.4
2005-06*	10,930	51,305.1	50,634.7
2006-07	25,454	24,705.2	23,929.7
2007-08	31,222	31,476.8	28,551.0
2008-09	35,743	36,279.5	33,288.6
2009-10	39,966	40,308.7	37,126.5

\* 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
University of New Orleans	11,363	11,436	11,724	11,276	10,903	10,071
Tulane University	10,519	11,157	11,799	12,622	13,359	13,401
Loyola University New Orleans	4,550	4,634	4,910	4,982	5,179	5,105
Southern University at New Orleans	2,648	3,105	3,141	3,166	3,245	3,480
Xavier University of Louisiana	3,088	3,204	3,320	3,391	3,399	3,177
Dillard University	957	851	1,017	1,188	1,249	1,307
Our Lady of Holy Cross College	<u>1,260</u>	<u>1,296</u>	<u>1,305</u>	<u>1,260</u>	<u>1,212</u>	<u>1,171</u>
	<u>34,385</u>	<u>35,683</u>	<u>37,216</u>	<u>37,885</u>	<u>38,643</u>	<u>37,712</u>

Source: *The Times-Picayune*.

These seven institutions educate students in fields such as engineering, health care, public administration, urban studies, law, business, psychology, social sciences, communications, nursing, music, computer information systems, criminal justice, pharmacy, education, and theology. In addition, Delgado Community College, with a 2012 Fall enrollment of 18,115, the LSU Health Sciences Center-New Orleans, with a 2012 Fall enrollment of 2,790, and other similar facilities educate persons in various trades. Also, the acute care hospitals previously listed under the “Largest Employers” have research and teaching facilities and staff to educate, train and employ physicians and medical personnel who come from numerous foreign and domestic locations.

## **Tourism**

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

The City is Number 6 on the list of 2011 top ten cities in the United States and Canada, according to the Travel+Leisure magazine and their annual World's Best Awards. This is the second consecutive year that the City has been named to the list. The City has also made both the international (22<sup>nd</sup>) and domestic (7<sup>th</sup>) lists of TripAdvisor's 2012 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 it will host the 2013 NFL Super Bowl.

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

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

The **National World War II Museum**, formally the **D-Day Museum** (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 will be held in the City in 2013. Adults may continue to find entertainment in the river boat and land based **casinos** located in the area. Churchill Downs Inc. owns the Fair Grounds Race Course, a horse racing facility that includes 606 reel and video games.

## **Conventions**

The City has ranked among the top five cities nationwide as a destination city for conventions and is home to the 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 \$50 million renovation project on the Convention Center began in December 2011, and has been completed.

## **Airport**

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

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

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

In January 2013, Spirit Airlines will begin service in New Orleans to over 50 destinations within the United States, Caribbean, Bahamas and Latin America.

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 48,463.59 metric tons handled in 2011, a decrease from 2010.

The Airport has recently completed a \$300 million modernization and expansion project, including an expanded ticketing lobby, additional 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 2011, there were 736,908 cruise passengers. Not only has the City reached Pre-Katrina numbers, but it also set a new passenger record, surpassing the 2004 record by 2,265 passengers.

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

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.

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

<b>Port of New Orleans Tonnage Summary For the Year Ended December 31 (Short Tons)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>GENERAL CARGO</b>					
Container (Board-owned)	3,121,022	2,953,231	3,089,271	3,796,548	4,114,889
General Cargo					
(Non-container Board owned)	<u>3,673,343</u>	<u>2,836,283</u>	<u>2,534,069</u>	<u>2,258,685</u>	<u>2,453,485</u>
Total General Cargo (Board-owned)	6,794,365	5,789,514	5,623,340	6,055,233	6,568,374
General Cargo (Non-Board private facilities)	<u>617,663</u>	<u>199,003</u>	<u>309,690</u>	<u>412,681</u>	<u>384,060</u>
Total General Cargo	7,412,028	5,988,517	5,933,030	6,467,914	6,952,434
<b>BULK CARGO</b>					
Bulk (Board-owned)	25,907	29,980	48,164	90,486	279,052
Export Grain (Non-Board private facilities)	8,063,948	7,145,417	7,833,099	7,714,242	7,981,075
Other Bulk (Non-Board private facilities)	<u>11,870,605</u>	<u>13,117,581</u>	<u>13,468,680</u>	<u>16,453,107</u>	<u>18,013,623</u>
Total Bulk Cargo	19,960,460	20,292,978	21,349,943	24,257,835	26,273,750
<b>TOTAL CARGO (Board-owned and non-private facilities)</b>					
	<u>27,372,488</u>	<u>26,281,495</u>	<u>27,282,973</u>	<u>30,725,749</u>	<u>33,226,184</u>
Container Count in TEU's	250,649	235,324	229,067	280,757	312,258
Empty Containers in TEU's	--	--	89,904	138,910	160,175
Ship Calls	1,503	1,480	1,457	1,464	1,589

Notes:

A short ton is equal to 2,000 pounds.

A TEU represents a twenty foot equivalent unit.

Empty container statistics not available from 2005 through 2008.



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

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

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

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## 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

- Greater New Orleans was the #1 Most Improved Metro on the 2011 “Best Cities for Business” list, moving up 44 spots from 2010 [*Wall Street Journal*]
- Greater New Orleans won 2011 Co-Major Market of the Year [*Southern Business & Dev.*]
- Louisiana was named 2011 State of the Year [*Southern Business & Development*]
- Greater New Orleans was named the #1 Metro for IT Job Growth in the USA [*Forbes*]
- Greater New Orleans was ranking a Top 20 Strongest Performing economy in the USA [*Brookings Inst.*]
- Greater New Orleans area named the #1 Growing Metro Area for Employment [*Brookings Inst.*]

### Talent / Workforce

- New Orleans was ranked in the Top 10 Cities Top Ten 2012 Best City for Working Mothers [*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 Top City for Young Entrepreneurs 2011 [*Under30CEO.com*]
- New Orleans Leads the USA by 30% 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*]
- New Orleans Region termed “Silicon Valley on the Bayou” [*Reuters*]

### 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 “America’s Best City for School Reform” [*Thomas B. Fordham Institute*]
- New Orleans was included at #16 on the 2011 Best Cities for Families list [*Parenting.com*]

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

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

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



A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

**CITY OF NEW ORLEANS, LOUISIANA**

**Basic Financial Statements**

**December 31, 2011**

**(With Independent Auditors' Report Thereon)**



# CITY OF NEW ORLEANS, LOUISIANA

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Fiduciary Net Assets	21
Statement of Changes in Fiduciary Net Assets	22
Component Units – Combining Statement of Net Assets	23
Component Units – Combining Statement of Activities	25
Notes to Basic Financial Statements	26
<b>Required Supplementary Information</b>	
Notes to Required Supplementary Information	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund	74
Budget to GAAP Reconciliation	75
Schedules of Funding Progress	76

### **Independent Auditors' Report**

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

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

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

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

In accordance with *Government Auditing Standards*, we have issued our report dated June 29, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of funding progress on pages 3 through 14 and 72 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Postlethwaite & Tuttlewillo*

Metairie, Louisiana  
June 29, 2012

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

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

**Management's Discussion and Analysis**

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

**Financial Highlights**

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

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Government-wide Financial Analysis**

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

**Net Assets**

December 31, 2011 and 2010

(Amounts in thousands)

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

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

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

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

**Governmental Activities**

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

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



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

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

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

**Financial Analysis of the Governmental Funds**

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

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

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

**General Fund**

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

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

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

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

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

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

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

**HUD Fund**

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

**Federal UDAG Fund**

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

## CITY OF NEW ORLEANS

### Management's Discussion and Analysis

December 31, 2011

#### **FEMA Fund**

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

#### **Debt Service Funds**

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

#### **Capital Project Funds**

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

#### **Louisiana Office of Community Development Fund**

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

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

**General Fund Budgetary Highlights**

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

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

**Capital Assets**

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

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

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

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

**Debt Administration**

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

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

The following is a summary of debt transactions:

Balance at January 1, 2011	\$ 988,706
New issues	15,995
Payments	(65,285)
Reduction of capital leases	(1,441)
Balance at December 31, 2011	<u>\$ 937,975</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, 2011. At December 31, 2011, the City's legal debt margin adjusted for outstanding principal of \$509.5 million and past and future accretion of \$144.3 million on the City's outstanding General Obligation Bonds, plus fund balance available in the Debt Service Fund of \$29.9 million to service this debt was \$544.9 million.

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

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

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

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

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

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

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

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

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

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

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

**Requests for Information**

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



**BASIC FINANCIAL STATEMENTS**

**CITY OF NEW ORLEANS, LOUISIANA**

Statement of Net Assets

December 31, 2011

(Amounts in thousands)

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

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Activities  
 Year ended December 31, 2011  
 (Amounts in thousands)

Functions/Programs	Program revenues			Net (expense) revenue and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital contributions	Primary government activities	Component units
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 242,417	69,191	77,097	5,122	(91,007)	—
Public safety	236,038	37,947	6,461	4,142	(187,508)	—
Public works	123,209	36,753	157	36,888	(49,411)	—
Health and human services	21,678	9,873	6,359	400	(5,046)	—
Culture and recreation	21,575	309	4,107	29,176	12,017	—
Urban development and housing	32,682	60	40,205	—	7,583	—
Economic development	8,680	—	8,111	—	(569)	—
Interest and fiscal charges	65,742	—	—	—	(65,742)	—
Total primary government	\$ 752,041	154,133	142,497	75,728	(379,683)	—
<b>Component units:</b>						
Audubon Commission	\$ 53,469	35,999	—	4,790	—	(12,680)
Louis Armstrong New Orleans International Airport	87,292	58,687	—	12,291	—	(16,314)
Sewerage and Water Board	171,646	131,007	11,480	72,846	—	43,687
Other nonmajor component units	38,584	18,685	15,844	—	—	(4,055)
Total component units	\$ 350,991	244,378	27,324	89,927	—	10,638
<b>General revenues:</b>						
Taxes:						
Property taxes					187,199	61,746
Sales taxes					153,955	—
Utility taxes					9,896	—
Parking taxes					3,689	—
Franchise fees					31,740	—
Beverage taxes					462	—
Unrestricted investment income (loss)					(770)	1,591
Passenger facility charges					—	17,389
Reduction of non-current liabilities					2,288	—
Miscellaneous					47,296	42,310
Total general revenues					435,755	123,036
Change in net assets					56,072	133,674
Net assets (deficit) – beginning of year					51,278	1,949,790
Prior period adjustments (note 13)					6,827	—
Net assets – beginning of year, as restated					58,105	1,949,790
Net assets – end of year					114,177	2,083,464

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Balance Sheet -- Governmental Funds

Year ended December 31, 2011

(Amounts in thousands)

	General	HUD	Federal UDAG	FEMA	Debt Service	Capital Projects	Louisiana Office of Community Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>									
Cash and cash equivalents	2,962	5,491	874	—	60,346	4,736	1,157	12,525	24,783
Investments	—	—	—	—	—	83,170	—	12,098	158,576
Receivables (net of allowance for uncollectibles):									
Sales taxes	14,302	—	—	—	—	—	—	—	14,302
Property taxes	6,877	—	—	—	4,059	—	—	—	10,936
Franchise taxes	6,177	—	—	—	—	—	—	—	6,177
Accounts	11,318	153	—	—	—	7	—	2,106	13,584
Grantee loans	—	—	2,427	—	—	—	—	4,259	6,686
Interest	10	—	—	—	—	—	—	—	10
Due from other funds	42,711	—	11,927	3,935	—	32,388	—	3,517	94,478
Due from other governments	3,046	—	—	34,804	—	707	6,971	12,500	58,028
Due from component units	420	—	—	—	—	14,706	—	—	15,126
Advances to other funds	205	—	—	—	—	—	—	—	205
Other assets	27	—	—	—	—	—	—	16	43
<b>Total assets</b>	<b>\$ 88,055</b>	<b>\$ 5,644</b>	<b>\$ 15,228</b>	<b>\$ 38,739</b>	<b>\$ 64,405</b>	<b>\$ 135,714</b>	<b>\$ 8,128</b>	<b>\$ 47,021</b>	<b>\$ 402,934</b>
<b>Liabilities</b>									
Accounts payable	38,637	90	321	574	98	26,292	3,640	7,394	77,046
Retainages payable	—	110	—	238	123	3,783	45	109	3,783
Accrued expenses	44,412	—	1,080	35,663	—	3,935	—	9,388	625
Due to other funds	380	2,808	—	23,881	—	10,616	16,235	1,082	94,478
Due to other governments	—	—	—	—	—	100	—	—	55,002
Due to component units	—	—	—	—	—	—	—	—	100
Advances from other funds	—	4,018	—	—	5,044	26,501	2,933	205	37,701
Deferred revenues	8,343	—	—	32,682	—	—	—	8,127	87,648
<b>Total liabilities</b>	<b>\$ 91,772</b>	<b>\$ 7,026</b>	<b>\$ 1,401</b>	<b>\$ 93,038</b>	<b>\$ 5,265</b>	<b>\$ 71,227</b>	<b>\$ 22,853</b>	<b>\$ 26,305</b>	<b>\$ 318,887</b>
<b>Fund Balances</b>									
Fund balances:									
Nonspendable	—	—	2,427	—	—	—	—	4,459	6,886
Restricted	—	4,018	—	—	59,140	58,370	—	8,721	130,249
Committed	—	—	—	—	—	6,117	—	4,022	4,022
Assigned	13,934	(5,400)	11,400	(54,299)	—	—	(14,725)	11,774	31,825
Unassigned	(17,651)	(1,382)	13,827	(54,299)	59,140	64,487	(14,725)	(8,260)	(88,935)
<b>Total fund balances</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>Total liabilities and fund balances</b>	<b>\$ 88,055</b>	<b>\$ 5,644</b>	<b>\$ 15,228</b>	<b>\$ 38,739</b>	<b>\$ 64,405</b>	<b>\$ 135,714</b>	<b>\$ 8,128</b>	<b>\$ 47,021</b>	<b>\$ 402,934</b>

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

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

December 31, 2011

(Amounts in thousands)

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

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**  
Year ended December 31, 2011

(Amounts in thousands)

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

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities

Year ended December 31, 2011

(Amounts in thousands)

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

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Statement of Fiduciary Net Assets

December 31, 2011

(Amounts in thousands)

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

See accompanying notes to basic financial statements.



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

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

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Combining Statement of Net Assets

Component Units

December 31, 2011

(Amounts in thousands)

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

See accompanying notes to basic financial statements.

