**NEW ISSUE -**
**Book-Entry-Only**

# OFFICIAL STATEMENT

**RATINGS:**
**Moody's: "Aa3"**
**S&P: "AA"**
**Fitch: "A+"**
**(Radian Insured)**

*In the opinion of Co-Bond Counsel, under existing laws, the interest on the Bonds is excluded from gross income for Federal income tax purposes, and under existing laws of the State of Louisiana the Bonds are exempt from taxation for state, parish, municipal or other purposes. See "Tax Exemption" and Appendix "H" herein.*

## $75,000,000

## PUBLIC IMPROVEMENT BONDS, ISSUE OF 2007A

# CITY OF NEW ORLEANS, LOUISIANA

**Dated: Date of Delivery** **Due: December 1, 2009 to December 1, 2036**

Principal of the Bonds is payable at the principal corporate trust office of The Bank of New York Trust Company, N. A., Dallas, Texas, as Paying Agent. Interest on the Bonds is payable on June 1, 2008, and semiannually thereafter on each June 1 and December 1, in the manner set forth herein. The Bonds are in the denomination of $5,000, or any integral multiple thereof within a single maturity.

The Bonds are being initially issued as fully registered bonds, 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 the Paying Agent to DTC, which will remit such payments in accordance with its normal procedures, as described herein.

The Bonds maturing December 1, 2018 and thereafter are subject to redemption at the option of the City of New Orleans, Louisiana (the "City"), acting through the Board of Liquidation, City Debt, prior to their stated maturities, on and after December 1, 2017, 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. Bonds are not required to be redeemed in inverse order of maturity. If a bidder shall elect to specify term bonds as provided in "Special Bidders' Option" herein, the Bonds subject to mandatory sinking fund redemption shall also be subject to the terms and conditions described in this Official Statement.

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

Payment of principal of and interest on the Bonds will be insured in accordance with the terms of a financial guaranty insurance policy to be issued simultaneously with the delivery of the Bonds by

Radian Asset Assurance Inc. RADIAN

**MATURITY SCHEDULE**

**(A maturity schedule for the Bonds appears on the inside cover of this Official Statement.)**

The Bonds are offered subject to the joint approving opinion of Foley & Judell, L.L.P., The Cantrell Law Firm and The Godfrey Firm, P.L.C., Co-Bond Counsel, New Orleans, Louisiana. It is expected that the Bonds will be delivered at the offices of DTC in New York, New York, on or about December 14, 2007, against payment therefor.

*The date of this Official Statement is October 30, 2007. This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

# $75,000,000

## PUBLIC IMPROVEMENT BONDS, ISSUE OF 2007A

# CITY OF NEW ORLEANS, LOUISIANA

### MATURITY SCHEDULE

**BASE CUSIP#: _64763F_____________**

| Due December 1 | Principal Amount | Interest Rate | Price or Yield | CUSIPs |
|---|---|---|---|---|
| 2009 | $1,390,000 | 5.000% | 101.680 | LR8 |
| 2010 | 1,450,000 | 5.000% | 102.346 | LS6 |
| 2011 | 1,515,000 | 5.000% | 102.891 | LT4 |
| 2012 | 1,580,000 | 5.000% | 103.323 | LU1 |
| 2013 | 1,645,000 | 5.000% | 103.646 | LV9 |
| 2014 | 1,715,000 | 5.000% | 103.806 | LW7 |
| 2015 | 1,790,000 | 5.000% | 103.720 | LX5 |
| 2016 | 1,865,000 | 5.000% | 103.429 | LY3 |
| 2017 | 1,945,000 | 5.000% | 103.085 | LZ0 |
| 2018 | 2,025,000 | 5.000% | 102.443[C] | MA4 |
| 2019 | 2,115,000 | 5.000% | 102.043[C] | MB2 |

$6,935,000 5.000% Term Bonds due December 1, 2022 Price 101.014[C], CUSIP MC0
$7,915,000 5.000% Term Bonds due December 1, 2025 Priced to yield 5.010%, CUSIP MD8
$5,935,000 5.000% Term Bonds due December 1, 2027 Priced to Yield 5.090%, CUSIP ME6
$10,055,000 5.125% Term Bonds due December 1, 2030 Priced to Yield 5.190%, CUSIP MF3
$11,645,000 5.125% Term Bonds due December 1, 2033 Priced to Yield 5.230%, CUSIP MG1
$13,480,000 5.250%Term Bonds due December 1, 2036 Priced to Yield 5.260%, CUSIP MH9

[C] Priced to the par call date of December 1, 2017

**CUSIP Numbers** © Copyright 2007, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. The Issuer takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of the owners of the Bonds.

**NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY EITHER THE CITY OF NEW ORLEANS, LOUISIANA (THE "CITY") OR THE BOARD OF LIQUIDATION, CITY DEBT (THE "BOARD") 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 EITHER THE CITY OR THE BOARD 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 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. THE INFORMATION DESCRIBED HEREIN HAS BEEN OBTAINED FROM SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION SET FORTH HEREIN CONCERNING THE DEPOSITORY TRUST COMPANY ("DTC") HAS BEEN FURNISHED BY DTC, AND NO REPRESENTATION IS MADE BY EITHER THE CITY OR THE BOARD AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION. 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 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.**

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Appendix "G" - Annual Debt Service Requirements
Appendix "H" - Form of Legal Opinion
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**OTHER THAN WITH RESPECT TO INFORMATION CONCERNING RADIAN ASSET ASSURANCE INC. ("RADIAN ASSET ASSURANCE") CONTAINED UNDER THE CAPTION "FINANCIAL GUARANTY INSURANCE" HEREIN AND IN APPENDIX "J" HERETO, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY RADIAN ASSET ASSURANCE, AND RADIAN ASSET ASSURANCE MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE BONDS; OR (iii) THE TAX STATUS OF THE INTEREST ON THE BONDS.**

# CITY OF NEW ORLEANS, LOUISIANA

**MAYOR**

**C. Ray Nagin**

**CITY COUNCIL**

**Arnold Fielkow,** *Councilmember at Large, President*
**Michael C. Darnell,** *Councilmember at Large*
**Shelley Midura,** *Councilmember District "A"*
**Stacy S. Head,** *Councilmember District "B"*
**James Carter,** *Councilmember District "C"*
**Cynthia Hedge-Morrell,** *Councilmember District "D"*
**Cynthia Willard-Lewis,** *Councilmember District "E"*

**BOARD OF LIQUIDATION, CITY DEBT**

**J. Thomas Lewis**, President
**Mary K. Zervigon**, Vice President

**C. Ray Nagin**, ex officio
**Michael C. Darnell**, ex officio
**Norma E. Grace**
*vacancy*
**Arnold Fielkow**, ex officio
**Barbara Lamont**
**Richard P. Wolfe**

**David W. Gernhauser**, *Secretary*

**City Officials**

| | |
|---|---|
| **Chief Administrative Officer** | **Brenda G. Hatfield** |
| **Director of Finance** | **Reginald E. Zeno** |
| **City Attorney** | **Penya M. Moses-Fields** |
| **Clerk of Council** | **Peggy Lewis** |

**Consultants and Advisors**

| | |
|---|---|
| ***KPMG LLP*** <br> ***New Orleans, Louisiana*** | ***Auditors for the City*** |
| ***Spilsbury, Hamilton, Legendre & Paciera*** <br> ***New Orleans, Louisiana*** | ***Auditors for the Board of Liquidation, City Debt*** |
| ***Foley & Judell, L.L.P.*** <br> ***New Orleans, Louisiana*** | ***Co-Bond Counsel*** |
| ***The Cantrell Law Firm*** <br> ***New Orleans, Louisiana*** | ***Co-Bond Counsel*** |
| ***The Godfrey Firm, P.L.C.*** <br> ***New Orleans, Louisiana*** | ***Co-Bond Counsel*** |
| ***Lemle & Kelleher, L.L.P.*** <br> ***New Orleans, Louisiana*** | ***Counsel to the Board of Liquidation, City Debt*** |
| ***Public Financial Management, Inc.*** <br> ***Atlanta, Georgia*** | ***Financial Advisor to the Board of Liquidation, City Debt*** |
| ***Fiscal Services, Inc.*** <br> ***New Orleans, Louisiana*** | ***Official Statement*** |

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**OFFICIAL STATEMENT**

**$75,000,000**
**PUBLIC IMPROVEMENT BONDS, ISSUE OF 2007A**

# CITY OF NEW ORLEANS, LOUISIANA

## INTRODUCTION

This Official Statement of the City of New Orleans, Louisiana (the "City") provides information with respect to the referenced bonds (the "Bonds"). The Bonds are being issued for various public purposes as described herein.

Brief descriptions of the City, the Bonds, DTC, the Bond Resolution, the Act (as such terms are herein defined) and other proceedings are contained in this Official Statement, and reference to such matters is qualified by reference to such entity, act, resolution, or proceeding so referred to or summarized.

Additional information about the City is included in Appendix "B" hereto. Audited financial statements of the City for the year ended December 31, 2005 are included in Appendix "C" hereto. Audited financial statements of the Board of Liquidation, City Debt (the "Board") for the year ended December 31, 2006, are included in Appendix "D" hereto. The proposed form of opinion of Foley & Judell, L.L.P., The Cantrell Law Firm, and The Godfrey Firm, P.L.C., Co-Bond Counsel, New Orleans, Louisiana, is included in Appendix "H" 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.

Maps indicating the general location of the City are included before Appendix "A" hereto.

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

The Louisiana Legislature (the "Legislature") created the Board by adopting 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 is responsible for separating and administering funds dedicated to the repayment of general obligation debt from the operating budget of the City. All *ad valorem* taxes levied by the City's governing authority (the "City Council") in each year for the payment of general obligation bonds are transferred to the Board 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, 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.

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. All references to the Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the resolution of the Board adopted on Tuesday, October 30, 2007, authorizing the issuance of the Bonds (the "Bond Resolution"). 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, or electronically from the web site of i-Deal Prospectus (www.ipreo.com).

**Hurricanes Katrina and Rita**

Hurricane Katrina (the "Hurricane", "Katrina" or "Hurricane Katrina") was one of the strongest storms to hit the United States during the last 100 years. It reached Category 5 winds (over 156 miles per hour) on Sunday, August 28, 2005 when it was approximately 200 miles southeast of the mouth of the Mississippi River. At approximately 6:10 a.m. Central Daylight Time ("CDT") on August 29, Hurricane Katrina made landfall near Buras, Louisiana in Plaquemines Parish, and wind speeds of 140 miles per hour were recorded. These hurricane-force winds extended an estimated 190 miles from the storm center. The strength of the wind field resulted in a storm surge that was greater than any previously recorded, and that reached nearly 20 feet against levees in Plaquemines Parish.

Because it is built on drained wetlands that have subsided to below sea level, New Orleans is inherently vulnerable to flooding and is surrounded by flood-protection levees. On August 28, 2005 the Mayor of the City of New Orleans ordered a mandatory evacuation, and approximately 90% of the City's residents left under such order. When sections of the levee system breached on August 29, approximately 80% of the City was flooded, and water reached a depth of 20 feet in some locations. Major flooding also occurred in Jefferson, Plaquemines, St. Bernard and St. Tammany Parishes.

Hurricane Rita struck near the Texas-Louisiana border on September 24, 2005, and storm surge associated with Hurricane Rita reopened some of the levee breaches caused by Hurricane Katrina and re-flooded parts of the City.

An estimated 184,742[1] homes were destroyed or made uninhabitable. Prior to the storms, the population of the City of New Orleans was approximately 454,863. Current population estimates show the population to be approximately 273,000. As of July 2007, an estimated 67.6% of Orleans Parish households were actively receiving mail. This represents an 18% increase over the level in July 2006.

The City suffered significant losses to buildings, police cars, fire trucks, parks and other City-owned property and equipment. The Hurricane also devastated the City's economy, primarily the tourism and convention industries and negatively impacted tax collections. The tourist industry and convention business were completely disrupted by the storm, and all meetings and conventions scheduled for the following nine months were cancelled.

**Financial Information**

Katrina and the evacuation of the City had a devastating effect on the City. In order to gauge the recovery the City is making from Katrina and Rita, much of the data contained herein relating to the City is compared to Fiscal Year 2004, ended on December 31, 2004, the last full year prior to Katrina and to various monthly periods in Fiscal Years 2005, 2006 and 2007. The attached audited financial statements for Fiscal Year 2005 were accepted by the City Council Budget Committee on July 27, 2007. The City is anticipating a release of the audited financial statements for Fiscal Year 2006 by December 2007. The impact of the storms on the City's economy will be felt for many years to come, and it is impossible to predict when and if the economy will return to pre-storm levels.

Grants to the City and (1) community disaster loans from the federal government pursuant to the Stafford Act to pay operating expenses and (2) loans from the State of Louisiana from the State's Tax Credit Program to pay debt service on certain bonds of the City and other entities have enabled the City to remain financially viable. See "DEBT STATEMENT - General Obligation Bonds" for more information relating to this indebtedness.

**Real Estate Tax Collections**

Hurricane Katrina impacted the collection of real estate and personal property taxes for the year 2005 as further described herein. Additionally, the levy of the *ad valorem* tax millage for the year 2006 was delayed from December 2005 until April 2006, and tax bills were distributed in May 2006. The levy of the *ad valorem* tax millage for the year 2007 as required by the legislation described herein occurred in December 2006 in accordance with normal procedures described herein. (See SECURITY FOR THE BONDS - Millage Rate Setting Procedures for a description of such procedures and legislation.)

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[1] Source: GCR & Associates, Inc.

# DESCRIPTION OF THE BONDS

The Bonds are authorized and issued pursuant to Article VI, Section 33 of the Louisiana Constitution of 1974 (the "Constitution") and Part XIV, Chapter 4, Subtitle II, Title 39 of the Louisiana Revised Statutes of 1950, as amended (the "Act") and other constitutional and statutory authority and the Bond Resolution. The issuance, sale and delivery of the Bonds was approved by the State Bond Commission on September 16, 2004.

The Bonds are dated the date of delivery (December 14, 2007), and bear interest payable at the rates and times and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. 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") and will be delivered to The Bank of New York Company, N. A., Dallas, Texas, as Fast Agent for 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. (See "BOOK-ENTRY ONLY SYSTEM.") Principal of the Bonds is payable upon presentation and surrender of the Bonds at the corporate trust office of The Bank of New York Trust Company, N. A., in the City of Dallas, Texas, as Paying Agent. Interest on the Bonds is payable on June 1, 2008, and semiannually thereafter on June 1st and December 1st, each an "Interest Payment Date," by check or draft mailed by the Paying Agent on or before the applicable Interest Payment Date to the person in whose name the Bond is registered at the close of business on the applicable Record Date (which is the 15th day of the calendar month next preceding the Interest Payment Date).

Except as hereinafter provided under "BOOK-ENTRY ONLY SYSTEM," the Bonds are transferable only upon the records kept for that purpose at the corporate trust office of the Paying Agent, by the Owner or by his attorney duly authorized in writing, upon surrender of such Bonds with a written instrument or instruments of transfer in form and with a guaranty of signature satisfactory to the Paying Agent, duly executed by the Owner or his attorney duly authorized in writing, and upon the payment of the costs of any transfer taxes or other governmental charges relating thereto. Thereupon, the Paying Agent will register and deliver in the name of the transferee or transferees one or more new fully registered Bonds of any authorized denomination and like aggregate principal amount and designation, maturity and interest rate as the surrendered Bond. At the option of the Owner, Bonds may also be exchanged for an equal aggregate principal amount of Bonds of the same designation, maturity and interest rate in any authorized denomination in accordance with the provisions of the Bond Resolution. The City and the Paying Agent shall not be required (a) to issue, register the transfer of or exchange any Bond during a period beginning at the opening of business on the 15th day of the calendar month next preceding an Interest Payment Date or any date of selection of Bonds to be redeemed and ending at the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) to register the transfer of or exchange any Bond so selected for redemption in whole or in part.