(Continued)

**CITY OF NEW ORLEANS, LOUISIANA**

Combining Statement of Net Assets

Component Units

December 31, 2011

(Amounts in thousands)

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

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**  
 Combining Statement of Activities

Component Units

Year ended December 31, 2011

(Amounts in thousands)

	Program revenues			Net (expense) revenue and changes in net assets				
	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
Expenses								
\$	55,469	—	4,790	(12,680)	—	—	—	(12,680)
Audubon Commission	87,292	—	12,291	—	(16,314)	—	—	(16,314)
Louis Armstrong New Orleans International Airport	171,646	11,480	72,846	—	—	43,687	—	43,687
Sewerage and Water Board	38,584	15,844	—	—	—	—	(4,055)	(4,055)
Other nonmajor component units	244,378	27,324	89,977	(12,680)	(16,314)	43,687	(4,055)	10,638
Total component units	\$ 350,991	\$ 27,324	\$ 89,977	\$ (12,680)	\$ (16,314)	\$ 43,687	\$ (4,055)	\$ 10,638
General revenues:								
Interest revenue				1,113	(136)	427	187	1,591
Property taxes				8,295	—	48,129	5,322	61,746
Passenger facility charges				—	17,389	—	—	17,389
Forgiveness of debt				—	—	—	—	—
Other				1,497	11,847	—	28,966	42,310
Total general revenues				10,905	29,100	48,556	34,475	123,036
Changes in net assets				(1,775)	12,786	92,243	30,420	133,674
Net assets - beginning				86,403	355,943	1,404,944	102,500	1,949,790
Net assets - ending				\$ 84,628	\$ 368,729	\$ 1,497,187	\$ 132,920	\$ 2,085,464

See accompanying notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

**(1) Summary of Significant Accounting Policies**

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

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

***Basis of Presentation – Financial Reporting Entity***

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

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

***Component Units***

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

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

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

Louis Armstrong New Orleans International Airport  
New Orleans Aviation Board  
P.O. Box 20007  
New Orleans, Louisiana 70141

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

Orleans Parish Communication District  
301 South Broad Street  
New Orleans, Louisiana 70119

Piazza D'Italia  
Downtown Public Benefit Corporations  
City of New Orleans  
1515 Poydras Street Suite 1845  
New Orleans, Louisiana 70112

Upper Pontalba Building Restoration Corporation  
1008 N. Peters Street, 2 Floor  
New Orleans, Louisiana 70116

New Orleans Municipal Yacht Harbor  
Management Corporation  
401 North Roadway  
New Orleans, Louisiana 70124

New Orleans Tourism Marketing Corporation  
One Canal Place, Suite 2020  
New Orleans, Louisiana 70130

Orleans Parish Hospital Service District A  
6600 Plaza Drive, Suite 307  
New Orleans, Louisiana 70128

Sewerage and Water Board  
625 St. Joseph Street  
New Orleans, Louisiana 70165

***Blended Component Units***

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

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

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

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

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

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

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

**Discretely Presented Component Units**

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

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

<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, 2011

**Discretely Presented Component Units**

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

***Sewerage and Water Board***

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

***Audubon Commission (the Commission)***

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

***Municipal Yacht Harbor Management Corporation***

Local corporation formed by the City to operate the Municipal Yacht Harbor in the manner comparable to that of a private business enterprise; to provide a safe and secure environment for recreational boating; to ensure that the cost associated with providing services to the general public are financed or recovered through user fee and charge; and to place an emphasis on generating a sufficient amount of net operating revenues to be used for maintenance and capital improvement projects. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

**Discretely Presented Component Units**

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

***New Orleans Tourism Marketing Corporation***

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

***French Market Corporation***

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

***Upper Pontalba Building Restoration Corporation***

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

**Discretely Presented Component Units**

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

***Canal Street Development Corporation***

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

***New Orleans Building Corporation***

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

***Piazza d'Italia Development Corporation***

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

<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, 2011

#### ***Related Organizations***

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

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

#### ***Jointly Governed Organizations***

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

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

#### **Basis of Presentation – Government-Wide and Fund Financial Statements**

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

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

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

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2011

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, 2011

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

#### **Fiduciary Fund Types**

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

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

#### **Basis of Accounting-Measurement Focus**

##### *Government-Wide Financial Statements (GWFS)*

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

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

##### *Fund Financial Statements*

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

***Pension Trust and Agency Funds***

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

***Use of Estimates***

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

***Cash and Cash Equivalents***

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

***Investments***

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

***Accounts Receivable***

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

***Capital Assets***

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



**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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

***Annual and Sick Leave***

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

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

***Litigation***

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

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2011

#### ***Fund Balance***

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

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

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

#### **(2) Deposits and Investments**

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

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

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

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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

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

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

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

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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

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

### (3) Tax Revenues

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

# CITY OF NEW ORLEANS, LOUISIANA

## Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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



**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

**(4) Grantee Loans**

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

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

**(a) UDAG**

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

**(b) HUD Section 108**

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

**(5) Capital Assets**

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

**(6) Long-Term Debt**

***Debt Service Fund***

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

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

***Bond Transactions***

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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

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

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2011

#### ***2000 Taxable Revenue Pension Bonds***

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

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

***Certificates of Indebtedness***

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

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

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

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

***Loans Payable***

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

***Other Long-Term Liabilities***

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

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



**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

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

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

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

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2011

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

#### ***MPERS Plan Description***

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

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

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

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

**Firefighters' Pension and Relief Fund Lawsuit**

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

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

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

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

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2011

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

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

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

#### **Postretirement Healthcare Benefits**

##### **Plan Description**

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

**Contribution Rates**

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

**Fund Policy**

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

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

**Annual Required Contribution**

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

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

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

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

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



**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

**Funded Status and Funding Progress**

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

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

**Actuarial Methods and Assumptions**

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

**Actuarial Cost Method**

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

**Actuarial Value of Plan Assets**

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

**Turnover Rate**

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

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

**Post-Employment Benefit Plan Eligibility Requirements**

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

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2011

#### **Investment Return Assumption (Discount Rate)**

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

#### **Health Care Cost Trend Rate**

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

#### **Mortality Rate**

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

#### **Method of Determining Value of Benefits**

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

#### **Inflation Rate**

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

#### **Projected Salary Increases**

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

#### **Post-retirement Benefit Increases**

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

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

(8) Individual Fund Disclosures

*Deficit Fund Equity*

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

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

***Interfund Receivables and Payables***

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

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

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

***Interfund Advances***

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

***Fund Transfers***

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

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

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

***Charges to Component Units for Support Services***

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

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

**(9) Fund Balance**

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

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

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

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

**(11) Interest Income**

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

**(12) Commitments and Contingencies**

***Operating Lease Agreements***

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

***Claims and Judgments***

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

***Self-Insurance***

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

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

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

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

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

***Federal Financial Assistance Questioned Costs***

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



**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

***Landfill Closing Costs***

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

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

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

***Arbitrage***

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

**(13) Restatement**

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

The impact on governmental fund balance was as follows:

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

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2011

The impact on net assets was as follows:

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

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

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

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

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

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2011

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

**(1) Budgetary Data**

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

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

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

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

**(2) Schedules of Funding Progress**

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

**CITY OF NEW ORLEANS, LOUISIANA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget (Non-GAAP Budgetary Basis) and Actual – General Fund**  
**Year ended December 31, 2011**  
**(Amounts in thousands)**

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

See accompanying independent auditors' report.

**CITY OF NEW ORLEANS, LOUISIANA**

**Budget to GAAP Reconciliation**

(Unaudited)

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

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

See accompanying independent auditors' report.



**CITY OF NEW ORLEANS, LOUISIANA**

Schedule of Funding Progress

Required Supplementary Information Under GASB Statement No. 27

Year ended December 31, 2011

(Unaudited)

(Amounts in Thousands)

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

See accompanying independent auditors' report.

(Continued)

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

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)
12/31/2009	—	347,191	(347,191)	—	226,764	(153.11)
12/31/2010	—	140,035	(140,035)	—	218,032	(64.23)
12/31/2011	—	162,047	(162,047)	—	219,251	(73.91)

See accompanying independent auditors' report.

**BUDGET  
FOR FISCAL YEAR 2013**

**SUMMARY OF ADOPTED 2013 BUDGET  
GENERAL FUND ONLY**

**ESTIMATED REVENUES**

Taxes	298,585,365	60.76%
Licenses & Permits	53,070,128	10.80%
Intergovernmental	10,574,665	2.15%
Service Charges	73,156,961	14.89%
Fines & Forfeits	30,415,000	6.19%
Miscellaneous Revenues	9,758,841	1.99%
Other Financing Sources	15,818,312	3.22%
<b>TOTAL REVENUES</b>	<b>\$491,379,272</b>	<b>100.00%</b>

**EXPENDITURES**

Personal Services	299,810,578	61.01%
Other Operating	161,305,789	32.83%
Debt Service	30,262,905	6.16%
Grants, Contrib., & Fund Transfers	-	0.00%
<b>TOTAL EXPENDITURES</b>	<b>\$491,379,272</b>	<b>100.00%</b>

\*Personal Services include salary, pension, healthcare, and other benefits.

General Fund Revenue		
Source	2012 Adopted	2013 Adopted
Property Tax	\$103,228,879	\$112,460,845
Sales Tax	162,947,514	163,433,607
Other Taxes	23,538,355	22,690,913
Licenses & Permits	57,858,460	53,070,128
Intergovernmental Revenue	9,467,549	10,574,665
Service Charges	74,258,050	73,156,961
Fines & Forfeits	37,921,500	30,415,000
Miscellaneous Revenue	10,122,193	9,758,841
Other Financing	18,188,204	15,818,312
<b>Total</b>	<b>\$497,530,704</b>	<b>\$491,379,272</b>

Non-General Fund Revenue		
Source	2012 Adopted	2013 Adopted
Self-Generated	\$2,425,000	\$900,000
Housing & Urban Dev.	56,401,167	45,049,968
Mayoral Fellows Program	466,220	322,336
Library Funds	12,449,955	12,100,000
Local Law Enforce. Grants	904,171	965,116
Federal Grants	147,584,934	92,061,466
State Grants	101,663,832	81,723,383
Grants, Contr., & Fund Transfers	39,940,132	88,152,054
Special Revenue Funds	16,886,682	22,554,736
<b>Total</b>	<b>\$378,722,093</b>	<b>\$343,829,059</b>

General Fund Expenditures		
Department	2012 Adopted	2013 Adopted
City Council	\$9,920,916	\$9,820,916
Mayor**	11,248,047	9,910,294
Chief Administrative Office**	45,842,570	44,391,183
Law	11,494,633	6,368,617
Fire	83,111,139	84,915,565
Safety & Permits	5,027,675	4,714,227
Police	118,989,231	126,784,896
Sanitation	37,406,673	37,209,066
Health**	12,591,993	13,393,465
Human Services	2,867,122	2,379,078
Finance	50,465,041	43,098,615
Property Management	6,845,297	6,656,823
Civil Service	1,622,784	1,469,643
Public Works	18,079,760	15,242,280
Recreation	-	-
Parks and Parkways	6,508,978	6,137,667
Library	-	-
HDLC	638,095	638,095
VCC	344,831	344,831
Alcoholic Beverage Control Board	1,500	1,500
City Planning Commission	1,781,439	1,594,134
Mosquito Control Bd.	2,309,627	2,078,510
New Orleans Museum of Art	167,772	151,683
Miscellaneous**	22,121,288	29,525,493
General Services	3,668,522	3,685,336
Office of Community Development**	-	-
Workforce Investment	-	-
Economic Development Fund	-	-
N'hood Hsg Improv. Fund	-	-
Intergovernmental Affairs	-	-
District Attorney	6,666,265	6,271,671
Coroner's Office	1,669,099	1,669,099
Juvenile Court	3,743,800	2,615,283
First City Court	6,000	6,000
Civil Court	14,400	14,400
Municipal Court	2,566,323	1,867,343
Traffic Court	354,356	389,640
Criminal District Court	2,214,832	1,526,597
Sheriff	22,944,000	22,134,338
Clerk of Criminal District Court	3,726,329	3,726,330
Registrar of Voters	407,890	383,416
Judicial Retirement Fund	162,477	263,238
<b>Total</b>	<b>\$497,530,704</b>	<b>\$491,379,272</b>

Non-General Fund Expenditures		
Department	2012 Adopted	2013 Adopted
City Council	\$0	\$0
Mayor**	175,034,325	143,831,392
Chief Administrative Office**	10,630,471	3,385,158
Law	577,165	540,686
Fire	4,481,726	532,000
Safety & Permits	1,452,286	-
Police	13,373,098	7,673,791
Sanitation	-	-
Health**	5,501,647	16,467,847
Human Services	1,146,231	562,469
Finance	-	-
Property Management	11,746,368	484,637
Civil Service	-	-
Public Works	3,000,000	1,300,000
Recreation	-	-
Parks and Parkways	147,571	-
Library	16,289,691	12,112,000
HDLC	-	-
VCC	-	-
Alcoholic Beverage Control Board	-	-
City Planning Commission	-	-
Mosquito Control Bd.	864,861	30,755
New Orleans Museum of Art	-	-
Miscellaneous**	2,113,691	3,482,832
General Services	2,611,191	798,000
Office of Community Development**	77,419,674	45,374,429
Workforce Investment	5,037,940	6,015,064
Economic Development Fund	2,557,530	1,753,245
N'hood Hsg Improv. Fund	4,738,187	11,332,700
Intergovernmental Affairs	39,940,132	88,152,054
District Attorney	-	-
Coroner's Office	881,470	-
Juvenile Court	-	-
First City Court	-	-
Civil Court	-	-
Municipal Court	-	-
Traffic Court	-	-
Criminal District Court	-	-
Sheriff	-	-
Clerk of Criminal District Court	-	-
Registrar of Voters	-	-
Judicial Retirement Fund	-	-
<b>Total</b>	<b>\$379,545,255</b>	<b>\$343,829,059</b>

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

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

**ANNUAL STATEMENT**

**DECEMBER 31, 2011**

**[www.boardofliquidation.com](http://www.boardofliquidation.com)**

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

TABLE OF CONTENTS

	<u>Page</u>
<u>COMPOSITION AND AUTHORITY OF THE BOARD OF LIQUIDATION, CITY DEBT</u>	3
<u>LETTER OF TRANSMITTAL</u>	4
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	5-9
<u>INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS</u>	10-11
<u>FINANCIAL STATEMENTS</u>	
COMBINING STATEMENT OF ASSETS, LIABILITIES, CUSTODIAL, DEBT SERVICE AND RESERVE FUNDS - MODIFIED CASH BASIS	12
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN LIABILITIES, CUSTODIAL, DEBT SERVICE AND RESERVE FUNDS - MODIFIED CASH BASIS	13
<u>NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS</u>	14-20
<u>SUPPLEMENTAL INFORMATION</u>	
DEBT ADMINISTRATION COMBINING SCHEDULE OF ASSETS, LIABILITIES, DEBT SERVICE AND RESERVE FUNDS - MODIFIED CASH BASIS	21
ACCOUNT OF SEWERAGE & WATER BOARD OF NEW ORLEANS COMBINING SCHEDULE OF ASSETS, LIABILITIES AND CUSTODIAL FUNDS - MODIFIED CASH BASIS	22
ACCOUNT OF DOWNTOWN DEVELOPMENT DISTRICT OF NEW ORLEANS COMBINING SCHEDULE OF ASSETS, LIABILITIES AND CUSTODIAL FUNDS - MODIFIED CASH BASIS	23
ACCOUNT OF AUDUBON PARK COMMISSION OF NEW ORLEANS COMBINING SCHEDULE OF ASSETS, LIABILITIES AND CUSTODIAL FUNDS - MODIFIED CASH BASIS	24
ACCOUNTS OF SPECIAL TAXING DISTRICTS OF NEW ORLEANS COMBINING SCHEDULE OF ASSETS AND CUSTODIAL FUNDS - MODIFIED CASH BASIS	25
DEBT ADMINISTRATION COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN LIABILITIES, DEBT SERVICE AND RESERVE FUNDS - MODIFIED CASH BASIS	26
ACCOUNT OF SEWERAGE & WATER BOARD OF NEW ORLEANS COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN LIABILITIES AND CUSTODIAL FUNDS - MODIFIED CASH BASIS	27
ACCOUNT OF DOWNTOWN DEVELOPMENT DISTRICT OF NEW ORLEANS COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN LIABILITIES AND CUSTODIAL FUNDS - MODIFIED CASH BASIS	28
ACCOUNT OF AUDUBON PARK COMMISSION OF NEW ORLEANS COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN LIABILITIES AND CUSTODIAL FUNDS - MODIFIED CASH BASIS	29

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

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>SUPPLEMENTAL INFORMATION (CONT'D)</u>	
ACCOUNTS OF SPECIAL TAXING DISTRICTS OF NEW ORLEANS COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CUSTODIAL FUNDS - MODIFIED CASH BASIS	30
SCHEDULE OF BOND SALES	31
SCHEDULE OF BONDED DEBT ADMINISTERED BY THE BOARD OF LIQUIDATION, CITY DEBT	32-33
NOTES TO SCHEDULE OF BONDED DEBT ADMINISTERED BY THE BOARD OF LIQUIDATION, CITY DEBT	34
SCHEDULE OF DEDICATED AD VALOREM TAX MILLAGE AVAILABLE FOR SERVICING OF BONDED DEBT	35
NOTES TO SCHEDULE OF DEDICATED AD VALOREM TAX MILLAGE AVAILABLE FOR SERVICING OF BONDED DEBT	36
SCHEDULE OF SEWERAGE & WATER BOARD MATURED BONDS - DEBT ADMINISTRATION	37
SCHEDULE OF DEFEASED BONDS - DEBT ADMINISTRATION COMBINING SCHEDULE OF ASSETS AND LIABILITIES - MODIFIED CASH BASIS	38
SCHEDULE OF DEFEASED BONDS - DEBT ADMINISTRATION COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN LIABILITIES - MODIFIED CASH BASIS	39
SCHEDULE OF ITEMIZED DISBURSEMENTS - INTEREST, PREMIUM AND PRINCIPAL PAID	40-41
INDEPENDENT AUDITOR'S 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	42-43

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

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

**OFFICERS OF THE BOARD**

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

**COUNSEL**

Lemle & Kelleher

**MEMBERS OF THE BOARD**

Mary K. Zervigon  
Richard P. Wolfe

Wanda Ackers-Brooks  
Wm. Raymond Manning

Alan C. Arnold  
Mark M. Moody

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

Ex-Officio  
Ex-Officio  
Ex-Officio

MEMBERS OF BOARD

ALAN C. ARNOLD  
WANDA ACKERS BROOKS  
WM. RAYMOND MANNING  
MARK M. MOODY  
RICHARD H. WOLFE  
MARY K. ZERVIGON

# Board of Liquidation, City Debt

1300 PERDIDO STREET - ROOM 8E17

New Orleans, La. 70112

AREA CODE 504  
858-1410  
(FAX) 858-1411

[www.boardofliquidation.com](http://www.boardofliquidation.com)

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

January 3, 2012

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

Ladies and Gentlemen:

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

These transactions are reported for the twelve month period ending December 31, 2011, for the Bonded Debt administered by the Board of Liquidation, City Debt, for the accounts of the Sewerage and Water Board of New Orleans, the Audubon Park Commission of New Orleans, the Downtown Development District of New Orleans, the Garden District Security Tax District, Huntington Park Subdivision Improvement District, the Kingswood Subdivision Improvement District, the Lake Bullard Neighborhood Improvement District, the Lake Carmel Improvement District, the Lake Forest Estates Improvement District, the Lake Oaks Subdivision Improvement District, the McKendall Estates Neighborhood Improvement District, the Spring Lake Improvement District, the Touro-Bouligny Security District, the Twinbrook Security District, and the Upper Hurstville Security District.