Prior to due presentment for registration of transfer of any Bond, the Board and the Paying Agent, and any agent of the Board or the Paying Agent may deem and treat the person in whose name any Bond is registered as the absolute Owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.

**Optional Redemption**

The Bonds maturing December 1, 2018, and thereafter, are subject to redemption at the option of the City, acting through the Board, prior to their stated maturities on and after December 1, 2017, 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 redemption date. 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 integral multiple thereof) may be redeemed. Any Bond which is to be redeemed only in part shall be surrendered at the office of the Paying Agent and there shall be delivered to the Owner of such Bond, a Bond or Bonds of the same maturity and of any authorized denomination or denominations as requested by such Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

**Mandatory Sinking Fund Redemption**

The Term Bond due on December 1, 2022 is subject to mandatory redemption prior to maturity through application of sinking fund payments on December 1 in each of the years and in the respective principal amounts set forth below, in each case at a redemption price equal to 100% of their principal amount, plus accrued interest to the date of redemption:

| Year | Amount |
|---|---|
| 2020 | $2,210,000 |
| 2021 | 2,310,000 |
| 2022* | 2,415,000 |

*final maturity

The Term Bond due on December 1, 2025 is subject to mandatory redemption prior to maturity through application of sinking fund payments on December 1 in each of the years and in the respective principal amounts set forth below, in each case at a redemption price equal to 100% of their principal amount, plus accrued interest to the date of redemption:

| Year | Amount |
|---|---|
| 2023 | $2,525,000 |
| 2024 | 2,635,000 |
| 2025* | 2,755,000 |

*final maturity

The Term Bond due on December 1, 2027 is subject to mandatory redemption prior to maturity through application of sinking fund payments on December 1 in each of the years and in the respective principal amounts set forth below, in each case at a redemption price equal to 100% of their principal amount, plus accrued interest to the date of redemption:

| Year | Amount |
|---|---|
| 2026 | $2,895,000 |
| 2027* | 3,040,000 |

*final maturity

The Term Bond due on December 1, 2030 is subject to mandatory redemption prior to maturity through application of sinking fund payments on December 1 in each of the years and in the respective principal amounts set forth below, in each case at a redemption price equal to 100% of their principal amount, plus accrued interest to the date of redemption:

| Year | Amount |
|---|---|
| 2028 | $3,190,000 |
| 2029 | 3,350,000 |
| 2030* | 3,515,000 |

*final maturity

The Term Bond due on December 1, 2033 is subject to mandatory redemption prior to maturity through application of sinking fund payments on December 1 in each of the years and in the respective principal amounts set forth below, in each case at a redemption price equal to 100% of their principal amount, plus accrued interest to the date of redemption:

| Year | Amount |
|---|---|
| 2031 | $3,695,000 |
| 2032 | 3,880,000 |
| 2033* | 4,070,000 |

*final maturity

The Term Bond due on December 1, 2036 is subject to mandatory redemption prior to maturity through application of sinking fund payments on December 1 in each of the years and in the respective principal amounts set forth below, in each case at a redemption price equal to 100% of their principal amount, plus accrued interest to the date of redemption:

| Year | Amount |
|---|---|
| 2034 | $4,275,000 |
| 2035 | 4,490,000 |
| 2036* | 4,715,000 |

*final maturity

The required mandatory redemptions described above may be satisfied by purchases of the Bonds subject to mandatory redemption by the Board in the open market, which purchases will be credited against the required redemptions at 100% of the principal amount of the Bonds so purchased.

**Notice of Redemption**

Notice of redemption of any of the Bonds shall be given by written notice sent by the Paying Agent, at least forty-five (45) days before the redemption date by first class mail, postage-prepaid, to the registered Owners of any Bonds or portion of Bonds which are to be redeemed at their last addresses appearing on the books maintained by the Paying Agent. Failure to give such notice by mailing to any Bondholder, or any defect therein shall not affect the validity of the redemption proceedings for other Bonds.

**Result of November 2, 2004 Election**

The Bonds are the first 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 a special election held therein on November 2, 2004. 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 % |

## 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 City makes no representations, warranties or guarantees with respect to its accuracy or completeness.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 as set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all of the 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 the 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 the 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.

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 the 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 the 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.

Redemption notices shall be sent to DTC. If fewer 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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 City or the 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 nor its nominee, the City or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 City or the 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Security certificates are required to be printed and delivered to DTC.

THE CITY 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 REDEMPTION PROCEEDS, DISTRIBUTIONS, AND DIVIDEND PAYMENTS, 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 CITY 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 REDEMPTION PROCEEDS, DISTRIBUTIONS, AND DIVIDEND PAYMENTS 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.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT CITY BELIEVES TO BE RELIABLE, BUT CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

## FINANCIAL GUARANTY INSURANCE

### Description of Financial Guaranty Insurance Policy

A financial guaranty insurance policy (the "Policy") will be issued by Radian Asset Assurance Inc. (the "Insurer") simultaneously with the issuance and delivery of the Bonds. The Policy is noncancelable during its term and provides for the prompt payment of principal of and interest on the Bonds to the extent that The Bank of New York Trust Company, N.A., as Paying Agent (the "Paying Agent"), has not received sufficient funds from the City of New Orleans, Louisiana (the "Issuer") for payment of the Bonds on the "due date." The Insurer is obligated to make the required payment on the later of the due date or the first business day after which the Insurer has received notice from The Bank of New York, as Insurance Trustee (the "Insurance Trustee"), that the Issuer has failed to pay amounts due on the Bonds. Under the Policy, the "due date" of the Bonds, when referring to the payment of principal, means the stated maturity date thereof or the date on which payment of principal is due by reason of mandatory sinking fund payments and does not mean any earlier date on which payment is due by reason of any call for redemption, acceleration, or other advancement of maturity, other than in the discretion of the Insurer. With respect to interest on the Bonds, the "due date" means the stated date for payment of interest. The Policy guarantees reimbursement of any recovery of any such payment from a Holder or the Trustee pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

For specific information on the coverage provided, reference should be made to the Policy that has been reproduced in specimen form in Appendix "J" hereto. The Policy does not insure against nonpayment of principal or interest on the Bonds due to the insolvency, misconduct or negligence of the Trustee. The Policy does not insure the payment of any redemption premium.

**Description of Insurer**

Radian Asset Assurance Inc. (the "Insurer") is a monoline financial guaranty insurance company, regulated by the Insurance Department of the State of New York and licensed to do business in all 50 states, the District of Columbia, Guam and the United States Virgin Islands. As of June 30, 2007, the Insurer had total consolidated shareholders' equity of approximately $1,650,612,000 and total consolidated assets of approximately $2,653,114,000. On September 7, 2007, the Insurer's ultimate parent, Radian Group Inc. ("Radian"), made a $100 million capital infusion into the Insurer.

The financial information relating to the Insurer presented in this Official Statement was prepared internally by the Insurer, based on accounting principles generally accepted in the United States of America ("GAAP"), and has not been audited by independent auditors. The address of the Insurer's administrative office is 335 Madison Avenue, New York, New York 10017, and its telephone number is 212-983-5859.

The Insurer has filed the information contained in (i) – (iii) below with entities designated as Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, and such financial information is available through such NRMSIRs:

(i) The Insurer's audited consolidated financial statements as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006, prepared in accordance with GAAP, together with the accompanying report of the Insurer's independent registered public accounting firm, which expresses an unqualified opinion (the "Radian Financial Statements");

(ii) The Insurer's quarterly unaudited consolidated balance sheet as of March 31, 2007 and unaudited consolidated statement of operations for the three-month period then ended, prepared in accordance with GAAP; and

(iii) The Insurer's quarterly unaudited consolidated balance sheet as of June 30, 2007 and unaudited consolidated statement of operations for the six-month period then ended, prepared in accordance with GAAP.

Shortly, the Insurer will file its quarterly unaudited consolidated balance sheet as of September 30, 2007 and unaudited consolidated statement of operations for the nine-month period then ended, prepared in accordance with GAAP, with such NRMSIRs.