Sincerely,



Mary K. Zervigon



David W. Gernhauser

BOARD OF LIQUIDATION, CITY DEBT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011

### Introduction

Within this section of the Board of Liquidation, City Debt's (the "Board") annual financial report, management provides narrative discussion and analysis of the financial activities of the Board for the fiscal year ended December 31, 2011. The Board's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Additional information is available in the transmittal letter which precedes the *Management's Discussion and Analysis*. The discussion focuses on the Board's primary government, and unless otherwise noted, there are no component units to be reported separately from the primary government.

### Fund Accounting

The Board maintains one Fiduciary Fund to account for its activities, the Agency Fund. An Agency Fund is used to account for assets held for other funds, governments, or individuals. Accordingly, the accounts of the Board are organized and maintained on the basis of funds, each of which is considered a separate accounting entity, and is maintained for the purpose of attaining objectives in accordance with the various special restrictions, regulations and limitations.

### Overview of Financial Statements

Management's Discussion and Analysis introduces the Board's basic financial statements. The basic financial statements are comprised of one fiduciary fund and includes:

- The Combining Statement of Assets, Liabilities, Custodial, Debt Service and Reserve Funds - Modified Cash Basis
- The Combining Statement of Cash Receipts, Disbursements and Changes in Liabilities, Custodial, Debt Service and Reserve Funds - Modified Cash Basis
- The Notes to Financial Statements - Modified Cash Basis

The Board also includes in this report additional information to supplement the basic financial statements.

### Basic Financial Statements

The Combining Statement of Assets, Liabilities, Custodial, Debt Service and Reserve Funds - Modified Cash Basis presents all the assets and liabilities administered by the Board. Over time, increases and decreases in the balances presented on this financial statement may be useful indicators of whether the financial position of the Board is improving or deteriorating. However, evaluation of the economic health of the Board would extend to other non-financial factors such as the diversification of the taxpayer base in addition to the financial information provided in this report.

The Combining Statement of Cash Receipts, Disbursements, and Changes in Liabilities, Custodial, Debt Service and Reserve Funds - Modified Cash Basis, reports the Board's inflows and outflows of cash. The purpose of the report is to show the sources and uses of funds administered by the Board.

### Notes to Financial Statements

The accompanying Notes to Financial Statements - Modified Cash Basis, provide information essential to a full understanding of the Board's financial statements. The notes to the financial statements begin immediately following the basic financial statements.

BOARD OF LIQUIDATION, CITY DEBT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)  
DECEMBER 31, 2011

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain Supplemental Information. This supplemental information follows the notes to the financial statements and includes:

- Combining Schedules of Assets, Liabilities, Custodial, Debt Service, and Reserve Funds for all activities administered by the Board
- Combining Schedules of Cash Receipts, Disbursements and Changes in Liabilities, Debt Service, Reserve and Custodial Funds for all activities administered by the Board
- Details of bond sales during the year
- Details of bonded debt administered by the Board
- Details of ad valorem tax millage available to service bonded debt
- Details of certain disbursements made during the year.

**Financial Analysis of the Board's Funds**

As year-to-year financial information is accumulated on a consistent basis, changes in fund balances may be observed and used to discuss the changing financial position of the Board as a whole.

***Fiduciary Funds***

The Debt Service and Reserve Funds in the Debt Administration section of the financial report have a fund balance of \$66,517,779. The Tax Credit Bond loan payable balance of \$118,533,615 is a result of the Board and the custodial agencies entering into Cooperative Endeavor Agreements with the State of Louisiana to secure proceeds from the Gulf Opportunity Tax Credit Bond Loan Program. Escrow accounts were created at Hancock Bank to make debt service payments on outstanding bonds for governmental agencies affected by Hurricanes Katrina and Rita. The General Obligation Debt Service Funds are designated for future debt service payments and were included in calculating the millage necessary to service the General Obligation Debt for 2012. The 2011 millage levy is 25.5 mills, remaining the same as the 25.5 mills levied in 2010.

The following table provides a summary of the Board's assets, liabilities, custodial, debt service and reserve funds and the related changes in receipts over disbursements:

	<u>Debt Administration</u>		
	<u>2011</u>	<u>2010</u>	<u>Changes</u>
Total assets	\$ <u>94,442,986</u>	\$ <u>93,809,769</u>	\$ <u>633,217</u>
Total liabilities	\$ <u>27,925,207</u>	\$ <u>27,878,912</u>	\$ <u>46,295</u>
Total custodial debt service and reserve funds	\$ <u>66,517,779</u>	\$ <u>65,930,857</u>	\$ <u>586,922</u>
Receipts	\$151,461,962	\$138,720,436	\$12,741,526
Disbursements	<u>150,828,745</u>	<u>138,550,213</u>	<u>12,278,532</u>
Excess of receipts over disbursements	\$ <u><u>633,217</u></u>	\$ <u><u>170,223</u></u>	\$ <u><u>462,994</u></u>

BOARD OF LIQUIDATION, CITY DEBT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)  
DECEMBER 31, 2011

	<u>Custodial Accounts</u>		<u>Changes</u>
	<u>2011</u>	<u>2010</u>	
Total assets	\$ <u>43,024,834</u>	\$ <u>53,016,154</u>	\$ <u>(9,991,320)</u>
Total liabilities	\$ <u>90,916,406</u>	\$ <u>90,916,406</u>	\$ <u>0</u>
Total custodial debt service and reserve fund	\$ <u>(47,891,572)</u>	\$ <u>(37,900,252)</u>	\$ <u>(9,991,320)</u>
Receipts	\$ <u>62,203,406</u>	\$ <u>55,420,808</u>	\$ <u>6,782,598</u>
Disbursements	<u>72,194,726</u>	<u>87,610,638</u>	<u>(15,415,912)</u>
(Deficiency) of receipts over disbursements	\$ <u>(9,991,320)</u>	\$ <u>(32,189,830)</u>	\$ <u>22,198,510</u>

	<u>Totals</u>		<u>Changes</u>
	<u>2011</u>	<u>2010</u>	
Total assets	\$ <u>137,467,820</u>	\$ <u>146,825,923</u>	\$ <u>(9,358,103)</u>
Total liabilities	\$ <u>118,841,613</u>	\$ <u>118,795,318</u>	\$ <u>46,295</u>
Total custodial, debt service and reserve funds	\$ <u>18,626,207</u>	\$ <u>28,030,605</u>	\$ <u>(9,404,398)</u>
Receipts	\$ <u>213,665,368</u>	\$ <u>194,141,244</u>	\$ <u>19,524,124</u>
Disbursements	<u>223,023,471</u>	<u>226,160,851</u>	<u>(3,137,380)</u>
(Deficiency) of receipts over disbursements	\$ <u>(9,358,103)</u>	\$ <u>(32,019,607)</u>	\$ <u>22,661,504</u>

Key Changes in Assets and Liabilities include:

- Assets increased \$633,217 in debt administration due to additional general obligation bond ad valorem tax receipts.
- Assets decreased \$9,991,320 in the custodial accounts due to payment of debt.

Key changes in receipts include:

Debt Administration

- Ad valorem tax receipts increased \$3,055,077.
- Bond proceeds increased \$11,725,506.
- Debt service funds decreased \$1,796,610.
- Interest on investments decreased \$209,134. This was primarily due to a decrease in interest rates as a result of the national financial crisis.
- Excess debt service and reserve decreased \$33,513.



BOARD OF LIQUIDATION, CITY DEBT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)  
DECEMBER 31, 2011

Key changes in receipts include: (Cont'd)

Custodial Accounts

- Ad valorem taxes increased \$3,636,264.
- Interest on investments decreased 118,022.
- Revenue Sharing - State of Louisiana decreased \$21,320.
- Bond proceeds increased \$3,243,758.
- Fee - Current year decreased \$29,418.
- Fee - Prior years increased \$77,901.
- Excess reserve and debt service funds decreased \$6,565.
- Warrants paid decreased \$13,402,516.
- Debt service increased \$2,013,396.

Key changes in disbursements include:

Debt Administration

- Interest payments increased \$3,480,030. This increase follows the payments required under the debt service schedules.
- Principal payments on bonds decreased \$21,294,290.
- Premium received on bonds increased \$470,235 due to Audubon Aquarium Bonds Series 2001A and 2001B called October 1, 2011.
- Purchase of securities increased \$24,608,262. This is due to the purchase of escrow securities for the refunded Audubon Park Commission Aquarium Bonds.
- Funds returned to the City of New Orleans, Sewerage & Water Board, and Audubon Park Commission decreased by \$37,603,118.
- Cost of Issuance increased \$36,438.
- Personal services decreased \$11,111. This is mainly due to one employee entering deferred retirement option plan and not participating in employee pension plan in 2011.

*Long-term Debt Administration*

At the end of the fiscal year, the Board administers total bonded debt outstanding of \$509,543,556 in General Obligation Bonds and \$23,360,000 in Limited Tax Bonds. The General Obligation Bonds are backed and fully funded with an unlimited ad valorem tax levy through the Board's statutory authority. The Limited Tax Bonds are supported by a voter approved tax millage of 2.5 mills collected by the City of New Orleans and remitted to the Board daily. Other Custodial long-term debt is supported by voter approved special tax millages and revenues generated through the custodial agencies. Debt service is collected from these custodial special taxes to pay debt service on special tax bonds. Debt service on the Revenue Bonds are supported by revenues remitted to the Board on a monthly basis by the Sewerage & Water Board of New Orleans, including the Sewer Service Subordinate Revenue Bonds sold in 2011. The Board holds restricted debt service funds for the Sewerage Service Revenue Bonds 2010 A&B sold to the Louisiana Department of Health and Hospitals.

BOARD OF LIQUIDATION, CITY DEBT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)  
DECEMBER 31, 2011

**Long-term Debt Administration (Cont'd)**

Outstanding bonds administered by the Board at December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
<b>City of New Orleans:</b>		
General Obligation Bonds	\$509,543,556	\$529,218,992
Limited Tax Bonds	\$ 23,360,000	\$ 25,140,000
<b>Sewerage &amp; Water Board of New Orleans:</b>		
Drainage System Bonds	\$ 18,990,000	\$ 20,290,000
Sewerage Service Revenue Bonds	\$160,985,000	\$172,800,000
Sewerage Service Revenue Bonds Louisiana Department of Health and Hospitals	\$ 2,400,000	\$ 2,400,000
Sewerage Service Subordinate Revenue Bonds Louisiana Department of Environmental Quality	\$ 9,000,000	\$0
Water Revenue Bonds	\$ 32,415,000	\$ 34,635,000
<b>Audubon Park Commission:</b>		
Audubon Park Improvement Bonds	\$ 1,635,000	\$ 1,910,000
Audubon Aquarium Bonds	\$ 30,260,000	\$ 27,233,572
<b>Downtown Development District:</b>		
Downtown Development District Bonds	\$ 5,450,000	\$ 5,685,000

**Bond Ratings**

Bond ratings for the General Obligation Bonds of the City of New Orleans were Standard and Poor's Rating BBB; Fitch Ratings A-; and Moody's Rating Service A3. Although investment grade rated by all three agencies, the City general obligation ratings continue to feel the effects of Hurricanes Katrina and Rita in 2005, as well as the national economic crisis in 2008.

**Contacting the Board's Financial Management**

This financial report is designed to provide a general overview of the Board's finances, compliance with finance-related laws and regulations, and demonstrate the Board's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Board at: Board of Liquidation, City Debt, 1300 Perdido Street, Room 8E17, New Orleans, Louisiana 70112 or visit the Board of Liquidation's website at [www.boardofliquidation.com](http://www.boardofliquidation.com).

**PACIERA, GAUTREAU & PRIEST, LLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

3209 RIDGELAKE DRIVE, SUITE 200

METAIRIE, LA 70002

(504) 486-5573

FAX (504) 486-6091

www.pgpcpa.com

KIRTH M. PACIERA, C.P.A.  
RENE G. GAUTREAU, C.P.A.  
TIMOTHY L. PRIEST, C.P.A.

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AMERICAN INSTITUTE OF  
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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, 2011 as listed in the table of contents. These financial statements are the responsibility of the Board of Liquidation, City Debt's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note B, the Board of Liquidation, City Debt prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and custodial, debt service and reserve fund balances of the Board of Liquidation, City Debt, at December 31, 2011, and cash receipts, disbursements and changes in liabilities, custodial, debt service and reserve fund balances thereof for the year then ended, in conformity with the basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2012 on our consideration of the Board of Liquidation, City Debt's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that

Mrs. Mary K. Zervigon, President, and Members  
Board of Liquidation, City Debt

report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for the purposes of additional analysis, and is not a required part of the financial statements of the Board of Liquidation, City Debt. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The composition and transmittal sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



March 8, 2012

**FINANCIAL STATEMENTS**

BOARD OF LIQUIDATION, CITY DEBT  
 FIDUCIARY FUND TYPE - AGENCY FUND  
 COMBINING STATEMENT OF ASSETS, LIABILITIES, CUSTODIAL,  
 DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS  
 DECEMBER 31, 2011

	<u>Debt Administration</u>	<u>Account of Sewerage &amp; Water Board</u>
<u>ASSETS</u>		
Cash	\$ 91,338	\$ 1,128,427
Money market accounts	94,351,648	34,817,094
<i>Total Assets</i>	\$ 94,442,986	\$ 35,945,521
 <u>LIABILITIES, CUSTODIAL, DEBT SERVICE AND RESERVE FUNDS</u>		
Interest payable	\$ 90,503	\$ 0
Principal payable	171,200	0
Cost of Issuance payable	46,295	0
Tax Credit Bond loan payable	27,617,209	77,465,247
Reserve funds	50,533,201	0
Debt service funds	15,984,578	0
Custodial fund balance (deficit)	0	(41,519,726)
<i>Total Liabilities, Custodial, Debt Service and Reserve Funds</i>	\$ 94,442,986	\$ 35,945,521

See accompanying notes to financial statements.

<u>Account of Downtown Development District</u>	<u>Account of Audubon Park Commission</u>	<u>Accounts of Special Taxing Districts</u>	<u>Total (Memorandum Only)</u>
\$ 81,486	\$ 81,276	\$ 0	\$ 1,382,527
2,703,690	2,153,866	2,058,995	136,085,293
<u>\$ 2,785,176</u>	<u>\$ 2,235,142</u>	<u>\$ 2,058,995</u>	<u>\$ 137,467,820</u>
\$ 0	\$ 0	\$ 0	\$ 90,503
0	0	0	171,200
0	0	0	46,295
1,600,153	11,851,006	0	118,533,615
0	0	0	50,533,201
0	0	0	15,984,578
<u>1,185,023</u>	<u>(9,615,864)</u>	<u>2,058,995</u>	<u>(47,891,572)</u>
<u>\$ 2,785,176</u>	<u>\$ 2,235,142</u>	<u>\$ 2,058,995</u>	<u>\$ 137,467,820</u>

BOARD OF LIQUIDATION, CITY DEBT  
 FIDUCIARY FUND TYPE - AGENCY FUND  
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN LIABILITIES,  
 CUSTODIAL, DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS  
 YEAR ENDED DECEMBER 31, 2011

	<u>Debt Administration</u>	<u>Account of Sewerage &amp; Water Board</u>
<u>RECEIPTS</u>		
Ad valorem taxes-Current year	\$ 63,494,049	\$ 38,828,273
Ad valorem taxes-Prior years	3,579,069	3,064,203
Bond proceeds-new issue	51,015,532	1,490,118
Bond proceeds-cost of issuance	367,309	0
Fee-Current year	0	0
Fee-Prior years	0	0
Revenue sharing-State of Louisiana	0	323,143
Debt service funds	31,595,141	0
Debt service funds-Federal subsidy- Taxable Build America Bonds	1,125,018	0
Interest on investments	212,540	128,594
Excess reserve and debt service funds	73,304	59,495
<i>Total receipts</i>	151,461,962	43,893,826
 <u>DISBURSEMENTS</u>		
Interest on bonds	63,125,753	0
Principal on bonds	59,299,007	0
Premium on bonds	470,235	0
Purchase escrow securities	24,608,262	0
Administrative expenses - LADHH	2,842	0
Warrants	0	53,742,626
Debt service	0	2,304,122
Personal services	397,877	0
Contractual services	64,890	0
Office expenses	26,981	0
Funds returned to City of New Orleans, Sewerage & Water Board, and Audubon Park Commission	2,511,885	0
Cost of issuance	321,013	0
<i>Total disbursements</i>	150,828,745	56,046,748
 Excess (Deficiency) of receipts over disbursements	633,217	(12,152,922)
 Liabilities, Custodial, Debt Service and Reserve Funds at:		
December 31, 2010	93,809,769	48,098,443
December 31, 2011	\$ 94,442,986	\$ 35,945,521

See accompanying notes to financial statements.



Account of Downtown Development District	Account of Audubon Park Commission	Accounts of Special Taxing Districts	Total (Memorandum Only)
\$ 5,130,239	\$ 7,821,816	\$ 1,146,041	\$ 116,420,418
220,488	472,151	77,181	7,413,092
0	2,421,357	0	54,927,007
0	0	0	367,309
0	0	875,812	875,812
0	0	124,429	124,429
0	0	0	323,143
0	0	0	31,595,141
0	0	0	1,125,018
11,140	1,549	5,797	359,620
709	871	0	134,379
<u>5,362,576</u>	<u>10,717,744</u>	<u>2,229,260</u>	<u>213,665,368</u>
0	0	0	63,125,753
0	0	0	59,299,007
0	0	0	470,235
0	0	0	24,608,262
0	0	0	2,842
5,363,299	4,205,040	1,740,510	65,051,475
560,001	4,279,128	0	7,143,251
0	0	0	397,877
0	0	0	64,890
0	0	0	26,981
0	0	0	2,511,885
0	0	0	321,013
<u>5,923,300</u>	<u>8,484,168</u>	<u>1,740,510</u>	<u>223,023,471</u>
(560,724)	2,233,576	488,750	(9,358,103)
3,345,900	1,566	1,570,245	146,825,923
<u>\$ 2,785,176</u>	<u>\$ 2,235,142</u>	<u>\$ 2,058,995</u>	<u>\$ 137,467,820</u>

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
DECEMBER 31, 2011

A. General Information

The Board of Liquidation, City Debt (the "Board") is a component unit of the City of New Orleans (the "City"). The Board has exclusive control and direction of all matters relating to the bonded debt of the City. Accordingly, all of the City's general obligation bonds, and the limited tax bonds issued for the Sewerage & Water Board of New Orleans, the Downtown Development District of New Orleans, and the Audubon Park Commission of New Orleans are sold by and through the Board. No bonds may be sold without approval of the members of the Board. All property taxes levied by the City and dedicated to the payment of outstanding general obligation and limited tax bonds are collected by the City and, as required by law, paid over to the Board, day by day as collected. Such tax revenues are invested in fully secured money market accounts, certificates of deposit, and/or full faith and credit obligations of the U.S. Government until applied by the Board to the payment of principal and interest on outstanding bonds.

The Board annually determines the amount of Ad Valorem Tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City and all such general obligation bonds proposed to be issued by the City in such year. This determination is based upon an analysis by the Board of the current and anticipated assessed value of taxable property in the City and current and anticipated cash reserves held by the Board. The assessed value of property in the City for each year is determined by the Orleans Parish Assessor and certified by the Louisiana Tax Commission as complying with the Louisiana Constitution of 1974. The annual determination of the necessary tax millage to service bonds of the City is adopted by resolution of the Board that is submitted to the City Council. The millage recommended by the Board is then levied by the City Council.

No general obligation bonds, special tax bonds, or revenue bonds of the agencies mentioned above may be issued by the City without the approval of the Board and the City Council. The Board requires as a condition of such approval that a) the reasonably anticipated property tax revenues of the City be adequate to service the proposed bond issue and all outstanding bonds of the City and to maintain reasonable reserves, b) the proposed bond issue comply with any applicable legal debt limitation, and c) the purposes for which the bonds are sold be capital in nature. All new general obligation bond issuance must be approved by a majority of the voters in the City. Act 1 of 1994 by the Louisiana Legislature establishes the legal debt limit for the City. Act 4 of 1916, as amended, by the Louisiana Legislature and Article VI, Section 33 of the Louisiana Constitution of 1974 provides that the full faith and credit of the City are pledged for its general obligation bonds and the City is authorized to levy taxes upon all taxable property in the City without limitation of rate or amount sufficient to pay the principal and interest on such bonds as they mature.

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
(Continued)  
DECEMBER 31, 2011

General Information (Cont'd)

The Board issues bonds for the Sewerage & Water Board of New Orleans, the Downtown Development District of New Orleans, and the Audubon Park Commission of New Orleans. Issued in the name of the City, these bonds may be funded by the dedicated millage or water and sewer rates. The Sewerage & Water Board, the City Council, and the Board, must approve the water and sewerage service rates necessary to fund any bonds. Ad Valorem Tax millage necessary to service special tax bonds is set by statute and levied by the City Council each year. Ad Valorem Tax millage necessary to service the general obligation bonded debt each year is determined by the Board, and is levied by the City Council annually.

In addition, the Board serves in a custodial capacity for the accounts of the Sewerage & Water Board of New Orleans, the Downtown Development District of New Orleans, the Audubon Park Commission of New Orleans, the Lake Forest Estates Improvement District, the Garden District Security Tax District, the Spring Lake Improvement District, the Lake Bullard Neighborhood Improvement District, the Lake Carmel Subdivision Improvement District, Lake Oaks Subdivision Improvement District, the Huntington Park Subdivision Improvement District, the McKendall Estates Neighborhood Improvement District, the Upper Hurstville Security District, the Touro-Boulogny Security District, the Kingswood Subdivision Improvement District and the Twinbrook Security District.

Funds collected for these agencies are deposited in special accounts or invested in money market accounts, certificates of deposit, and/or full faith and credit obligations of the U.S. Government. The Board pays any expenditure made from these accounts as authorized by warrants and supporting resolutions of the various agencies.

Administration expenditures paid in connection with the operations of the Board are recorded within Debt Administration.

B. Summary of Significant Accounting Policies

Fund Accounting

The Board maintains one Fiduciary Fund to account for its activities, the Agency Fund. An Agency fund is used to account for assets held for other funds, governments, or individuals. Accordingly, the accounts of the Board are organized and maintained on the basis of funds, each of which is considered a separate accounting entity, and is maintained for the purpose of attaining objectives in accordance with the various special restrictions, regulations and limitations.

Method of Accounting

The Board prepares its financial statements on the modified cash basis of accounting wherein receipts are recognized when received rather than when earned and disbursements are recognized when disbursed rather than when incurred, except for matured and unpaid bonds and coupons, certain cost of issuance and the tax credit bond loan proceeds, which are reflected as liabilities when the obligation is incurred.

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
(Continued)  
DECEMBER 31, 2011

C. Bank Balances

At December 31, 2011, the Board's deposits with banks consisted of cash and money market accounts as follows:

Demand accounts	\$ 1,658,571
Money market accounts	<u>136,085,293</u>
Total Bank Balances	<u>\$137,743,864</u>

These deposits were covered by Federal Deposit Insurance or by collateral held by a third party in the Board's name as follows:

Insured	\$ 752,005
Collateralized	<u>136,991,859</u>
Total Bank Balances	<u>\$137,743,864</u>

D. Annual and Sick Leave

All present employees of the Board are permitted to accumulate annual and sick leave. Upon termination of employment, an employee is paid for their accumulated annual leave based on their current hourly rate of pay, and for their accumulated sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting their accrued sick leave to additional years of service.

As described in Note B, the Board's financial statements are prepared on the modified cash basis of accounting; accordingly, the Board's liability for annual and sick leave is not reflected in the accompanying financial statements.

At December 31, 2011 the Board's liability for annual and sick leave totaled \$133,000.

E. Pension Plan

Employees of the Board are covered under a City of New Orleans Employees' Pension Plan, a single-employer, and contributory defined benefit pension plan. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing or calling the plan at:

Employee Retirement System of New Orleans  
1300 Perdido Street, Room 1E08  
New Orleans, Louisiana 70112  
(504) 658-1850

Under this plan, employees with thirty years of service, or who attain age sixty with ten years of service, or age sixty-five, irrespective of length of service are entitled to a retirement allowance. The retirement allowance consists of an annuity, which is the actuarial equivalent of the employees' accumulated contribution plus an annual pension, which, together with the annuity, provides a total retirement allowance equal to 2% to 4% of average compensation times the number of years of service. The maximum pension may not exceed 100% of average compensation. Pension

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
(Continued)  
DECEMBER 31, 2011

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Pension Plan (Cont'd)

amounts are reduced for service retirement prior to age sixty-two. Average compensation is defined as average earned annual compensation for the highest thirty-six consecutive months of service. Mandatory retirement age is seventy.

Pension benefits vest at age sixty or after completion of ten years of service. The Employees' Pension Plan also provides death and disability benefits.

Employees contribute 4% of their salary per year. Employer contributions to the plan are based upon the amount necessary to fund normal cost and amortization of past service costs over a period of thirty years beginning July 1, 1974, using the level percentage of payroll method. The Board's contributions to the Plan during the year totaled \$56,672 and is included in 'Personal services'.

F. Gulf Opportunity Tax Credit Bond Loan Program

On July 19, 2006 the Board entered into Cooperative Endeavor Agreements with the State of Louisiana to secure proceeds from the State's Gulf Opportunity Tax Credit Bond Loan Program. These agreements are intended for the following purposes:

Paying debt service of the City on outstanding debt for general obligation and special limited tax bonds.

Paying outstanding debt for special tax bonds of the:

Downtown Development District,

Audubon Commission, and

Sewerage & Water Board of New Orleans, and

Paying outstanding sewerage revenue and water revenue bonds of the Sewerage & Water Board.

The loan proceeds will be held in escrow at Hancock Bank and distributed to the Bank of New York, the Board's paying agent, as debt service maturities become payable. The amounts in escrow are not recorded on the books until these transfers take place. Once transferred, the debt service payments are made and the loan proceeds are recorded as loans payable in the appropriate custodial accounts.

These loans mature on July 15, 2012, at which time the borrower can either apply for a five year deferment, pay the loan in full or make semi-annual payments in accordance with the fifteen year debt service schedule that ends on July 15, 2026.

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
(Continued)  
DECEMBER 31, 2011

Gulf Opportunity Tax Credit Bond Loan Program (Cont'd)

Total amounts available and borrowed under these loans at December 31, 2011 are:

Cooperative Endeavor Agreement between the State and:

Board of Liquidation:

General obligation bonds	\$ 24,713,549
Limited tax bonds	<u>2,903,660</u>
	<u>27,617,209</u>

Downtown Development District	<u>1,600,153</u>
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Audubon Park Commission:

Audubon Park Commission 0.32 Mills	1,091,230
Audubon Park Commission 2.99 Mills	<u>10,759,776</u>
	<u>11,851,006</u>

Sewerage & Water Board	<u>77,465,247</u>
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\$118,533,615

As of December 31, 2011, the \$24,713,549 available for general obligation bonds was borrowed to make fiscal year 2006 debt service payments.

As of December 31, 2011, the \$2,903,660 available for the City of New Orleans Limited Tax bonds was borrowed to make the debt service payment that was due September 1, 2006 and March 1, 2007 debt service payment.

As of December 31, 2011, \$1,600,153 available for the Downtown Development District was borrowed to make the debt service payments due on December 1, 2006, June 1, 2007, December 1, 2007, June 1, 2008, December 1, 2008 and June 1, 2009.

As of December 31, 2011, the \$11,851,006 available for the Audubon Commission was borrowed to make the debt service payments due on October 1, 2006, December 1, 2006, April 1, 2007, June 1, 2007, October 1, 2007, December 1, 2007, April 1, 2008, June 1, 2008, October 1, 2008, December 1, 2008 and June 1, 2009.

In addition to the above loans, the Audubon Park Commission's Cooperative endeavor agreement includes an additional \$4,907,500 for their 1997 Aquarium Revenue Bonds. These bonds are not part of the Board's responsibility; accordingly, the related loan is not included in the accompanying financial statements.

As of December 31, 2011, the entire \$77,465,247 available for the Sewerage & Water Board of New Orleans was borrowed. \$45,965,247 was used to make debt service payments on the Drainage System special tax bonds, Sewerage Service Revenue and Water Revenue bonds that were due on December 1, 2006, June 1, 2007, December 1, 2007, June 1, 2008, and \$31,500,000 was used to make a partial payment on the maturing Sewerage Service Revenue bond anticipation notes that matured on July 26, 2006.

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
(Continued)  
DECEMBER 31, 2011

Gulf Opportunity Tax Credit Bond Loan Program (Cont'd)

Debt service payments made through the Gulf Opportunity Tax Credit Loan Program, if present, are recorded as defeased bonds and listed separately from the outstanding bonds of the Audubon Commission, Downtown Development District, and Sewerage & Water Board of New Orleans.

G. Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund

On February 1, 2010, the Board, Sewerage & Water Board of New Orleans, and Louisiana Department of Health and Hospitals entered into a loan agreement whereby \$3,400,00 of proceeds from the Drinking Water Revolving Loan Fund were borrowed through the issuance of Revenue Bonds, Series 2010A&B. The proceeds are transferred to the Sewerage & Water Board through the Board, acting as custodian for the purpose of paying a portion of the costs of capital improvements to the water system of the City, including, but not limited to, a sodium hypochlorite facility.

Security for the Revenue Bonds, Series 2010A&B, comes from a pledge of Sewerage & Water Board Construction and Extension Fund ad valorem taxes that were on hand with the Board acting as custodian. The funds are restricted to the Debt Administration fund to repay the loan.

The Louisiana Department of Health and Hospitals agrees to forgive 30% of the loan proceeds as the funds are drawn and agrees to set the interest rate at 2.95%. In addition to the interest there is an administrative fee of .50%. The interest and fee are payable on August 1, and February 1, until the loan is repaid. Repayment will be with the funds held in the Board's restricted debt administration account.

H. Audubon Park Commission Aquarium Refunding

On September 22, 2011, the Audubon Park Commission entered into two transactions. First, they issued \$24,370,000 of Aquarium Tax Bonds, Series 2011A-1, tax exempt refunding bonds, for the purpose of refunding outstanding Aquarium Bonds, Series 2001A and 2001B. Second, they issued \$630,000 of Aquarium Tax Bonds, Series 2011A-2, taxable bonds, for the purpose of paying a portion of accrued interest on the Aquarium Bonds, Series 2011A-1.

Proceeds from both issues were placed in the irrevocable cash escrow account to defease outstanding Aquarium 2001A and 2001B bonds and provide amounts sufficient for payment of all principal, interest and premium on the refunded bonds as of the call date, October 3, 2011. Accordingly, the escrow account and refunded bonds are not included on these financial statements. At December 31, 2011, there was no outstanding balance related to the refunded Aquarium limited tax bonds.

I. Louisiana Department of Environmental Quality Revolving Loan Fund

On November 22, 2011, the Board, Sewerage & Water Board of New Orleans, and Louisiana Department of Environmental Quality entered into a loan agreement whereby \$9,000,000 of proceeds from the Revolving Loan Fund were borrowed through the issuance of Sewerage Service Subordinate Revenue Bonds, Series 2011. The proceeds are transferred to the Sewerage & Water Board through the Board acting as custodian. The funds are for the purpose of paying costs of constructing and acquiring improvements and replacements to the public sewerage system.

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO FINANCIAL STATEMENTS-MODIFIED CASH BASIS  
(Continued)  
DECEMBER 31, 2011

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Louisiana Department of Environmental Quality Revolving Loan Fund (Cont'd)

Security for the Subordinate Revenue Bonds, Series 2011, comes from a pledge of Sewerage & Water Board sewerage service revenues. Sinking fund payments to the Board, as custodian, are deposited monthly.

The Louisiana Department of Environmental Quality has agreed to set the interest rate at 0.45%. In addition to the interest there is an administrative fee of 0.50%. The interest and fee are payable on May 1, and November 1. The first principal payment is due November 1, 2013.

J. Total (Memorandum Only) Columns

The total columns are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to make financial analysis easier. Data in these columns do not present financial position in accordance with the other comprehensive basis of accounting disclosed in Note B. Interfund eliminations have not been made in the aggregation of this data.