On September 26, 2007, the Insurer's independent auditors, Deloitte & Touche LLP, declined to stand for reappointment as Radian's and its subsidiaries', including the Insurer, independent auditors for the 2007 audit and its engagement will end shortly following the filing of Radian's Quarterly Report on Form 10-Q for the third quarter of 2007. On October 30, 2007, Radian engaged PricewaterhouseCoopers LLP as its and its subsidiaries', including the Insurer's, independent registered public accounting firm for the year ending December 31, 2007.

Additional information regarding the Insurer can be found in documents filed by Radian with the Securities and Exchange Commission ("SEC") referring to the Insurer, the financial guaranty business or financial guaranty insurance including: (a) Annual Report on Form 10-K for the year ended December 31, 2006, under the headings: (i) "Forward Looking Statements - Safe Harbor Statement" (but only insofar as it relates to the financial guaranty business or financial guaranty insurance); (ii) Item 1. Business "I. General" (but only insofar as it relates to the financial guaranty business or financial guaranty insurance), "Financial Guaranty Business (General)," including subsections 1-4 thereunder, "II. Risk in Force/Net Par Outstanding – B. Financial Guaranty (Risk in Force/Net Par Outstanding)," "III. Defaults and Claims – B. Financial Guaranty (Defaults and Claims)," "IV. Loss Management — B. Financial Guaranty (Loss Management)," V. Risk Management – B. Financial Guaranty (Risk Management)," including subsections 1 and 2 thereunder, "VI. Customers – B. Financial Guaranty (Customers)," "VII. Sales and Marketing – Financial Guaranty (Sales and Marketing)," "VIII - Competition – Financial Guaranty (Competition)," "IX. Ratings" (but only insofar as it relates to the Insurer), and "XI. Regulation" Parts A 2-6, C and D (but in each case only insofar as it relates to the Insurer or the financial guaranty business); (iii) "Item 1A – Risk Factors" "– Risks Affecting Our Company" (but only insofar as it relates to the Insurer, the financial guaranty business or the proposed merger between Radian and MGIC (as defined below)) and "– Risks Particular to our Financial Guaranty Business"; (iv) "Item 6 - "Selected Ratios - Financial Guaranty" and "Other Data - Financial Guaranty," and (v) Item 7 – "Managements' Discussion and Analysis of Financial Condition and Results of Operations "Business Summary – Financial Guaranty," "Overview of Business Results" (but only insofar as it relates to the Insurer), "Results of Operations - Financial Guaranty" and "Liquidity and Capital Resources" (but only to the extent it relates to the Insurer), and "Critical Accounting Policies" (but only to the extent it relates to the Insurer, the financial guaranty business or "Financial Guaranty"); (b) Quarterly Reports on Form 10-Q for the periods ended March 31, 2007 and June 30, 2007 (as amended), in Part I, Item 2 – Managements' Discussion and Analysis of Financial Condition and Results of Operations, under the following headings: "Business Summary – Financial Guaranty," "Overview, of Business Results" (but only to the extent it relates to the Insurer), "Results of Operations – Financial Guaranty," "Liquidity and Capital Resources" (but only to the extent it relates to the Insurer) and "Critical Accounting Policies" (but only to the extent it relates to "Financial Guaranty"); (c) the Reports on Form 8-K dated January 24, 2007, February 6, 2007, February 9, 2007, February 12, 2007, April 9, 2007, April 25, 2007, May 11, 2007, July 25, 2007, August 2, 2007, August 13, 2007, August 16, 2007, August 29, 2007, September 5, 2007, September 10, 2007, and October 2, 2007, October 30, 2007 and November 1, 2007; and (d) Report on Form 8-K/A filed March 16, 2007 (amending Report on Form 8-K filed February 6, 2007). This information shall be deemed to be incorporated herein by reference and to be a part of this Official Statement,

Any documents, including any financial statements or financial information of the Insurer and its subsidiaries that are included therein or attached as exhibit thereto, filed by Radian pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of Radian's most recent Quarterly Report on Form 10-Q (as listed in (b) above, including, without limitation Radian's Quarterly Report on Form 10-Q for the period ended September 30, 2007 which is anticipated to be filed with the SEC on or about November 9, 2007) or Annual Report on Form 10-K (as listed in (a) above), and prior to the termination of the offering of the Bonds offered hereby, that refer to the Insurer or relate to the financial guaranty business or financial guaranty insurance shall be deemed to be referred to above, incorporated by reference into this Official Statement from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or otherwise contained in this Official Statement, shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein or in any subsequently filed document which also is or deemed incorporated herein by reference modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

A complete copy of the Radian Financial Statements is available from the Insurer upon written request.

The Insurer is an indirect, wholly owned subsidiary of Radian, a publicly owned corporation with its shares listed on the New York Stock Exchange (symbol "RDN"). Radian is a global credit risk management company headquartered in Philadelphia with significant operations in both New York and London. Radian develops innovative financial solutions by applying its core mortgage credit risk expertise and structured finance capabilities to the credit enhancement needs of the capital markets worldwide, primarily through credit insurance products. The company also provides credit enhancement for public finance and other corporate and consumer assets on both a direct and reinsurance basis and holds strategic interests in credit-based consumer asset businesses. Additional information may be found at www.radian.biz. NONE OF RADIAN, RADIAN'S OTHER SUBSIDIARIES OR ANY OF RADIAN'S INVESTORS IS OBLIGATED TO PAY THE DEBTS OF OR CLAIMS AGAINST THE INSURER.

The Insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile. In addition, Radian and its insurance subsidiaries are subject to regulation by insurance laws of the various other jurisdictions in which they are licensed to do business. As a financial guaranty insurance corporation licensed to do business in the State of New York, the Insurer is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance and related business lines, requires that each financial guaranty insurer maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for each financial guaranty insurer, and limits the size of individual transactions and the volume of transactions that may be underwritten by each financial guaranty insurer. Other provisions of the New York Insurance Law, applicable to non-life insurance companies such as the Insurer regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liability for borrowings.

Neither the Insurer nor any of its affiliates accepts any responsibility for the accuracy or completeness of, nor have they participated in the preparation of, this Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information presented under the heading "FINANCIAL GUARANTY INSURANCE" and as set forth in Appendix J of this Official Statement. The Insurer's role is limited to providing the coverage set forth in the Policy. In addition, the Insurer makes no representation regarding the Bonds or the advisability of purchasing the Bonds.

On February 6, 2007, Radian and MGIC Investment Corporation (NYSE: MTG) ("MGIC") entered into an Agreement and Plan of Merger, pursuant to which Radian agreed, subject to the terms and conditions of the merger agreement, to merge with and into MGIC. On September 4, 2007, Radian and MGIC announced that they entered into an agreement that terminates their pending merger. As part of this termination agreement, all outstanding litigation between the companies will be withdrawn. Neither company made a payment to the other in connection with the termination.

The current ratings of the Insurer are "AA" (outlook stable) by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" (outlook stable) from Moody's Investors Service, Inc. ("Moody's"). As discussed below, Radian has formally requested that Fitch Ratings Services ("Fitch") immediately withdraw its insurer financial strength ratings on the Insurer. Notwithstanding this withdrawal request, Fitch continues to maintain an A+ (Ratings Watch Evolving) rating on the Insurer.

On September 5, 2007, S&P published a report stating that, unlike the ratings for Radian and its mortgage insurance subsidiaries ("Radian MI") which are on CreditWatch with negative implications, the "AA" rating on the Insurer is not on CreditWatch. This report also indicated that Radian's management has stated that it is willing to take whatever reasonably practicable steps would be necessary to protect the Insurer from the weaker holding company and affiliates were Radian and Radian MI to be downgraded.

On September 5, 2007, Moody's affirmed the Insurer's "Aa3" insurance financial strength rating and stable outlook. Moody's attributed this affirmation to the Insurer's stable earnings, limited exposure to residential mortgage risk and the diversity of its direct financial guaranty and reinsurance portfolio. Moody's stated that it believes the Insurer is adequately capitalized for the risk of its insured portfolio and that Radian's $100 million capital infusion into the Insurer will further bolster the Insurer's capital position, enhancing its flexibility to continue to write new business.