**SUPPLEMENTAL INFORMATION**

BOARD OF LIQUIDATION, CITY DEBT  
DEBT ADMINISTRATION  
COMBINING SCHEDULE OF ASSETS, LIABILITIES,  
DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS  
DECEMBER 31, 2011

	General Obligation Bonds	Capital Improvement Limited Tax	LADHH Loan Revenue Bonds	Drainage System Bonds 6 mill	Drainage System Bonds 9 mill
<u>ASSETS</u>					
Cash (Due to other funds)	\$ (97,976)	\$ 0	\$ 3,957	\$ 80	\$ 23,905
Money market accounts	54,794,278	5,551,683	2,355,376	0	100,575
<i>Total Assets</i>	<u>\$ 54,696,302</u>	<u>\$ 5,551,683</u>	<u>\$ 2,359,333</u>	<u>\$ 80</u>	<u>\$ 124,480</u>
<u>LIABILITIES, DEBT SERVICE AND RESERVE FUNDS</u>					
Interest payable	\$ 40,713	\$ 0	\$ 0	\$ 80	\$ 5,755
Principal payable	82,300	0	0	0	18,150
Cost of Issuance payable	0	0	0	0	0
Tax Credit Bond loan payable	24,713,549	2,903,660	0	0	0
Reserve funds	29,859,740	0	0	0	0
Debt service funds	0	2,648,023	2,359,333	0	100,575
<i>Total Liabilities, Debt Service and Reserve Funds</i>	<u>\$ 54,696,302</u>	<u>\$ 5,551,683</u>	<u>\$ 2,359,333</u>	<u>\$ 80</u>	<u>\$ 124,480</u>

Water Revenue Bonds	Sewerage Service Revenue Bonds	Sewerage & Water Board Matured Bonds	Audubon Park Commission Bonds	Audubon Park Commission Aquarium Bonds	Downtown Development District Tax Bonds	Defeased Bonds	Total
\$ 7,561	\$ 26,755	\$ 37,142	\$ 710	\$ 25,667	\$ 0	\$ 63,537	\$ 91,338
5,033,696	25,622,937	0	332,443	249,627	311,033	0	94,351,648
<u>\$ 5,041,257</u>	<u>\$ 25,649,692</u>	<u>\$ 37,142</u>	<u>\$ 333,153</u>	<u>\$ 275,294</u>	<u>\$ 311,033</u>	<u>\$ 63,537</u>	<u>\$ 94,442,986</u>
\$ 2,506	\$ 810	\$ 12,142	\$ 710	\$ 0	\$ 0	\$ 27,787	\$ 90,503
5,000	5,000	25,000	0	0	0	35,750	171,200
0	20,628	0	0	25,667	0	0	46,295
0	0	0	0	0	0	0	27,617,209
3,928,380	16,164,124	0	307,088	0	273,869	0	50,533,201
1,105,371	9,459,130	0	25,355	249,627	37,164	0	15,984,578
<u>\$ 5,041,257</u>	<u>\$ 25,649,692</u>	<u>\$ 37,142</u>	<u>\$ 333,153</u>	<u>\$ 275,294</u>	<u>\$ 311,033</u>	<u>\$ 63,537</u>	<u>\$ 94,442,986</u>

BOARD OF LIQUIDATION, CITY DEBT  
ACCOUNT OF SEWERAGE & WATER BOARD OF NEW ORLEANS  
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND  
CUSTODIAL FUNDS-MODIFIED CASH BASIS  
DECEMBER 31, 2011

	Drainage System Fund 3 mill	Drainage System Fund 6 mill	Drainage System Fund 9 mill
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>			
Cash	\$ 112,154	\$ 113,401	\$ 727,106
Money market accounts	5,040,720	3,954,438	18,066,507
<i>Total Assets</i>	<u>\$ 5,152,874</u>	<u>\$ 4,067,839</u>	<u>\$ 18,793,613</u>
 <u>LIABILITIES AND CUSTODIAL FUNDS</u>			
Tax Credit Bond loan payable	\$ 0	\$ 0	\$ 4,335,115
Custodial fund balance (deficit)	5,152,874	4,067,839	14,458,498
<i>Total Liabilities and Custodial Funds</i>	<u>\$ 5,152,874</u>	<u>\$ 4,067,839</u>	<u>\$ 18,793,613</u>

Drainage System Bond Proceeds	Water Revenue Bond Proceeds	Sewerage Service Revenue Bond Proceeds	Total
\$ 13,110	\$ 18,914	\$ 143,742	\$ 1,128,427
1,013,753	2,029,137	4,712,539	34,817,094
<u>\$ 1,026,863</u>	<u>\$ 2,048,051</u>	<u>\$ 4,856,281</u>	<u>\$ 35,945,521</u>
\$ 0	\$ 6,807,041	\$ 66,323,091	\$ 77,465,247
1,026,863	(4,758,990)	(61,466,810)	(41,519,726)
<u>\$ 1,026,863</u>	<u>\$ 2,048,051</u>	<u>\$ 4,856,281</u>	<u>\$ 35,945,521</u>

BOARD OF LIQUIDATION, CITY DEBT  
ACCOUNT OF DOWNTOWN DEVELOPMENT DISTRICT OF NEW ORLEANS  
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND  
CUSTODIAL FUNDS-MODIFIED CASH BASIS  
DECEMBER 31, 2011

	Special Tax Fund	DDD Bond Proceeds	Total
<u>ASSETS</u>			
Cash	\$ 79,006	\$ 2,480	\$ 81,486
Money market accounts	2,347,819	355,871	2,703,690
<i>Total Assets</i>	\$2,426,825	\$ 358,351	\$2,785,176
 <u>LIABILITIES AND CUSTODIAL FUNDS</u>			
Tax Credit Bond loan payable	\$1,600,153	\$ 0	\$1,600,153
Custodial fund balance	826,672	358,351	1,185,023
<i>Total Liabilities and Custodial Funds</i>	\$2,426,825	\$ 358,351	\$2,785,176

BOARD OF LIQUIDATION, CITY DEBT  
ACCOUNT OF AUDUBON PARK COMMISSION OF NEW ORLEANS  
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND  
CUSTODIAL FUNDS-MODIFIED CASH BASIS  
DECEMBER 31, 2011

	Aquarium Tax Fund	Aquarium Bond Proceeds	Special Tax Fund	Total
<u>ASSETS</u>				
Cash	\$ 72,536	\$ 0	\$ 8,740	\$ 81,276
Money market accounts	0	2,153,866	0	2,153,866
<i>Total Assets</i>	<u>\$ 72,536</u>	<u>\$ 2,153,866</u>	<u>\$ 8,740</u>	<u>\$ 2,235,142</u>
<u>LIABILITIES AND CUSTODIAL FUNDS</u>				
Tax Credit Bond loan payable	\$ 10,759,776	\$ 0	\$ 1,091,230	\$ 11,851,006
Custodial fund balance (deficit)	(10,687,240)	2,153,866	(1,082,490)	(9,615,864)
<i>Total Liabilities and Custodial Funds</i>	<u>\$ 72,536</u>	<u>\$ 2,153,866</u>	<u>\$ 8,740</u>	<u>\$ 2,235,142</u>

BOARD OF LIQUIDATION, CITY DEBT  
 ACCOUNTS OF SPECIAL TAXING DISTRICTS OF NEW ORLEANS  
 COMBINING SCHEDULE OF ASSETS AND  
 CUSTODIAL FUNDS-MODIFIED CASH BASIS  
 DECEMBER 31, 2011

	Garden District Security Tax District	Huntington Park Subdivision Improvement District	Kingswood Subdivision Improvement District	Lake Bullard Neighborhood Improvement District	Lake Carmel Subdivision Improvement District	Lake Forest Estates Improvement District
<u>ASSETS</u>						
Money market accounts	\$ 1,021,697	\$ 13,743	\$ 145,567	\$ 66,362	\$ 36,263	\$ 96,074
<u>CUSTODIAL FUND</u>						
<u>BALANCE</u>	\$ 1,021,697	\$ 13,743	\$ 145,567	\$ 66,362	\$ 36,263	\$ 96,074



Lake Oaks Subdivision Improvement District	McKendall Estates Neighborhood Improvement District	Spring Lake Improvement District	Touro- Boulogny Security District	Twinbrook Security District	Upper Hurtsville Security District	Total
<u>\$ 61,922</u>	<u>\$ 13,531</u>	<u>\$ 31,571</u>	<u>\$ 268,270</u>	<u>\$ 133,432</u>	<u>\$ 170,563</u>	<u>\$ 2,058,995</u>
<u>\$ 61,922</u>	<u>\$ 13,531</u>	<u>\$ 31,571</u>	<u>\$ 268,270</u>	<u>\$ 133,432</u>	<u>\$ 170,563</u>	<u>\$ 2,058,995</u>

BOARD OF LIQUIDATION, CITY DEBT  
DEBT ADMINISTRATION  
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN LIABILITIES, DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2011

	General Obligation Bonds	Capital Improvement Limited Tax	LADHH Loan Revenue Bonds	Drainage System Bonds 6 mill	Drainage System Bonds 9 mill
<b>RECEIPTS</b>					
Ad valorem taxes-Current year	\$ 60,291,635	\$ 3,202,414	\$ 0	\$ 0	\$ 0
Ad valorem taxes-Prior years	3,561,745	17,324	0	0	0
Bond proceeds-new issue	0	0	0	0	0
Bond proceeds-cost of issuance	0	0	0	0	0
Debt service funds	0	0	6,655	0	2,297,467
Debt service funds-Federal subsidy- Taxable Build America Bonds	1,125,018	0	0	0	0
Interest on investments	212,540	0	0	0	0
Excess reserve and debt service funds	0	0	5,153	0	0
<i>Total receipts</i>	<u>65,190,938</u>	<u>3,219,738</u>	<u>11,808</u>	<u>0</u>	<u>2,297,467</u>
<b>DISBURSEMENTS</b>					
Interest on bonds	45,354,437	1,177,880	16,703	0	896,892
Principal on bonds	19,675,435	1,780,000	25,000	0	1,300,000
Premium on bonds	0	0	0	0	0
Purchase of escrow securities	0	0	0	0	0
Administrative Expenses-LADHH	0	0	2,842	0	0
Personal services	397,877	0	0	0	0
Contractual services	64,890	0	0	0	0
Office expenses	26,981	0	0	0	0
Funds returned to City of New Orleans, Sewerage & Water Board, and Audubon Park Commission	0	0	0	0	0
Cost of issuance	0	0	0	0	0
<i>Total disbursements</i>	<u>65,519,620</u>	<u>2,957,880</u>	<u>44,545</u>	<u>0</u>	<u>2,196,892</u>
Excess (Deficiency) of receipts over disbursements	(328,682)	261,858	(32,737)	0	100,575
Liabilities, Debt Service and Reserve funds at:					
December 31, 2010	55,024,984	5,289,825	2,392,070	80	23,905
December 31, 2011	<u>\$ 54,696,302</u>	<u>\$ 5,551,683</u>	<u>\$ 2,359,333</u>	<u>\$ 80</u>	<u>\$ 124,480</u>

Water Revenue Bonds	Sewerage Service Revenue Bonds	Sewerage & Water Board Matured Bonds	Audubon Park Commission Bonds	Audubon Park Commission Aquarium Bonds	Downtown Development District Tax Bonds	Defeased Bonds	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,494,049
0	0	0	0	0	0	0	3,579,069
0	0	0	0	27,029,619	0	23,985,913	51,015,532
0	98,375	0	0	268,934	0	0	367,309
3,906,599	20,545,292	0	399,072	3,880,055	560,001	0	31,595,141
0	0	0	0	0	0	0	1,125,018
0	0	0	0	0	0	0	212,540
12,992	53,934	0	672	0	553	0	73,304
3,919,591	20,697,601	0	399,744	31,178,608	560,554	23,985,913	151,461,962
1,685,618	8,435,056	0	98,755	1,100,429	287,877	4,072,106	63,125,753
2,220,000	11,815,000	0	275,000	2,530,000	235,000	19,443,572	59,299,007
0	0	0	0	0	0	470,235	470,235
0	0	0	0	24,608,262	0	0	24,608,262
0	0	0	0	0	0	0	2,842
0	0	0	0	0	0	0	397,877
0	0	0	0	0	0	0	64,890
0	0	0	0	0	0	0	26,981
16,849	72,099	0	871	2,421,357	709	0	2,511,885
0	77,747	0	0	243,266	0	0	321,013
3,922,467	20,399,902	0	374,626	30,903,314	523,586	23,985,913	150,828,745
(2,876)	297,699	0	25,118	275,294	36,968	0	633,217
5,044,133	25,351,993	37,142	308,035	0	274,065	63,537	93,809,769
\$ 5,041,257	\$ 25,649,692	\$ 37,142	\$ 333,153	\$ 275,294	\$ 311,033	\$ 63,537	\$ 94,442,986

BOARD OF LIQUIDATION, CITY DEBT  
ACCOUNT OF SEWERAGE & WATER BOARD OF NEW ORLEANS  
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN LIABILITIES AND CUSTODIAL FUNDS-MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2011

	LADHH Loan Revenue Bonds	Construction & Extention Fund 2 mill	Drainage System Fund 3 mill
<u>RECEIPTS</u>			
Ad valorem taxes-Current year	\$ 0	\$ 0	\$ 11,011,709
Ad valorem taxes-Prior years	0	4,860	867,784
Bond proceeds	1,490,118	0	0
Revenue sharing-State of Louisiana	0	0	323,143
Interest on investments	0	0	18,423
Excess reserve and debt service funds	0	0	0
<i>Total receipts</i>	1,490,118	4,860	12,221,059
<u>DISBURSEMENTS</u>			
Warrants	1,490,118	0	9,474,112
Debt service	0	6,655	0
<i>Total disbursements</i>	1,490,118	6,655	9,474,112
Excess (Deficiency) of receipts over disbursements	0	(1,795)	2,746,947
Liabilities and Custodial Fund Balance at:			
December 31, 2010	0	1,795	2,405,927
December 31, 2011	\$ 0	\$ 0	\$ 5,152,874

Drainage System Fund 6 mill	Drainage System Fund 9 mill	Drainage System Bond Proceeds	Water Revenue Bond Proceeds	Sewerage Service Revenue Bond Proceeds	Total
\$ 11,131,307	\$ 16,685,257	\$ 0	\$ 0	\$ 0	\$ 38,828,273
877,213	1,314,346	0	0	0	3,064,203
0	0	0	0	0	1,490,118
0	0	0	0	0	323,143
27,314	56,360	7,960	5,236	13,301	128,594
0	0	0	8,251	51,244	59,495
<u>12,035,834</u>	<u>18,055,963</u>	<u>7,960</u>	<u>13,487</u>	<u>64,545</u>	<u>43,893,826</u>
12,035,134	22,984,366	4,139,172	659,881	2,959,843	53,742,626
0	2,297,467	0	0	0	2,304,122
<u>12,035,134</u>	<u>25,281,833</u>	<u>4,139,172</u>	<u>659,881</u>	<u>2,959,843</u>	<u>56,046,748</u>
700	(7,225,870)	(4,131,212)	(646,394)	(2,895,298)	(12,152,922)
4,067,139	26,019,483	5,158,075	2,694,445	7,751,579	48,098,443
<u>\$ 4,067,839</u>	<u>\$ 18,793,613</u>	<u>\$ 1,026,863</u>	<u>\$ 2,048,051</u>	<u>\$ 4,856,281</u>	<u>\$ 35,945,521</u>

BOARD OF LIQUIDATION, CITY DEBT  
ACCOUNT OF DOWNTOWN DEVELOPMENT DISTRICT OF NEW ORLEANS  
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN LIABILITIES AND CUSTODIAL FUNDS-MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2011

	Special Tax Fund	DDD Bond Proceeds	Total
<u>RECEIPTS</u>			
Ad valorem taxes-Current year	\$5,130,239	\$ 0	\$ 5,130,239
Ad valorem taxes-Prior years	220,488	0	220,488
Interest on investments	10,364	776	11,140
Excess reserve and debt service funds	0	709	709
<i>Total receipts</i>	5,361,091	1,485	5,362,576
<u>DISBURSEMENTS</u>			
Warrants	5,363,299	0	5,363,299
Debt service	560,001	0	560,001
<i>Total disbursements</i>	5,923,300	0	5,923,300
Excess (Deficiency) of receipts over disbursements	(562,209)	1,485	(560,724)
Liabilities and Custodial Fund Balance at:			
December 31, 2010	2,989,034	356,866	3,345,900
December 31, 2011	\$2,426,825	\$ 358,351	\$ 2,785,176

BOARD OF LIQUIDATION, CITY DEBT  
ACCOUNT OF AUDUBON PARK COMMISSION OF NEW ORLEANS  
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN LIABILITIES AND CUSTODIAL FUNDS-MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2011

	Aquarium Tax Fund	Aquarium Bond Proceeds	Special Tax Fund	Total
<u>RECEIPTS</u>				
Ad valorem taxes-Current year	\$ 7,065,559	\$ 0	\$ 756,257	\$ 7,821,816
Ad valorem taxes-Prior years	426,390	0	45,761	472,151
Bond proceeds	0	2,421,357	0	2,421,357
Interest on investments	0	1,549	0	1,549
Excess reserve and debt service funds	0	0	871	871
<i>Total receipts</i>	<u>7,491,949</u>	<u>2,422,906</u>	<u>802,889</u>	<u>10,717,744</u>
<u>DISBURSEMENTS</u>				
Warrants	3,540,000	269,040	396,000	4,205,040
Debt service	3,880,056	0	399,072	4,279,128
<i>Total disbursements</i>	<u>7,420,056</u>	<u>269,040</u>	<u>795,072</u>	<u>8,484,168</u>
Excess of receipts over disbursements	71,893	2,153,866	7,817	2,233,576
Liabilities and Custodial Fund Balance at:				
December 31, 2010	643	0	923	1,566
December 31, 2011	<u>\$ 72,536</u>	<u>\$ 2,153,866</u>	<u>\$ 8,740</u>	<u>\$ 2,235,142</u>

BOARD OF LIQUIDATION, CITY DEBT  
ACCOUNTS OF SPECIAL TAXING DISTRICTS OF NEW ORLEANS  
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CUSTODIAL FUNDS-MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2011

	Garden District Security Tax District	Huntington Park Improvement District	Kingswood Subdivision Improvement District	Lake Bullard Neighbor- hood Improvement District	Lake Carmel Subdivision Improvement District	Lake Forest Estates Improvement District
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RECEIPTS