On July 31, 2007, Fitch placed the "AA" insurer financial strength rating of the Insurer, all obligations insured by the Insurer and all of Radian's other insurance subsidiaries on Rating Watch Negative. On September 5, 2007, following the announcement of the termination of the pending merger between Radian and MGIC, Fitch downgraded the insurer financial strength rating of the Insurer and the ratings for all obligations insured by the Insurer to "A+" from "AA" and revised the Rating Watch on the Insurer to "Evolving" from "Negative." Fitch stated that the Ratings Watch Evolving on the Insurer indicates that the ratings of the Insurer could be raised, lowered or affirmed within the very near-term. Absent additional financial or capital support from either internal or external means, Fitch indicated it is likely that the Insurer's ratings will be lowered further, but if additional financial backing is forthcoming, Fitch will evaluate that level of support and will consider upgrading the Insurer's ratings at that time.

On September 5, 2007, Radian formally requested that Fitch immediately withdraw all of its ratings for Radian and its subsidiaries, including the insurer financial strength ratings on the Insurer. Consequently, Radian has ceased providing information to Fitch in support of its ratings of the Insurer. On September 9, 2007, Fitch announced that it would not honor Radian's request at that time in light of the current high level of investor interest in both the mortgage insurance and financial guaranty industries, but that Fitch would instead monitor investor interest and make a decision with respect to Radian's request at a future date based on market feedback. Fitch also acknowledged that it would withdraw its ratings of Radian and its subsidiaries regardless of investor interest if it believed that it no longer had access to adequate public and non-public information to credibly maintain its ratings.

The ratings of S&P, Moody's and Fitch reflect only the views of the applicable rating agency, respectively, do not constitute a recommendation to buy, sell or hold securities and are subject to revision or withdrawal at any time by such rating agencies. Any further explanation of any rating may be obtained only from the applicable rating agency. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

## SECURITY FOR THE BONDS

The Bonds are general obligations of the City payable from *ad valorem* taxes 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.

Upon issuance of the Bonds, the City will have $544,844,460.90* of outstanding general obligation bonds.

* *Source: Board of Liquidation, City Debt.*

**Millage Rate Setting and Procedures**

The Board 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's millage recommendation takes into consideration the following factors: debt service requirements on outstanding and proposed bonds; assessed valuations, net of homestead exemptions; and an assumed rate of property tax collections. The property tax levied for the purpose of paying debt service on the City's general obligation debt is separate from all other property taxes levied by the City Council and is dedicated solely for such purpose. All collections of the property tax dedicated to pay general obligation debt are required by statute to be paid over to the Board daily as collected by the City's Department of Finance. The Board 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 may use its reserve funds (as described below) 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 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 "SOURCES OF REVENUE" herein.

## BOARD OF LIQUIDATION

The Board was created by the Louisiana Legislature in 1880, and made a "body corporate," separate and distinct from the City, in 1890. The year 2007 marks the 127th Anniversary of the Board. The Board has exclusive control and direction of all matters related to the issuance and repayment of the City's general obligation bonds. Because the Board exists, the repayment of New Orleans' general obligation bonds is separated and excluded from the City's operating budget, and a dedicated source and security for the payment of the City's general obligation bonds is maintained. All *ad valorem* taxes levied by the City for the payment of its general obligation bonds are transferred to the Board. These property tax receipts must be applied exclusively to the payment of debt service on the City's outstanding general obligation bonds and cannot be applied to pay the City's operating expenses or for any other purpose. **The Board has never defaulted in the payment of the City's general obligation bonds.**

In the event of any default in the imposition and collection of any taxes required for the repayment of general obligation bonds, the Board on has the statutory power to levy and collect taxes in the amount required. The Board is required to 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. By statute, any person in interest may also enforce imposition and collection of sufficient taxes for the payment of the principal of, and interest or redemption premiums, if any, on any general obligation bonds upon a failure of the City Council to do so, and any suit, action or proceeding brought by such person in interest for such purpose would be a preferred cause, and heard by a court of competent jurisdiction without delay.

*Although neither the Constitution, statutes nor the Bond Resolution requires the Board to maintain reserves for the payment of debt service on general obligation bonds of the City, it has been the policy of the Board, since 1951, to maintain advance collections of taxes of approximately one-half of the maximum amount of principal of and interest on outstanding general obligation bonds payable in any year. There is no assurance that the Board will continue this policy or that it will maintain reserves at this level. Investment earnings from such reserves have been used to pay debt service on general obligation bonds, thereby offsetting increases in the property tax millage which would otherwise have been required. As of June 30, 2007, the Board had in its general obligation bond reserve fund $28,252,093.13 (unaudited).*

Act No. 55 of the First Extraordinary Session of the Louisiana Legislature of 2005 required the Board to use seventy-five percent (75%) of any reserves for debt service before levying a millage for the 2006 tax year. The Board complied with Act No. 55 for the 2006 tax year and has since replenished the advance collection of debt service for the general obligation bonds from millage levied for the 2007 tax year.

The Board is composed of nine members: the Mayor and the two City Council members-at-large, who serve *ex officio*, and six appointed members, referred to as the "syndicate" members. The syndicate members have traditionally been selected from leaders of the business, financial and professional community of New Orleans. All members of the Board serve without pay.

Pursuant to Act 628 of the 1995 Regular Session of the Legislature of Louisiana, and an election held in the City on November 18, 1995, Sections 5-101 and 5-102 of the City's Home Rule Charter of 1954 (the "Charter"), were amended to 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 amendments to the City's Home Rule Charter adopted on November 18, 1995, became effective on January 1, 1996.

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

**C. Ray Nagin,** *ex officio* --
Mayor, City of New Orleans
(Term: 6/01/2006-6/03/2010)

**Michael C. Darnell,** *ex officio* --
Councilmember-at-large, City of New Orleans
(Term: 6/01/2006-6/03/2010)

**Arnie Fielkow,** *ex officio* --
Councilmember-at-large, City of New Orleans
(Term: 6/01/2006-6/03/2010)

**J. Thomas Lewis,** *President* --
Attorney
(Term: 8/15/1979-12/31/2007)

**Mary K. Zervigon,** *Vice President* --
Attorney. Former Chairman of the Louisiana Tax Commission
(Term: 6/10/1992-12/31/2013)

**Norma E. Grace** --
Vice Chancellor of Property and Facilities, University of New Orleans
(Term: 3/2/2000-12/31/2017)

**Barbara Lamont--**
President & CEO, Network Teleports, Inc.
(Term: 9/24/1998-12/31/2009)

**Richard P. Wolfe** —
Attorney
(Term: 1/20/2005-12/31/2015)

***Vacant***

## PROVISIONS RELATING TO THE SECURITY FOR THE BONDS

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:

| | Classifications | Percentages |
|---|---|---|
| 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.

Currently, the City has seven districts for assessment purposes, each with a separate assessor who is elected to serve a four-year term. There are no term limitations on the office of assessor. However, see below for a description of legislation affecting such assessors. Each assessor is required to determine the fair market value of all property subject to taxation within his respective district, 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 or district 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 or district 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.

A general reappraisal of property was made by the Assessors for the 2008 tax roll. Preliminary indications were that the assessed valuations had a significant increase over prior years. Residential and commercial property owners who filed their appeals for real estate property tax assessments with their district assessor on or before August 20, 2007 are currently receiving notification of when and where their appeal hearing will be held. The appeals process ended October 15, 2007. The Board of Review has contracted with private contractors to help process appeals because it is expected that there will be numerous appeals due to the significant increases in property valuations.

**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. It is currently unknown how many property owners in Orleans Parish participated in the freeze.

At an election held on November 7, 2006, the voters of the State approved amendments to the Constitution generally providing:

- a property tax assessment freeze for 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.
- **a reduction in the number of assessors in New Orleans from seven to one.**

*(Emphasis added.) For additional information, see Act 622 of the 2006 regular Session of the Louisiana Legislature.*

In the municipal/parochial elections to be held February 6, 2010 (primary) and March 6, 2010 (general), the new single assessor for Orleans Parish is to be elected. The terms of office of the incumbent members of the Board of Assessors expire on May 2, 2010.

**Assessment Procedure**

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.

By law, assessment lists shall be open for public inspection from August 1 through August 15 of each year in Orleans Parish, and the assessors in Orleans Parish must finish the preparation and listing on the assessment lists of all real and personal property and certify their rolls to the Board of Review. The Board of Review certifies the rolls to the Tax Commission on or before October 20 of each year (October 18 in 2007). The rolls are then filed with the tax collector (Director of Finance) for the City. 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, Assessors[2], 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. However, Executive Order No. KBB 2005 - 45 suspended until at least December 29, 2005 for the parishes of Jefferson, Plaquemines, Orleans, St. Bernard, St. Charles, St. Tammany, and Washington, the provisions of La. R.S. 47:1997(B);

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[2] Starting with the year 2006, the Assessors' authority to levy 1.19 mills was transferred to the City. For additional information, see "Property Tax Collections" on page B-5 herein.)

1992(F); 1992(G); 1993(D); 2101; 2171;2180; and 21080.1, which resulted in the 2006 tax bills being distributed in May rather than December.

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.

On April 19, 2005, the Tax Commission ordered the Orleans Parish Assessors to reassess all residential property in Orleans Parish to conform to the standards prescribed by law. The Tax Commission's 2004 Sales Ratio Study found that the assessments and degree of uniformity were outside the tolerances allowed by law.

A general reappraisal of property was made by the Assessors for the 2008 tax roll. Preliminary indications were that the assessed valuations had a significant increase. Residential and commercial property owners who filed their appeals for real estate property tax assessments with their district assessor on or before August 20, 2007 received notification of when and where their appeal hearing would be held. The appeals process ended October 15, 2007. The Board of Review contracted with private contractors to help process appeals. The assessed valuations for 2008 listed above are after appeals and as certified to the Louisiana Tax Commission. It is expected that certain taxpayers will appeal their assessed valuations to the Tax Commission pursuant to R.S. 47: 1989, and, if not satisfied by the Tax Commission, then to the courts pursuant to R.S. 47: 1998. The procedure to recover taxes paid under protest is provided in R.S. 47: 2110.

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.

Taxpayers failing to pay assessed taxes subject their real or personal property to seizure and sale in the manner provided by law for judicial sales.

**Homestead Exemptions**

Under the Constitution, $7,500 of the assessed value of property applicable to owner-occupied residences[3] is exempt from property tax in Orleans 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.

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[3] Pursuant to Act 382 of the 2005 Louisiana Legislature, any taxpayer entitled to the homestead exemption must own and occupy the homestead before December 31 of the calendar year in which the exemption is claimed. Except for homestead exempt property, in Orleans Parish, the status of real and personal property on August 1 of each year shall determine its liability for exemption from taxation for the following calendar year.

According to the Board of Review, approximately $289,218,655, represented homestead exemptions, or approximately 10.2% of the 2008 total assessed valuation of the City. The Tax levied to service the Bonds will be subject to homestead exemptions, and these exemptions have been taken into consideration in deriving the millage to be levied to service the Bonds.

# DEBT STATEMENT

## Short Term Debt

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

## Long Term Debt

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

### *Post-Retirement Benefit Obligations*

Employees and officers of the City are eligible for membership in the Employee's Retirement System of the City of New Orleans, a defined benefit contributory retirement plan. The City's annual contribution to the Plan is based on the amount determined by the actuary of the Plan, which includes amortization of past service costs over a period of 30 years. The City's contributions to the Plan for the Fiscal Years ended December 31, 2005 and December 31, 2006 were approximately $6,396,000 and approximately $4,534,000, respectively. See "APPENDIX 'C' – Annual Financial Statements of the City," audited by KPMG.

### *Upcoming Reporting Change*

The Governmental Accounting Standards Board ("GASB") has recently released Statement Number 43, "Financial Reporting for Postemployment Benefits Plans Other Than Pensions", and Statement Number45, "Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions". GASB 43 was first effective for the fiscal year ended December 31, 2006, and GASB 45 will be first effective for the fiscal year ending December 31, 2007.

The new pronouncements require state and local units of governments to recognize the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions) in their financial statements. The implementation of GASB 45 will require the City to recognize the cost of postemployment benefits, including retiree health care coverage, over the working life of the employee, rather than on a pay-as-you-go basis. For the City, this may result in increased expenses and a related liability which could be significant. However, the City is currently evaluating the effect GASB No. 45 will have on its financial statements.

**Community Disaster Loans**

Pursuant to the Community Disaster Loan Act of 2005, as amended and supplemented, the City executed two promissory notes, each in the principal amount of $120,000,000, to the Federal Emergency Management Agency ("FEMA"). The City borrowed $120,000,000 under the initial note and has drawn down $17,600,000 under the second promissory note. The City expects to draw additional funds under the second promissory note over the next three Fiscal Years as needed. The first promissory note matures in 2010 and the second promissory note matures in 2011. At maturity, the City may request an extension for another five years, and if extenuating circumstance exist and the City demonstrates an inability to repay, there could be an additional time period of ten years granted by FEMA.

Promissory Notes under the Community Disaster Loan Act Program have been made by political subdivisions in New Orleans as a result of Hurricane Katrina. Said loans are summarized as follows.

The Sewerage and Water Board executed two promissory notes, in the aggregate principal amount of $54,153,959, to FEMA The Sewerage and Water Board initially borrowed $31,855,270 under the initial note and has drawn down $22,298,689 under the second promissory note. The Sewerage and Water Board's promissory notes mature in 2011.

The New Orleans Aviation Board executed three promissory notes, in the aggregate principal amount of $10,882,641, to FEMA The Aviation Board's promissory notes mature in 2011.

The Orleans Parish Communications District executed two promissory notes, in the aggregate principal amount of $1,598,832, to FEMA. The Orleans Parish Communications District initially borrowed $799,416 under the initial note and has drawn down $799,416 under the second promissory note.

The Law Enforcement District of the Parish of Orleans executed one promissory notes, in the aggregate principal amount of $18,029,067, to FEMA. The Law Enforcement District of the Parish of Orleans's promissory note matures in 2010.

The Orleans Parish School Board has executed three promissory notes, in the aggregate principal amount of $39,476,054, to FEMA . The Orleans Parish School Board initially borrowed $5,001,093 under the initial note and has drawn down $1,429,721 under the second promissory note, and $33,045,240 under the third promissory note. The Orleans Parish School Board's promissory notes mature in 2011.

**General Obligation Bonds**

The total principal amount of general obligation bonds of the City that may be at any time outstanding is limited in Part XIV, Chapter 4, Subtitle II, Title 39 of the Louisiana Revised

Statutes of 1950, as amended, to the sum of thirty-five percent (35%) of the total assessed valuation of the City. 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 October 2, 2007, the City had approximately $469,844,461 aggregate principal amount of its general obligation bonds outstanding. In calculating the amount of general obligation bonds outstanding, there is deducted the amount on deposit in debt service and reserve funds dedicated to the payment of general obligation bonds. The issuance of general obligation bonds subject to this limitation must be approved by the City's voters at an election.

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 to fund the Tax Credit Program, and in conjunction therewith, debt issuing entities in the City and the State entered Cooperative Endeavor Agreements (each a "CEA") in which the State agreed to make loans to the entities from the bond proceeds from the Tax Credit Program 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 certain outstanding debt of the City.
- Paying debt service of the City and the Board of Liquidation 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.

Payments under the CEAs begin in 2012, with interest payments due January 15 and July 15 of each year beginning January 15, 2012, and principal payments due on each July 15, beginning 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.

Loan proceeds are held in an irrevocable defeasance escrow at Hancock Bank and distributed to The Bank of New York, the Board's paying agent, as debt service maturities become payable.

The Board of Liquidation borrowed approximately $24,713,549 under its CEA for the outstanding general obligation bonds.

For additional information, see Note J of the audited financial statements of the Board included in Appendix "C" hereto.