Ad valorem taxes- Current year	\$ 897,672	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Ad valorem taxes- Prior years	48,216	0	0	0	0	0
Fee-Current year	0	22,704	73,018	65,333	79,492	83,060
Fee-Prior year	0	3,647	15,190	8,007	19,720	22,235
Interest on investments	2,689	45	350	158	132	246
<i>Total receipts</i>	948,577	26,396	88,558	73,498	99,344	105,541

DISBURSEMENTS

Warrants	695,000	23,010	50,000	45,000	80,000	80,000
<i>Total disbursements</i>	695,000	23,010	50,000	45,000	80,000	80,000
Excess (Deficiency) of receipts over disbursements	253,577	3,386	38,558	28,498	19,344	25,541
Custodial Fund Balance at:						
December 31, 2010	768,120	10,357	107,009	37,864	16,919	70,533
December 31, 2011	\$ 1,021,697	\$ 13,743	\$ 145,567	\$ 66,362	\$ 36,263	\$ 96,074



Lake Oaks Subdivision Improvement District	McKendall Estates Neighbor- hood Improvement District	Spring Lake Improvement District	Touro- Boulogny Security District	Twinbrook Security District	Upper Hurtsville Security District	Total
\$ 0	\$ 0	\$ 0	\$ 248,369	\$ 0	\$ 0	\$ 1,146,041
0	0	0	28,965	0	0	77,181
95,089	31,975	35,680	0	213,009	176,452	875,812
5,757	2,947	7,292	0	19,308	20,326	124,429
253	41	88	752	474	569	5,797
101,099	34,963	43,060	278,086	232,791	197,347	2,229,260
135,000	32,500	35,000	225,000	165,000	175,000	1,740,510
135,000	32,500	35,000	225,000	165,000	175,000	1,740,510
(33,901)	2,463	8,060	53,086	67,791	22,347	488,750
95,823	11,068	23,511	215,184	65,641	148,216	1,570,245
\$ 61,922	\$ 13,531	\$ 31,571	\$ 268,270	\$ 133,432	\$ 170,563	\$ 2,058,995

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BOARD OF LIQUIDATION, CITY DEBT  
 SCHEDULE OF BOND SALES  
 DECEMBER 31, 2011

**Audubon Park Commission Aquarium Refunding Bonds, Series 2011A-1**

Sold: August 17, 2011      Delivered: September 22, 2011  
 Bonds Dated: October 1, 2011, and due October 1, 2014 through October 1, 2021

Average life of issue: 6.846502 years  
 Net Interest Cost: 3.276%  
 True Interest Cost: 3.0852875%

Sold to: Loop Capital Markets

Sources:

Bond Proceeds	\$ 24,370,000
Original Issue Premium	2,433,627
Sinking Fund Contribution	442,589
Total	\$ 27,246,216

Uses:

Deposit to Series 2001A Bonds Defeasance Account	\$ 13,991,143
Deposit to Series 2001B Bonds Defeasance Account	10,437,359
APC Aquarium Bond Proceeds Funds	2,421,357
Cost of Issuance	396,357
Total	\$ 27,246,216

**Audubon Park Commission Aquarium Refunding Bonds, Taxable Series 2011A-2**

Sold: August 17, 2011      Delivered: September 22, 2011  
 Bonds Dated: October 1, 2011, and due October 1, 2014

Average life of issue: 3.025 years  
 Net Interest Cost: 1.867%  
 True Interest Cost: 1.8725%

Sold to: Loop Capital Markets

Sources:

Bond Proceeds	\$ 630,000
Total	\$ 630,000

Uses:

Deposit to Series 2011A-1 Bonds Defeasance Account	\$ 622,349
Cost of Issuance	7,651
Total	\$ 630,000

**Sewerage Service Subordinate Revenue Bonds, Series 2011**

Sold: November 16, 2011      Delivered: November 22, 2011  
 Bonds Dated: November 22, 2011, and due November 1, 2013 through November 1, 2032

Average life of issue: 11.753667 years  
 Net Interest Cost: .95%  
 True Interest Cost: .9500105%

Sold to: Louisiana Department of Environmental Quality Drinking Water Revolving  
 Loan Fund

Sources:

Principal sum	\$ 9,000,000
Total	\$ 9,000,000

BOARD OF LIQUIDATION, CITY DEBT  
SCHEDULE OF BONDED DEBT ADMINISTERED BY THE BOARD OF LIQUIDATION, CITY DEBT  
DECEMBER 31, 2011

	<u>Date of Bonds</u>	<u>Final Serial Maturity</u>	<u>Average Annual Interest Cost</u>
<u>GENERAL OBLIGATION BONDS (Note B.)</u>			
General Obligation Refunding Bonds, Series 1991 (Notes C. and D.)	Sep. 1, 1991	Sep. 1, 2021	7.071%
General Obligation Refunding Bonds, Series 1998	Dec. 1, 1998	Dec. 1, 2026	4.948%
Public Improvement Bonds, Issue of 2001	Apr. 1, 2001	Dec. 1, 2030	5.225%
Public Improvement Bonds, Issue of 2002	Apr. 1, 2002	Dec. 1, 2031	5.307%
General Obligation Refunding Bonds, Series 2002	Apr. 1, 2002	Sep. 1, 2021	5.384%
Public Improvement Bonds, Issue of 2003	Oct. 1, 2003	Oct. 1, 2033	5.021%
Public Improvement Bonds, Issue of 2004	July 13, 2004	Dec. 1, 2033	5.096%
Public Improvement Bonds, Issue of 2005A	May 24, 2005	Dec. 1, 2034	4.347%
General Obligation Refunding Bonds, Series 2005	July 6, 2005	Dec. 1, 2029	5.180%
Public Improvement Bonds, Issue of 2007A	Dec. 14, 2007	Dec. 1, 2036	5.086%
Public Improvement Bonds, Issue of 2010A Taxable Build America Bonds	Jan. 19, 2010	Dec. 1, 2039	8.405%
<u>LIMITED TAX BONDS (Note E.)</u>			
Series 2005	July 6, 2005	Mar. 1, 2021	4.045%
<u>DRAINAGE SYSTEM SPECIAL TAX BONDS (Note F.)</u>			
Drainage System Bonds, Series 1998 (9 mill)	Dec. 1, 1998	Dec. 1, 2018	4.838%
Series 2002 (9 mill)	Oct. 1, 2002	Dec. 1, 2022	4.457%

See accompanying notes.

Principal due 2012	Interest due 2012	Debt Service due 2012	Amount Outstanding (Note A.)
\$ 5,971,942	\$ 19,473,058	\$ 25,445,000	\$ 33,798,556
3,715,000	4,454,162	8,169,162	84,115,000
610,000	995,188	1,605,188	19,610,000
820,000	1,461,393	2,281,393	27,760,000
0	3,018,769	3,018,769	58,415,000
1,005,000	1,774,862	2,779,862	35,395,000
750,000	1,476,787	2,226,787	29,220,000
365,000	636,650	1,001,650	14,380,000
4,370,000	5,032,450	9,402,450	96,920,000
1,580,000	3,593,075	5,173,075	70,645,000
735,000	3,177,693	3,912,693	39,285,000
<u>\$ 19,921,942</u>	<u>\$ 45,094,087</u>	<u>\$ 65,016,029</u>	<u>\$ 509,543,556</u>
<u>\$ 1,860,000</u>	<u>\$ 1,112,200</u>	<u>\$ 2,972,200</u>	<u>\$ 23,360,000</u>
\$ 570,000	\$ 224,785	\$ 794,785	\$ 4,610,000
790,000	621,263	1,411,263	14,380,000
<u>\$ 1,360,000</u>	<u>\$ 846,048</u>	<u>\$ 2,206,048</u>	<u>\$ 18,990,000</u>

BOARD OF LIQUIDATION, CITY DEBT  
 SCHEDULE OF BONDED DEBT ADMINISTERED BY THE BOARD OF LIQUIDATION, CITY DEBT  
 (CONTINUED)  
 DECEMBER 31, 2011

	<u>Date of Bonds</u>	<u>Final Serial Maturity</u>	<u>Average Annual Interest Cost</u>
<u>SEWERAGE SERVICE REVENUE BONDS</u>			
<u>(Note G.)</u>			
Bond Series 1997	June 1, 1997	June 1, 2017	5.359%
Bond Series 1998	Dec. 1, 1998	June 1, 2018	4.817%
Bond Series 2000	May 1, 2000	June 1, 2020	5.478%
Bond Series 2000B	Nov. 1, 2000	June 1, 2020	5.424%
Bond Series 2001	Dec. 1, 2001	June 1, 2021	5.018%
Bond Series 2002	Dec. 1, 2002	June 1, 2022	4.362%
Bond Series 2003	Dec. 3, 2003	June 1, 2023	3.939%
Bond Series 2004	Dec. 16, 2004	June 1, 2024	4.262%
Bond Series 2009	July 14, 2009	June 1, 2029	6.282%
<u>IADHH LOAN REVENUE BONDS (Note G.)</u>			
Series 2010A	Feb. 1, 2010	Feb. 1, 2031	2.950%
Series 2010B	Feb. 1, 2010	Feb. 1, 2031	2.950%
<u>SEWERAGE SERVICE REVENUE</u>			
<u>SUBORDINATE BONDS (Note G.)</u>			
LA Department of Environmental Quality Revolving Loan Fund Series 2011	Nov. 22, 2011	Nov. 1, 2032	0.950%
<u>WATER REVENUE BONDS (Note H.)</u>			
Series 1998	Dec. 1, 1998	Dec. 1, 2018	4.817%
Series 2002	Oct. 1, 2002	Dec. 1, 2022	4.567%
<u>AUDUBON PARK COMMISSION BONDS</u>			
<u>.4 MILL (Note I.)</u>			
Refunding & Improvement Bonds, Series 1997	Jan. 1, 1997	Dec. 1, 2016	5.422%
<u>AUDUBON PARK COMMISSION AQUARIUM</u>			
<u>BONDS 3.8 MILL (Note J.)</u>			
Refunding Bonds, Series 2003A	July 9, 2003	Oct. 1, 2013	3.726%
Refunding Bond Series 2011A-1	Sep. 22, 2011	Oct. 1, 2021	3.085%
Refunding Taxable Bond Series 2011A-2	Sep. 22, 2011	Oct. 1, 2014	1.872%
<u>DOWNTOWN DEVELOPMENT DISTRICT TAX</u>			
<u>BONDS 22.97 MILL (Note K.)</u>			
Limited Tax Bonds Series 2001	July 1, 2001	Dec. 1, 2026	5.193%

See accompanying notes.

Principal due 2012	Interest due 2012	Debt Service due 2012	Amount Outstanding (Note A.)
\$ 1,840,000	\$ 632,128	\$ 2,472,128	\$ 12,715,000
1,445,000	530,194	1,975,194	11,660,000
1,385,000	826,984	2,211,984	15,890,000
1,060,000	619,355	1,679,355	12,055,000
1,615,000	960,093	2,575,093	19,985,000
2,645,000	1,863,625	4,508,625	38,595,000
250,000	150,721	400,721	3,780,000
1,430,000	1,004,100	2,434,100	24,315,000
730,000	1,275,488	2,005,488	21,990,000
<u>\$ 12,400,000</u>	<u>\$ 7,862,688</u>	<u>\$ 20,262,688</u>	<u>\$ 160,985,000</u>
\$ 53,000	\$ 17,192	\$ 70,192	\$ 800,000
37,000	23,772	60,772	1,600,000
<u>\$ 90,000</u>	<u>\$ 40,964</u>	<u>\$ 130,964</u>	<u>\$ 2,400,000</u>
\$ 0	\$ 80,512	\$ 80,512	\$ 9,000,000
\$ 925,000	\$ 358,643	1,283,643	\$ 7,460,000
1,400,000	1,233,750	2,633,750	24,955,000
<u>\$ 2,325,000</u>	<u>\$ 1,592,393</u>	<u>\$ 3,917,393</u>	<u>\$ 32,415,000</u>
\$ 290,000	\$ 84,730	\$ 374,730	\$ 1,635,000
\$ 2,565,000	\$ 263,000	\$ 2,828,000	\$ 5,260,000
0	1,116,379	1,116,379	24,370,000
0	10,978	10,978	630,000
<u>\$ 2,565,000</u>	<u>\$ 1,390,357</u>	<u>\$ 3,955,357</u>	<u>\$ 30,260,000</u>
\$ 250,000	\$ 272,368	\$ 522,368	\$ 5,450,000

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO SCHEDULE OF BONDED DEBT ADMINISTERED  
BY THE BOARD OF LIQUIDATION, CITY DEBT  
DECEMBER 31, 2011

- Note A. Amount Outstanding - Amount excludes balances recorded as liabilities in the Combining Statement of Assets, Liabilities, and Custodial, Debt Service and Reserve Funds-Modified Cash Basis.
- Note B. General Obligation Bonds - Legal Debt Limit: \$1,168,903,891; Debt Service Coverage: Unlimited Ad Valorem Tax Levy; Reserve Fund: Sufficient to cover 1/2 of the high year's Principal and Interest due.
- Note C. Refunded General Obligation Bonds (1998) - A portion of these Issues Refunded in 1998. Debt Service guaranteed by Escrow Agreement.
- Note D. Refunded General Obligation Bonds (2002) - A portion of these Issues Refunded in 2002. Debt Service guaranteed by Escrow Agreement.
- Note E. Limited Tax Bonds - Debt Service Coverage: 2011 Tax Yield 100% of Debt Service due.
- Note F. Drainage System Bonds - Debt Service Coverage: 2011 Tax Yield 756% of Debt Service Due - 9 mill.
- Note G. Sewerage Service Revenue Bonds - Bond Debt Service Coverage: Rates sufficient to produce revenues over and above the amount required for operation and maintenance of the system which shall be not less than 130% of the maximum of Debt Service due in any calendar year on all outstanding bonds. Bond Reserve Fund: 125% average aggregate debt service. LADHH Loan Revenue Bonds 2010A and B are payable February and August as loan proceeds are drawn from Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund. At December 31, 2011, \$2,157,835 was drawn from the loan fund. LEDEQ Sewerage Service Subordinate Revenue Bonds, Series 2011 payable May and November as loan proceeds drawn not to exceed \$9,000,000 from the LA State Revolving Loan Program. At December 31, 2011, \$98,375 was drawn from the loan fund.
- Note H. Water Revenue Bonds - Debt Service Coverage: Rates sufficient to produce revenues over and above the amount required for operation and maintenance of the system which shall be not less than 130% of the maximum of Debt Service due in any calendar year on all outstanding bonds. Reserve Fund: Highest year's principal and interest due.
- Note I. Audubon Park Commission .4 Mill Bonds - Debt Service Coverage: 2011 Tax Yield 201% of Debt Service due. Reserve Fund: Sufficient to cover 1/2 of high year's Principal and Interest due.
- Note J. Audubon Park Commission 3.8 Mill Bonds - Debt Service Coverage: 2011 Tax Yield 221% of Debt Service due. Reserve Fund: None.
- Note K. Downtown Development District Bonds - Debt Service Coverage: 2011 Tax Yield 982% of Debt Service due. Reserve Fund: Sufficient to cover The high year's Principal and Interest due.



BOARD OF LIQUIDATION, CITY DEBT  
 SCHEDULE OF DEDICATED AD VALOREM TAX MILLAGE  
 AVAILABLE FOR SERVICING OF BONDED DEBT  
 DECEMBER 31, 2011

	Millage (Note A.)							
	1992	1993 through 2002	2003 through 2005	2006	2007	2008	2009	2010 through 2012
<u>DEBT SERVICE</u>	26.90	26.90	28.40	38.20	31.70	23.80	23.80	25.50
<u>CAPITAL IMPROVEMENT</u>								
<u>LIMITED TAX (Note B.)</u>	N/A	2.50	2.50	2.50	2.50	1.82	1.82	1.82
<u>SEWERAGE &amp; WATER BOARD:</u>								
Operation, Maintenance and Construction & Extension of Drainage System	6.40	6.40	6.40	6.40	6.40	4.66	4.54	4.66
Operation, Maintenance and Construction of Drainage System	6.48	6.48	6.48	6.48	6.48	4.71	4.6	4.71
Operation, Maintenance and Construction of Drainage System	9.71	9.71	9.71	9.71	9.71	7.06	6.89	7.06
<u>AUDUBON PARK COMMISSION:</u>								
Audubon Park Zoo	0.44	0.44	0.44	0.44	0.44	0.32	0.32	0.32
Audubon Park Aquarium	4.11	4.11	4.11	4.11	4.11	2.99	2.99	2.99
<u>DOWNTOWN DEVELOPMENT</u>								
<u>DISTRICT</u>	15.68	15.90	15.90	15.90	15.90	14.76	14.76	14.76

BOARD OF LIQUIDATION, CITY DEBT  
NOTES TO SCHEDULE OF DEDICATED AD VALOREM TAX MILLAGE  
AVAILABLE FOR SERVICING OF BONDED DEBT  
DECEMBER 31, 2011

Note A. Millage is approved in December of each year by the City Council of New Orleans for the new tax year.