**Limited Tax Bonds**

The City is authorized to issue limited tax bonds for the **Audubon Commission** payable solely from the proceeds of special *ad valorem* taxes pursuant to the provisions of Act 434 of 1970, Act 55 of 1979, Act 309 of 1986 and constitutional and statutory authority supplemental thereto. The maximum principal and interest payable in any year on Audubon Commission limited tax bonds at any time outstanding may not exceed seventy-five percent (75%) of the revenues of the respective tax dedicated therefor in the calendar year next preceding the date of the adoption by the Audubon Commission of the resolution authorizing the issuance of said bonds. As of October 2, 2007, the Audubon Commission, had $2,415,000 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 forty hundredths (.40) mills *ad valorem* tax (.44 mills adjusted due to reassessment), and the Audubon Commission had $31,963,572 aggregate principal amount of its limited tax bonds outstanding, payable solely from the proceeds of the equivalent of a four and eleven hundredths (4.11) mils *ad valorem* tax for the purpose of improving the **Aquarium of the Americas**.

The Audubon Commission and the Board of Liquidation borrowed approximately $1,091,230 for the Audubon Commission Zoo Limited Tax Bonds and approximately $10,759,776 for the Aquarium Limited Tax Bonds under their CEA.

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 October 2, 2007, the City had outstanding $6,125,000 of limited tax bonds for the Downtown Development District, maturing December 1, 2007 to December 1, 2015, inclusive, and December 1, 2019, 2022, and 2026, inclusive, secured by and payable from an irrevocable pledge and dedication of the funds to be derived from the levy and collection of a special *ad valorem* tax not exceeding Twenty-Two and Ninety-Seven Hundredths (22.97) mills (subject to adjustment from time to time due to reassessment) upon all the taxable real property located in The Downtown Development District of the City of New Orleans, authorized in elections held on December 8, 1979, and April 7, 2001. Said tax is currently being levied at a rate of fifteen and ninety-hundredths (15.90) mills.

The Downtown Development District and the Board of Liquidation borrowed approximately $1,600,153 for the Downtown Development District limited tax bonds under their CEA.

Pursuant to Acts 1130 and 1131 of the 2003 Regular Session of the Louisiana Legislature, 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 a 6.40 mill *ad valorem* tax; payable solely from a 6.48 mill *ad valorem* tax; and payable solely from a 9.71 mill *ad valorem* tax. As of August 2, 2005, the City had $26,885,000 aggregate principal amount of its limited tax bonds outstanding for the Drainage System, secured by and payable solely from the proceeds of said 9.71 mill *ad valorem* tax. The Board of Liquidation and Sewerage and Water Board borrowed approximately $4,335,115 for the Drainage System Bonds under their CEA.

As of October 2, 2007, the **City** has outstanding $30,045,000 of Limited Tax Bonds, Series 2005, payable from the proceeds of the Capital Improvement and Infrastructure millage (2.50 mills) approved at an election held on July 15, 1995, for the purpose of financing capital improvements and purchasing heavy equipment, including the projects set forth in the City Council Ordinance Number 021932 Mayor Council Series, adopted on May 5, 2005. The Board of Liquidation and the City borrowed approximately $2,903,660 for the Limited Tax Capital Improvement Bonds under their CEA.

As of October 2, 2007, the Orleans Parish School Board had outstanding approximately $59,863,731 of Public School Bonds secured by millage and sales tax revenues. The Orleans Parish School Board borrowed approximately $35,087,590 for its Public School Bonds under its CEA.

**Certificates of Indebtedness**

As of October 2, 2007, the **City** had outstanding certificates of indebtedness, secured by and payable solely from a pledge and dedication of the excess of annual revenues of the City above statutory, necessary and usual charges in each of the fiscal years during which such certificates are outstanding, comprised of (a) $35,015,000 of its Refunding Certificates of Indebtedness, Series 1998B (the "Series 1998B Certificates"), (b) $11,400,000 of its Certificates of Indebtedness, Series 2000 (the "Series 2000 Certificates"), and (e) $139,760,000 Taxable Pension Revenue Bonds, Series 2000 (the "Series 2000 Revenue Bonds"). The Series 1998B Certificates were issued for the purpose of refunding the City's debt obligation incurred in 1983 under a merger agreement dated March 5, 1983, as amended on September 15, 1983, among the Municipal Police Employees Retirement System, the Board of Trustees of the Police Pension Fund of the City of New Orleans and the City. The Series 2000 Certificates were issued for the purpose of providing funds to the City to pay general settlements and judgments rendered against it. The Series 2000 Revenue Bonds were issued for the purposes of funding a portion of the current projected unfunded accrued liability of the Firefighters' Pension and Relief Fund (Old System) and reimbursing the City for a portion of the appropriations made in fiscal year 2000 to said Fund. See note 7 in the City's audited financial statements included as Appendix "C" (page C-29 herein) for a discussion of the swap relating thereto. The City has authorized the execution of an additional swap to convert the interest rate on the Series 2000 Revenue Bonds to a floating rate. Such swap is conditioned on the rating agencies confirming no change in the ratings on the Series 2000 Revenue Bonds and the City achieving a favorable fixed rate. Because the City has not realized projected investment returns from the investment of the proceeds of the Series 2000 Revenue Bonds, the City anticipates having to sell additional bonds after 2010 or finding another funding source for the payment of the unfunded accrued liability of such pension fund.

As of October 2, 2007, the City had outstanding $5,995,000 of Limited Tax Certificates of Indebtedness, Series 2003, issued for the purposes of refinancing the City's obligation under a lease agreement, paying the costs of issuance and financing the costs of acquisition of additional vehicles for the City, and $1,515,000 of Limited Tax Certificates of Indebtedness, Series 2004, issued May 4, 2004, for the purpose of financing the costs of acquisition of additional vehicles for use by the City (collectively, the "Prior Lien Certificates"). Said Prior Lien Certificates are payable from proceeds derived from the levy and collection of a special *ad valorem* tax of 14.91 mills which the City is authorized to levy for general purposes pursuant to the Louisiana Constitution of 1974, as amended (the "Tax"). In addition, the City had on October 2, 2007, $38,650,000 of its Taxable Limited Tax Certificates of Indebtedness, Series 2004B, which are secured by and payable from the Tax after subject to the payment of the Prior Lien Certificates which were issued for the purpose of financing a portion of the cost of refunding and extending a portion of the City's then outstanding Certificates of Indebtedness, Series 1998B (including reimbursing the City for the December 1, 2004 payment of principal and interest), paying certain judgments against the City, and paying costs of issuance of the Series 2004B Certificates. The Series 2004B Certificates represented the first emission of not exceeding $87,200,000 of Limited Tax Certificates of Indebtedness which were authorized by the City.

The City borrowed approximately $47,936,614 for its certificates of indebtedness and capital leases payable from the City's General Fund under its CEA.

As of October 2, 2007, the **Law Enforcement District** of the Parish of Orleans had outstanding $2,115,000 of Certificates of Indebtedness issued for the purpose of repairing, renovating, improving and constructing facilities for the Criminal Sheriff, including equipment and furnishings therefor. The Law Enforcement District borrowed approximately $2,236,118 for its Certificates of Indebtedness under its CEA.

As of October 2, 2007, the **Orleans Parish School Board** had outstanding approximately $1,790,000 of Certificates of Indebtedness, Series 1999. The Orleans Parish School Board borrowed approximately $3,680,853 for its Certificates of Indebtedness under its CEA.

**Revenue Bonds - Sewerage and Water Board**

The City, acting by and through the Sewerage and Water Board, is authorized to issue water revenue bonds and sewerage service revenue bonds secured by and payable solely from net 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. Such net revenues are required by statute and by such resolutions to be at least 130% of the maximum annual debt service on bonds payable from such net revenues.

As of October 2, 2007, there were outstanding $40,690,000 of **water revenue bonds** issued by the City for the Sewerage and Water Board. As of October 2, 2007, there were outstanding $172,065,000 of **sewerage service revenue bonds** issued by the City for the Sewerage and Water Board. In addition, the City has issued for the Sewerage and Water Board **Sewerage**

**Service Refunding Bond Anticipation Notes** in the aggregate principal amount of $24,030,000, which mature on July 15, 2009.