Note B. The 2.5 mills for Capital Improvement Limited Tax is in effect for the first time in 1996.

BOARD OF LIQUIDATION, CITY DEBT  
 SCHEDULE OF SEWERAGE & WATER BOARD MATURED BONDS-DEBT ADMINISTRATION  
 DECEMBER 31, 2011

	Sewerage, Water & Drainage Bonds 2 mill *	Drainage System Bonds 3 mill 6.40	Total
<u>ASSETS</u>			
Cash	\$ 30,243	\$ 6,899	\$ 37,142
<i>Total Assets</i>	\$ 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
<i>Total Liabilities</i>	\$ 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, 2011

	General Obligation Bonds	Sewerage Service Revenue Bonds	Water Revenue Bonds	Audubon Park Commission Improvement Bonds	Total
<u>ASSETS</u>					
Cash	\$ 38,678	\$ 14,320	\$ 8,320	\$ 2,219	\$ 63,537
<u>LIABILITIES</u>					
Interest payable	\$ 15,463	\$ 1,785	\$ 8,320	\$ 2,219	\$ 27,787
Principal payable	23,215	12,535	0	0	35,750
<i>Total Liabilities</i>	<u>\$ 38,678</u>	<u>\$ 14,320</u>	<u>\$ 8,320</u>	<u>\$ 2,219</u>	<u>\$ 63,537</u>

BOARD OF LIQUIDATION, CITY DEBT  
SCHEDULE OF DEFEASED BONDS-DEBT ADMINISTRATION  
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
LIABILITIES-MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Revenue Bonds</u>			<u>Audubon Park Commission</u>		<u>Total</u>
	<u>General Obligation Bonds</u>	<u>Sewerage Service</u>	<u>Water</u>	<u>Improve- ment Bonds</u>	<u>Aquarium Bonds</u>	
<u>RECEIPTS</u>						
Escrow Debt service funds:						
Interest	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,072,106	\$ 4,072,106
Principal	0	0	0	0	19,443,572	19,443,572
Premium	0	0	0	0	470,234	470,234
<i>Total Receipts</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,985,912</u>	<u>23,985,912</u>
<u>DISBURSEMENTS</u>						
Refunded bonds:						
Interest	0	0	0	0	4,072,106	4,072,106
Principal	0	0	0	0	19,443,572	19,443,572
Premium	0	0	0	0	470,234	470,234
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,985,912</u>	<u>23,985,912</u>
Excess of receipts over disbursements	0	0	0	0	0	0
<u>LIABILITIES</u>						
December 31, 2010	38,678	14,320	8,320	2,219	0	63,537
December 31, 2011	<u>\$ 38,678</u>	<u>\$ 14,320</u>	<u>\$ 8,320</u>	<u>\$ 2,219</u>	<u>\$ 0</u>	<u>\$ 63,537</u>

BOARD OF LIQUIDATION, CITY DEBT  
SCHEDULE OF ITEMIZED DISBURSEMENTS-INTEREST, PREMIUM AND PRINCIPAL PAID  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Debt Service Fund	Interest Federal Subsidy Taxable BAB
<u>GENERAL OBLIGATION BONDS</u>		
Public Improvement Bonds, Issue of 2001	\$ 1,032,887	\$ 0
Public Improvement Bonds, Issue of 2002	1,501,367	0
Public Improvement Bonds, Issue of 2003	1,825,788	0
Public Improvement Bonds, Issue of 2004	1,505,387	0
Public Improvement Bonds, Issue of 2005A	655,900	0
Public Improvement Bonds, Issue of 2007A	3,668,825	0
Public Improvement Bonds, Issue of 2010A	2,089,319	1,125,018
General Obligation Refunding Bonds, Series 1991	19,044,565	0
General Obligation Refunding Bonds, Series 1998	4,646,662	0
General Obligation Refunding Bonds, Series 2002	3,018,769	0
General Obligation Refunding Bonds, Series 2005	5,239,950	0
<i>Total General Obligation Bonds</i>	44,229,419	1,125,018
<u>SPECIAL TAX BONDS</u>		
Limited Tax Bonds, Series 2005	1,177,880	0
<u>SEWER &amp; WATER BOARD SPECIAL TAX BONDS</u>		
Drainage System Bonds, Series 1998	249,582	0
Drainage System Bonds, Series 2002	647,310	0
Total Drainage System 9 mill bonds	896,892	0
<u>SEWER &amp; WATER BOARD REVENUE BONDS</u>		
Sewerage Service Revenue Bonds, Series 1997	726,234	0
Sewerage Service Revenue Bonds, Series 1998	594,660	0
Sewerage Service Revenue Bonds, Series 2000	899,278	0
Sewerage Service Revenue Bonds, Series 2000B	670,980	0
Sewerage Service Revenue Bonds, Series 2001	1,032,807	0
Sewerage Service Revenue Bonds, Series 2002	1,992,500	0
Sewerage Service Revenue Bonds, Series 2003	160,769	0
Sewerage Service Revenue Bonds, Series 2004	1,054,081	0
Sewerage Service Revenue Bonds, Series 2009	1,303,747	0
Total Sewerage Service Revenue Bonds	8,435,056	0
Water Revenue Bonds, Series 1998	398,468	0
Water Revenue Bonds, Series 2002	1,287,150	0
Total Water Revenue Bonds	\$ 1,685,618	\$ 0

Total	Premium	Principal	Total Interest, Premium and Principal
	Debt Service Fund	Debt Service Fund	
\$ 1,032,887	\$ 0	\$ 580,000	\$ 1,612,887
1,501,367	0	780,000	2,281,367
1,825,788	0	970,000	2,795,788
1,505,387	0	715,000	2,220,387
655,900	0	350,000	1,005,900
3,668,825	0	1,515,000	5,183,825
3,214,337	0	715,000	3,929,337
19,044,565	0	6,400,435	25,445,000
4,646,662	0	3,500,000	8,146,662
3,018,769	0	0	3,018,769
5,239,950	0	4,150,000	9,389,950
<u>45,354,437</u>	<u>0</u>	<u>19,675,435</u>	<u>65,029,872</u>
<u>1,177,880</u>	<u>0</u>	<u>1,780,000</u>	<u>2,957,880</u>
249,582	0	545,000	794,582
647,310	0	755,000	1,402,310
<u>896,892</u>	<u>0</u>	<u>1,300,000</u>	<u>2,196,892</u>
726,234	0	1,745,000	2,471,234
594,660	0	1,380,000	1,974,660
899,278	0	1,305,000	2,204,278
670,980	0	1,005,000	1,675,980
1,032,807	0	1,545,000	2,577,807
1,992,500	0	2,510,000	4,502,500
160,769	0	245,000	405,769
1,054,081	0	1,375,000	2,429,081
1,303,747	0	705,000	2,008,747
<u>8,435,056</u>	<u>0</u>	<u>11,815,000</u>	<u>20,250,056</u>
398,468	0	885,000	1,283,468
1,287,150	0	1,335,000	2,622,150
<u>\$ 1,685,618</u>	<u>\$ 0</u>	<u>\$ 2,220,000</u>	<u>\$ 3,905,618</u>

BOARD OF LIQUIDATION, CITY DEBT  
 SCHEDULE OF ITEMIZED DISBURSEMENTS-INTEREST, PREMIUM AND PRINCIPAL PAID  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Interest	
	Debt Service Fund	Federal Subsidy Taxable BAB
<u>LADHH LOAN REVENUE BONDS</u>		
Revenue Bonds, Series 2010A, Taxable ARRA	\$ 3,679	\$ 0
Revenue Bonds, Series 2010B, Taxable ARRA	13,024	0
Total Revenue Bonds-LADHH	16,703	0
<u>AUDUBON COMMISSION SPECIAL TAX BONDS</u>		
Audubon Park Commission Improvement Bonds, Series 1997	98,755	0
Audubon Park Commission Aquarium Bonds, Series 2001A	690,224	0
Audubon Park Commission Aquarium Bonds, Series 2001B	24,955	0
Audubon Park Commission Aquarium Bonds, Series 2003A	385,250	0
Total Audubon Park Commission Aquarium Bonds	1,100,429	0
<u>DOWNTOWN DEVELOPMENT DISTRICT</u>		
Special Tax Bonds, Series 2001	287,877	0
<u>DEFEASED BONDS</u>		
Audubon Park Commission Aquarium Bonds, Series 2001A	3,831	0
Audubon Park Commission Aquarium Bonds, Series 2001B	4,068,275	0
Total Audubon Park Commission Aquarium Bonds	4,072,106	0
<i>Total Itemized Disbursements-Interest, Principal and Premium Paid</i>	\$ 62,000,735	\$ 1,125,018



	Premium	Principal	
Total Interest	Debt Service Fund	Debt Service Fund	Total Interest, Premium and Principal
\$ 3,679	\$ 0	\$ 1,000	\$ 4,679
13,024	0	24,000	37,024
<u>16,703</u>	<u>0</u>	<u>25,000</u>	<u>41,703</u>
98,755	0	275,000	373,755
690,224	0	15,000	705,224
24,955	0	70,000	94,955
385,250	0	2,445,000	2,830,250
<u>1,100,429</u>	<u>0</u>	<u>2,530,000</u>	<u>3,630,429</u>
287,877	0	235,000	522,877
3,831	267,200	13,360,000	13,363,831
4,068,275	203,035	6,083,572	10,151,847
<u>4,072,106</u>	<u>470,235</u>	<u>19,443,572</u>	<u>23,515,678</u>
<u>\$ 63,125,753</u>	<u>\$ 470,235</u>	<u>\$ 59,299,007</u>	<u>\$ 122,424,760</u>

**PACIERA, GAUTREAU & PRIEST, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

3209 RIDGELAKE DRIVE, SUITE 200

METAIRIE, LA 70002

(504) 486-5573

FAX (504) 486-6091

www.pgpcpa.com

KIRTH M. PACIERA, C.P.A.  
RENE G. GAUTREAU, C.P.A.  
TIMOTHY L. PRIEST, C.P.A.

MEMBERS OF  
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(1905-1985)  
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(1932-2003)  
LEROY P. LEGENDRE, C.P.A.  
(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 the financial statements of the Board of Liquidation, City Debt as of and for the year ended December 31, 2011, and have issued our report thereon dated March 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Liquidation, City Debt's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Mrs. Mary K. Zervigon, President, and Members  
Board of Liquidation, City Debt

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the members of the Board, the City of New Orleans, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

*Paciera, Gautreau & Priest, LLC*

March 8, 2012

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**APPENDIX “F”**

**DEBT STATEMENT**

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**STATEMENT OF DIRECT AND UNDERLYING BONDED DEBT  
AS OF JANUARY 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	\$27,826,614**	\$5,513,423
(2)	General Obligation Refunding Bonds, Series 1998	5.5	12/01/98	12/01/21	57,445,000	3,945,000
(2)	Public Improvement Bonds, Issue of 2003	5.25	10/02/03	12/01/13	1,040,000	1,040,000
(2)	Public Improvement Bonds, Issue of 2004	4.0-4.25	7/13/04	12/01/15	2,495,000	790,000
(2)	Public Improvement Bonds, Issue of 2005A	4.0-5.5	5/24/05	12/01/34	14,015,000	380,000
(2)	General Obligation Refunding Bonds, Series 2005	5.0-5.25	7/06/05	12/01/29	92,550,000	4,590,000
(2)	Public Improvement Bonds, Issue of 2007A	5.0-5.25	12/14/07	12/01/36	69,065,000	1,645,000
(2)	Taxable Public Improvement Bonds, Issue of 2010A (Build America Bonds - Federally Taxable - Direct Payment to Issuer)	5.9-8.8	1/19/10	12/01/39	38,550,000	760,000
(2)	General Obligation Refunding Bonds, Series 2012	2.0-5.0	8/28/12	12/01/33	167,090,000	1,950,000
(3)	Certificates of Indebtedness, Series 2005	3.59	7/11/05	12/01/14	410,000	205,000
(4)	Taxable Limited Tax Certificates of Indebtedness, Series 2004B	4.6-4.75	12/23/04	3/01/14	25,605,000	12,470,000
(4)	Taxable Limited Tax Refunding Bonds, Series 2012	1.399-4.961	10/23/12	9/01/30	195,885,000	0
(5)	Sales Tax Increment Revenue Bonds (St. Thomas Economic Development District), Series 2003	8.125	11/03/03	4/01/50	19,535,000	85,000
(6)	Variable Rate Revenue Bonds (Canal Street Improvements Project), Series 2004	variable	9/29/04	8/01/24	8,125,000	515,000
(7)	Limited Tax Bonds, Series 2005	5.0	7/06/05	3/01/21	21,500,000	1,950,000
(8)	Revenue Bond, Series 2010A	3.45	2/12/10	2/01/31	772,000	29,000
(8)	Revenue Bond, Series 2010B	3.45	2/12/10	2/01/31	1,543,000	59,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana (Certificates of Indebtedness, Capital leases, LCDA Bonds)	4.64	6/19/06	7/15/26	52,268,594	0
(A)	Cooperative Endeavor Agreement with the State of Louisiana (General Obligation Bonds)	4.64	6/19/06	7/15/26	23,536,883	1,231,264
(A)	Cooperative Endeavor Agreement with the State of Louisiana (Capital Improvement Bonds)	4.64	6/19/06	7/15/26	2,765,410	144,664
(9)	<b><u>Underlying Debt of the Orleans Parish School Board, State of Louisiana</u></b>					
(10)	Public School Refunding Bonds, Series 1991	--	12/19/91	2/01/15	6,511,529*	3,047,321
(10)	Public School Refunding Bonds, Series 2011 (Taxable)	1.47-2.30	12/01/11	2/01/15	9,225,000	3,005,000
(10)	Revenue Bonds (Taxable QSCB), Series 2011B	4.4	12/20/11	2/01/21	79,055,000	(a)
(11)	Promissory Note (CDL Federal Program) <sup>†</sup>	2.93	8/28/06	8/27/16	11,348,388	(b)
(12)	<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	80,200,000	9,145,000

\* 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>
(13)	<b><u>Underlying Debt of the Audubon Commission</u></b>					
(14)	Audubon Commission Improvement and Refunding Bonds, Series 1997	5.2	1/01/97	12/01/16	\$ 1,345,000	\$ 310,000
(15)	Audubon Commission Aquarium Refunding Bonds, Series 2003A	5.0	7/09/03	10/01/13	2,695,000	2,695,000
(15)	Audubon Commission Aquarium Tax Bonds, Series 2011A-1	3.0-5.0	9/22/11	10/01/21	24,370,000	0
(15)	Audubon Commission Aquarium Tax Bonds, Series 2011A-2 (Taxable)	1.7	9/22/11	10/01/14	630,000	0
(A)	Cooperative Endeavor Agreement with the State of Louisiana (Revenue Bonds)	4.64	6/19/06	7/15/26	4,907,500	0
(A)	Cooperative Endeavor Agreement with the State of Louisiana (4.11 Mill Tax Bonds)	4.64	6/19/06	7/15/26	10,247,480	536,067
(A)	Cooperative Endeavor Agreement with the State of Louisiana (.44 Mill Tax Bonds)	4.64	6/19/06	7/15/26	1,039,274	54,367
(16)	<b><u>Underlying Debt of the Sewerage and Water Board</u></b>					
(17)	Drainage System Bonds, Series 1998	4.75-5.0	12/01/98	12/01/18	4,040,000	595,000
(17)	Drainage System Bonds, Series 2002	4.0-4.65	10/01/02	12/01/22	13,590,000	830,000
(18)	Water Revenue Bonds, Series 1998	4.75-4.9	12/01/98	12/01/18	6,565,000	965,000
(18)	Water Revenue Bonds, Series 2002	5.0	10/01/02	12/01/22	23,555,000	1,470,000
(19)	Sewerage Service Revenue Bonds, Series 1997	5.25-5.4	6/01/97	6/01/17	10,875,000	1,940,000
(19)	Sewerage Service Revenue Bonds, Series 1998	4.7-5.0	12/01/98	6/01/18	10,215,000	1,510,000
(19)	Sewerage Service Revenue Bonds, Series 2000	5.375-5.5	5/01/00	6/01/20	14,505,000	1,465,000
(19)	Sewerage Service Revenue Bonds, Series 2000B	5.1-5.5	11/01/00	6/01/20	10,995,000	1,120,000
(19)	Sewerage Service Revenue Bonds, Series 2001	4.8-5.2	12/01/01	6/01/21	18,370,000	1,685,000
(19)	Sewerage Service Revenue Bonds, Series 2002	5.0	12/01/02	6/01/22	35,950,000	2,790,000
(19)	Sewerage Service Revenue Bonds, Series 2003	3.6-5.0	12/03/03	6/01/23	3,530,000	260,000
(19)	Sewerage Service Revenue Bonds, Series 2004	4.0-5.0	12/16/04	6/01/24	22,885,000	1,485,000
(19)	Sewerage Service Revenue Refunding Bonds, Series 2009	4.5-6.25	7/14/09	6/01/29	21,260,000	765,000
(19)	Sewerage Service Subordinate Revenue Bonds, Series 2011	0.95	11/22/11	11/01/32	9,000,000	411,000
(11)	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	6/19/06	7/15/26	73,776,956	3,859,428
(20)	<b><u>Underlying Debt of the Regional Transit Authority</u></b>					
(21)	Sales Tax Revenue Bonds, Series 1991	0.0	12/01/91	12/01/21	6,309,927 *	348,633
(21)	Sales Tax Revenue Refunding Bonds, Series 1998A	7.95	12/01/98	12/01/13	2,815,000	2,815,000
(21)	Sales Tax Revenue Bonds, Series 2010	3.0-5.0	10/14/10	12/01/30	71,425,000	2,660,000
(22)	LCDA Revenue Bonds (Canal Streetcar Project), Series 2000	variable	9/12/00	2/28/22	21,978,700	1,285,200
(22)	LCDA Revenue Bonds (Desire Streetcar Project), Series 2000A	variable	9/12/00	2/28/22	24,318,756	917,200
(11)	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	6/19/06	7/15/26	35,867,738	0

\* 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
(23)	<b><u>Underlying Debt of Law Enforcement District of the Parish of Orleans, State of Louisiana</u></b>					
(2)	General Obligation Bonds, Series 2008	3.75-4.05	12/01/08	9/01/18	\$6,000,000	\$1,000,000
(2)	General Obligation Bonds, Series 2009	3.5-3.8	3/01/09	9/01/18	7,095,000	1,055,000
(2)	General Obligation Bonds, Series 2010	3.0-4.0	3/01/10	9/01/24	13,170,000	805,000
(2)	General Obligation Bonds, Series 2011	2.97	11/30/11	9/01/26	4,700,000	275,000
(2)	General Obligation Bonds, Series 2012	2.85	4/27/12	9/01/26	4,750,000	280,000
(24)	Revenue Anticipation Notes, Series 2012	1.72	6/29/12	6/30/13	4,900,000	4,900,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	6/19/06	7/15/26	16,434,518	859,724
(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	6/19/06	7/15/26	35,371,990	0
(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	11,095,000	2,500,000
(31)	Levee Improvement Bonds, Series 1986	5.95	8/28/86	11/01/14	14,790,000	4,575,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	6/19/06	7/15/26	26,125,671	0
(32)	<b><u>Underlying Debt of the Orleans Parish Communications District, State of Louisiana</u></b>					
(33)	Revenue Bonds, Series 2004	4.0-4.35	9/24/04	9/01/19	5,525,000	685,000
(11)	Promissory Note (CDL Federal Program) <sup>†</sup>	2.93	8/28/06	8/27/16	471,154	(b)
(11)	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	2,830,000	434,000

(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
(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	\$5,205,000	\$305,000
(A)	Cooperative Endeavor Agreement with the State of Louisiana	4.64	6/19/06	7/15/26	1,523,966	79,722
(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	1,500,000	280,000

## NOTES

- (A) On July 19, 2006, the State of Louisiana issued \$200,000,000 General Obligation Gulf Tax Credit Bonds, Series 2006-A; \$194,475,000 General Obligation Match Bonds, Series 2006-B; and \$200,000,000 General Obligation Refunding Bonds, Series 2008. In conjunction therewith, certain debt issuing entities in the City and the State entered Cooperative Endeavor Agreements in which the State agreed to make loans to the entities from the proceeds of any combination of the said bonds of the State pursuant to Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006 (“Act 41”) for the following purposes:
- Paying debt service of the City on outstanding debt for general obligation and special limited tax bonds.
  - Paying outstanding debt for special tax bonds of the Downtown Development District, Audubon Commission, and Sewerage and Water Board.
  - Paying outstanding sewerage revenue and water revenue bonds of the Sewerage and Water Board.
  - Paying outstanding bonds of the Orleans Parishwide School District; the Orleans Parish School Board; the Orleans Law Enforcement District; the New Orleans Aviation Board; the Orleans Levee District; the New Orleans Exhibition Hall Authority, and the Board of Commissioners of the Port of New Orleans.
- (1) The 2013 taxable assessed valuation for City purposes is approximately \$3,088,295,011. Certain City taxes are levied on the total assessed value of the City, which is approximately \$3,521,911,530 for 2013.
  - (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 thirteen and ninety-one hundredths (13.91) mills (subject to adjustment from time to time due to reassessment) (the “Tax”). The issuer is authorized to impose and collect the Tax in each year during which the certificates are outstanding. The Tax is authorized to be levied on all the property subject to taxation within the corporate boundaries of the issuer and is authorized to be levied for general purposes.
  - (5) Secured by and payable solely from an irrevocable pledge and dedication of the City’s two and one-half percent (2 ½%) tax collected each year on the sale at retail, use, the lease or rental, the consumption and storage for use and consumption of tangible personal property, and the sales of services, all as defined in R. S. 47:301 *et seq.* and as specified in Ordinance 24,072 MCS derived by the City solely from Wal-Mart or any replacement or successor national retailer occupying the improvements which are expected to be occupied by a Wal-Mart to be located within the St. Thomas Economic Development District.
  - (6) Payable from (i) money received from a draw on a Letter of Credit issued by Hibernia Bank, (ii) payments made by Canal Street Development Corporation and Downtown Development District pursuant to a Cooperative Endeavor Agreement, and (ii) payments made by the City from the General Fund.
  - (7) Secured by and payable from a pledge and dedication of the funds to be derived from the levy and collection of a special *ad valorem* tax of two and one-half (2½) mills (subject to adjustment from time to time due to reassessment), which the City is authorized to collect for a period of twenty-six (26) years, approved in an election held in the City on July 15, 1995.

- (8) 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.
- (9) The total 2013 assessed valuation of the Orleans Parish School Board is approximately \$3,521,911,530, of which approximately \$3,088,295,011 is taxable.
- (10) Payable from (i) a constitutional millage of twenty-seven and sixty-five hundredths (27.65) mills and (ii) the net revenues from a one-half of one percent (½%) sales and use tax authorized in an election held on November 4, 1980.
- (11) Secured by a pledge of the issuer's revenues for each fiscal year after payment of outstanding bonded indebtedness.
- (12) The total 2013 assessed valuation of Parishwide School District of the Parish of Orleans is approximately \$3,521,911,530, of which approximately \$3,088,295,011 is taxable.
- (13) The Audubon Commission is a related entity of the City established by state act and the City Charter.
- (14) Secured by and payable solely from the tax revenues derived from the levy and collection of a thirty-two hundredths (.32) mill tax upon all taxable property in the City.
- (15) Secured by and payable solely from an irrevocable pledge and dedication of the funds to be derived from the levy and collection of a two and ninety-nine hundredths (2.99) mills special *ad valorem* tax subject to taxation within the City authorized to be collected for a period of thirty-five (35) years, beginning in 1987, in an election held on November 4, 1986.
- (16) The Sewerage and Water Board is the agency responsible for the sewerage, water and drainage systems of the City.
- (17) Limited tax bonds, secured by the avails of the equivalent of a seven and six hundredths (7.06) mills *ad valorem* tax (subject to adjustment from time to time due to reassessment).
- (18) Secured by and payable solely from net revenues derived from the imposition of water rates.
- (19) Secured by and payable solely from revenues of the system, including revenues received from the imposition of sewerage rates.
- (20) The Regional Transit Authority ("RTA") is primarily located in the City of New Orleans (Orleans Parish) and is parishwide.
- (21) Secured by and payable from the Pledged Tax Revenues, i.e. primarily the net revenues derived from the levy and collection of one-half of a one percent (½%) sales and use tax levied by the Authority upon the items and services subject to the sales and use tax, and a pledge upon moneys held in the funds and accounts held under the General Indenture dated September 1, 1997.
- (22) 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.
- (23) The Law Enforcement District of the Parish of Orleans is parishwide and has a 2013 taxable assessed valuation of approximately \$3,088,295,011.
- (24) Secured by and payable from a pledge of all revenues accruing to the Sheriff's general fund.
- (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 2013 taxable assessed valuation of approximately \$3,088,295,011.
- (30) Payable from the Orleans Levee District's five and forty-six hundredths (5.46) mills constitutional *ad valorem* tax (subject to adjustment from time to time due to reassessment).
- (31) Payable from the Orleans Levee District's five and forty-six hundredths (5.46) mills special levee improvement *ad valorem* tax (subject to adjustment from time to time due to reassessment).
- (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.)*

† On January 19, 2010, the Department of Homeland Security Federal Emergency Management Agency published Federal Register Document 2010-925, which establishes procedures and requirements for Special Community Disaster Loan recipients to apply for cancellation of their loan as authorized by the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007. This rule will not cancel all Special Community Disaster Loans but rather provides a process for such cancellation. It is unknown at this time whether any such recipients will apply for such cancellation, or which Special Community Disaster Loans, if any, will actually be cancelled.

**APPENDIX "G"**

**DEBT SERVICE REQUIREMENTS**

**ANNUAL DEBT SERVICE REQUIREMENTS ON OUTSTANDING DEBT  
AND TAXABLE PUBLIC IMPROVEMENT BONDS, ISSUE OF 2013A, OF  
CITY OF NEW ORLEANS, LOUISIANA**

CALENDAR YEAR	OUTSTANDING BONDS (a)			SERIES 2013A BOND			TOTAL REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL	(12/1) PRINCIPAL	(6/1; 12/1) INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2013	20,613,422.60	43,417,977.44	64,031,400.04	0.00	1,325,150.63	1,325,150.63	20,613,422.60	44,743,128.07	65,356,550.67
2014	20,866,925.60	43,069,809.44	63,936,735.04	770,000.00	1,766,867.50	2,536,867.50	21,636,925.60	44,836,676.94	66,473,602.54
2015	21,545,364.70	42,656,162.84	64,201,527.54	790,000.00	1,743,767.50	2,533,767.50	22,335,364.70	44,399,930.34	66,735,295.04
2016	22,018,778.70	42,196,696.34	64,215,475.04	815,000.00	1,720,067.50	2,535,067.50	22,833,778.70	43,916,763.84	66,750,542.54
2017	22,578,227.20	41,614,087.84	64,192,315.04	840,000.00	1,695,617.50	2,535,617.50	23,418,227.20	43,309,705.34	66,727,932.54
2018	22,773,896.00	40,970,169.04	63,744,065.04	865,000.00	1,670,417.50	2,535,417.50	23,638,896.00	42,640,586.54	66,279,482.54
2019	42,280,000.00	18,371,440.04	60,651,440.04	900,000.00	1,635,817.50	2,535,817.50	43,180,000.00	20,007,257.54	63,187,257.54
2020	44,205,000.00	16,163,002.54	60,368,002.54	935,000.00	1,599,817.50	2,534,817.50	45,140,000.00	17,762,820.04	62,902,820.04
2021	46,460,000.00	13,851,530.04	60,311,530.04	970,000.00	1,562,417.50	2,532,417.50	47,430,000.00	15,413,947.54	62,843,947.54
2022	16,250,000.00	11,417,743.78	27,667,743.78	1,000,000.00	1,531,862.50	2,531,862.50	17,250,000.00	12,949,606.28	30,199,606.28
2023	17,080,000.00	10,571,863.78	27,651,863.78	1,035,000.00	1,497,862.50	2,532,862.50	18,115,000.00	12,069,726.28	30,184,726.28
2024	17,850,000.00	9,697,121.28	27,547,121.28	1,075,000.00	1,459,567.50	2,534,567.50	18,925,000.00	11,156,688.78	30,081,688.78
2025	18,760,000.00	8,763,508.78	27,523,508.78	1,115,000.00	1,417,642.50	2,532,642.50	19,875,000.00	10,181,151.28	30,056,151.28
2026	18,055,000.00	7,781,465.02	25,836,465.02	1,160,000.00	1,373,042.50	2,533,042.50	19,215,000.00	9,154,507.52	28,369,507.52
2027	15,775,000.00	6,843,515.02	22,618,515.02	1,210,000.00	1,325,482.50	2,535,482.50	16,985,000.00	8,168,997.52	25,153,997.52
2028	13,825,000.00	6,012,610.02	19,837,610.02	1,260,000.00	1,274,057.50	2,534,057.50	15,085,000.00	7,286,667.52	22,371,667.52
2029	14,510,000.00	5,273,272.52	19,783,272.52	1,315,000.00	1,219,247.50	2,534,247.50	15,825,000.00	6,492,520.02	22,317,520.02
2030	12,890,000.00	4,497,210.02	17,387,210.02	1,375,000.00	1,161,387.50	2,536,387.50	14,265,000.00	5,658,597.52	19,923,597.52
2031	12,065,000.00	3,795,488.76	15,860,488.76	1,435,000.00	1,099,512.50	2,534,512.50	13,500,000.00	4,895,001.26	18,395,001.26
2032	10,685,000.00	3,132,177.50	13,817,177.50	1,505,000.00	1,031,350.00	2,536,350.00	12,190,000.00	4,163,527.50	16,353,527.50
2033	11,185,000.00	2,534,842.50	13,719,842.50	1,575,000.00	959,862.50	2,534,862.50	12,760,000.00	3,494,705.00	16,254,705.00
2034	7,250,000.00	1,919,350.00	9,169,350.00	1,650,000.00	885,050.00	2,535,050.00	8,900,000.00	2,804,400.00	11,704,400.00
2035	6,540,000.00	1,482,062.50	8,022,062.50	1,725,000.00	806,675.00	2,531,675.00	8,265,000.00	2,288,737.50	10,553,737.50
2036	6,870,000.00	1,065,937.50	7,935,937.50	1,810,000.00	724,737.50	2,534,737.50	8,680,000.00	1,790,675.00	10,470,675.00
2037	2,265,000.00	628,760.00	2,893,760.00	1,895,000.00	638,762.50	2,533,762.50	4,160,000.00	1,267,522.50	5,427,522.50
2038	2,380,000.00	429,440.00	2,809,440.00	1,985,000.00	548,750.00	2,533,750.00	4,365,000.00	978,190.00	5,343,190.00
2039	2,500,000.00	220,000.00	2,720,000.00	2,085,000.00	449,500.00	2,534,500.00	4,585,000.00	669,500.00	5,254,500.00
2040				2,190,000.00	345,250.00	2,535,250.00	2,190,000.00	345,250.00	2,535,250.00
2041				2,300,000.00	235,750.00	2,535,750.00	2,300,000.00	235,750.00	2,535,750.00
2042				2,415,000.00	120,750.00	2,535,750.00	2,415,000.00	120,750.00	2,535,750.00
<b>TOTALS</b>	<b>470,076,614.80</b>	<b>388,377,244.54</b>	<b>858,453,859.34</b>	<b>40,000,000.00</b>	<b>34,826,043.13</b>	<b>74,826,043.13</b>	<b>510,076,614.80</b>	<b>423,203,287.67</b>	<b>933,279,902.47</b>

(a) Outstanding: Unrefunded Issue 2002, dated 4/1/02; Unrefunded Issue 2003, dated 10/2/03; Unrefunded Issue 2004, dated 7/13/04; Issue 2005A, dated 5/24/05; Issue 2007, dated 12/14/07; Taxable Public Improvement Bonds, Issue of 2010A, dated 1/19/10; General Obligation Refunding Series 1991, dated 9/15/91; Unrefunded Refunding Series 1998, dated 12/1/98; Refunding Series 2005, dated 7/6/05 and Refunding Bonds, Series 2012, dated 8/28/12.

**FORM OF LEGAL OPINION**  
**OF**  
**FOLEY & JUDELL, L.L.P.**  
**AND**  
**THE CANTRELL LAW FIRM,**  
**CO-BOND COUNSEL**

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(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 2013A**

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 January 30, 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 third 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 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,

**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 2013A**

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 \$40,000,000 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 January 30, 2013 (the “Resolution”), and are described in that certain Official Statement dated January 30, 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 January 30, 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 January 30, 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, 2013, provide to the Repositories an Annual Report which is consistent with the requirements set forth below. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as set forth below; *provided* that the audited financial statements of the City and the Board may be submitted separately from the balance of the Annual Report.
- b. If the Dissemination Agent is unable to provide to the Repositories an Annual Report by the date required in (a) above, the City acting through the Board shall send a Notice of Failure to File Annual Report to each of the Repositories, in substantially the form attached as Exhibit A.
- c. The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of each of the Repositories.

SECTION 4. *Content of Annual Reports.* The 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) appointment of a successor or additional trustee or the change of name of a trustee, if material; or
- (xiv) other material event notice.

(b) Whenever the City or the Board obtains knowledge of the occurrence of a Listed Event, the Issuer shall direct the Dissemination Agent to file as soon as possible, but in no event more than ten business days after the occurrence of the event, a notice of such occurrence with the Repositories.

(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.

(f) As of the date of this Disclosure Certificate, the Listed Event described in Section 5(a)(x) is not applicable to the Bonds.

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 \_\_\_\_\_, 2013.

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 2013A

Date of Issuance: \_\_\_\_\_, 2013

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 \_\_\_\_\_, 2013, 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

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**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 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.

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