The Sewerage and Water Board borrowed approximately $6,807,041 for its Water Revenue Bonds, and approximately $66,323,091 for its Sewerage Service Revenue Bonds, including $31,500,000 for its Sewerage Service Revenue Bond Anticipation Notes under its CEA.

**Other Revenue Bonds of Related Entities**

As of October 2, 2007, the **Audubon Commission** had outstanding $4,380,000 of Audubon Park Commission Aquarium Revenue Refunding Bonds, Series 1997, payable solely from and secured by an irrevocable pledge and dedication of the revenues of the Aquarium (consisting mainly of turnstile revenues), subject to the prior payment therefrom of the Operation and Maintenance Expenses, and of the monies held in the Proceeds Fund, the Debt Service Fund and the Bond Reserve Fund (as said terms are defined in its resolution of February 5, 1992). The Audubon Commission borrowed approximately $4,907,500 for its Aquarium Revenue Refunding Bonds under its CEA.

The City is authorized through the **New Orleans Aviation Board** and has issued taxable and tax-exempt revenue bonds which are secured by and payable solely from the revenues derived from the operation of New Orleans International Airport. As of October 2, 2007, there were $124,580,000 of outstanding airport revenue bonds of the New Orleans Aviation Board. The Aviation Board has also issued revenue bonds secured solely from funds derived from an approved passenger facility charge. As of October 2, 2007, there were $25,740,000 of outstanding passenger facility charge revenue bonds of the New Orleans Aviation Board. The passenger facility charge bonds are scheduled to be refunded in November 2007. The New Orleans Aviation Board borrowed approximately $30,151,755 for certain of its revenue bonds under its CEA.

As of October 2, 2007, there was outstanding $8,505,000 of Revenue Bonds, Series 2004, of the **Orleans Parish Communications District**, State of Louisiana (the "District") issued pursuant to a resolution adopted on August 24, 2004, for the purpose of paying part of the cost of constructing, acquiring, equipping and furnishing a communications center headquarters and related facilities, and paying the costs of issuance of said Bonds and are 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.

As of October 2, 2007, the **City** had outstanding $9,970,000 Variable Rate Revenue Bonds (Canal Street Improvements Project), Series 2004, dated September 29, 2004, maturing August 1, 2024, payable solely from payments by the **Canal Street Development Corporation** and the **Downtown Development District** pursuant to a Cooperative Endeavor Agreement, and from the City's General Fund, and from payments to be made under an irrevocable letter of credit issued by Hibernia National Bank, predecessor to Capital One Financial Corporation. The City borrowed approximately $2,391,032 for its Variable Rate Revenue Bonds (Canal Street Improvements Project), under its CEA.

As of October 2, 2007, **Regional Transit Authority** had outstanding $53,405,056 of Revenue Bonds issued through the Louisiana Local Government Environmental Facilities and Community Development Authority ("LCDA") 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 outstanding amount represents the amounts drawn down currently, and will be amortized over the remaining life of the agreement. The Regional Transit Authority borrowed approximately $13,358,275 for its LCDA Bonds under its CEA.

**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 on October 2, 2007, had outstanding $19,875,000 of Sales Tax Increment Revenue Bonds (St. Thomas Economic Development District) Series 2003, which are payable from the City's 2.5¢ share of the sales tax collected each year solely from the Wal-Mart or any replacement or successor national retailer within the St. Thomas Economic Development District.

As of October 2, 2007, the Regional Transit Authority had outstanding $17,235,806 of Sales Tax Revenue Bonds, which are payable from the Authority's ½% sales and use tax for the purpose of renovation and restoration of the St. Charles Avenue Streetcar line, construction and maintenance of the Riverfront Streetcar line and the acquisition of buses. The Regional Transit Authority borrowed approximately $9,044,673 for its Sales Tax Bonds under its CEA.

**Loan and Lease Agreements**

The City Council has authorized the Mayor to sign loan agreements and lease agreements on behalf of the City to stimulate business development. As of October 2, 2007, the City had outstanding approximately $3,565,000 of obligations payable to the Louisiana Local Government Environmental Facilities and Community Development Authority payable from the income, revenues and receipts derived from payments made pursuant to a Loan Agreement dated as of December 1, 2001. The City borrowed approximately $1,940,948 for its LCDA Revenue Refunding Bonds under its CEA.

In addition, the **City** received a Section 108 loan from HUD for economic development. As of October 2, 2007, the outstanding loans included: $4,230,000 of obligations for the development American Can Factory into apartments; $19,245,000 of obligations for the development of the Jazzland Theme Park; $4,420,000 for the development of the Palace of the East; and $6,431,000 to LA Artworks.

As of October 2, 2007, the **Regional Transit Authority** had outstanding $12,520,000 Certificates of Participation. The proceeds of these certificates were used to refinance the costs of acquiring 175 buses and other costs of issuance, and are payable from rental payments to be made pursuant to a Lease-Purchase Agreement between the Regional Transit Authority and Willow Leasing, L.L.C. The Regional Transit Authority borrowed approximately $13,464,790 for its certificates of participation under its CEA.

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

As of October 2, 2007, the **Law Enforcement District of the Parish of Orleans**, State of Louisiana had outstanding a total of $11,825,000 of general obligation bonds which are secured by and payable from unlimited *ad valorem* taxation. The Law Enforcement District borrowed approximately $15,020,003 for its general obligation bonds under its CEA.

As of October 2, 2007, the **Parishwide School District of the Parish of Orleans**, State of Louisiana had outstanding a total of $131,560,000 of general obligation school bonds for public school purposes, which are secured by and payable from unlimited *ad valorem* taxation.

The Orleans Parish Parishwide School District and the Orleans Parish School Board borrowed approximately $37,384,312 for the bonds of the Parishwide School District of the Parish of Orleans under their CEA.

As of October 2, 2007, the **Orleans Levee District** of the Parish of Orleans had outstanding $48,665,000 of Improvement Bonds payable from special levee improvement *ad valorem* taxes of 6.44 and 5.46 mills. The bonds were issued to refund prior outstanding improvement bonds of 1985 and 1987. The Orleans Levee District borrowed approximately $26,125,671 for its limited tax bonds under its CEA.

**Trend of Indebtedness**

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

| Year | General Obligation Bonds | Limited Tax Bonds | Certificates of Indebtedness | Total |
|---|---|---|---|---|
| 1997 | $488,080,829 | $73,220,000 | $27,120,000 | $588,420,829 |
| 1998 | 487,675,829 | 62,765,000 | 109,475,000 | 659,915,829 |
| 1999 | 497,035,829 | 60,055,000 | 99,950,833 | 657,041,662 |
| 2000 | 464,175,829 | 67,640,000 | 288,435,000 | 820,250,829 |
| 2001 | 464,495,829 | 77,338,572 | 408,467,250 | 950,301,651 |
| 2002 | 473,385,829 | 92,308,572 | 254,695,000 | 820,389,401 |
| 2003 | 470,687,183 | 86,283,572 | 296,890,000 | 853,860,755 |
| 2004 | 499,852,183 | 81,288,572 | 295,005,000 | 876,145,755 |
| 2005 | 493,683,176 | 107,108,572 | 290,485,000 | 891,276,748 |
| 2006 | 478,419,936 | 102,183,572 | 280,505,000 | 861,108,508 |

Source: Board of Liquidation, City Debt.

# TAX EXEMPTION

## Interest on Bonds

The delivery of the Bonds is subject to the opinion of Foley & Judell, L.L.P., The Cantrell Law Firm, and The Godfrey Firm, P.L.C., Co-Bond Counsel, New Orleans, Louisiana, to the effect that interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. (See Appendix "H").

## State Taxes

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

On May 21, 2007, the U.S. Supreme Court agreed to review a Kentucky state court decision on the issue of whether the U.S. Constitution precludes states from giving more favorable tax treatment to state and local government bonds issued within that state than the tax treatment given bonds issued outside that state. The outcome of this or any similar case cannot be predicted, but the ultimate result could be a change in the treatment for state tax purposes of obligations such as the Bonds, including whether the Bonds and the income therefrom are exempt from all taxation by the State of Louisiana or any political subdivision thereof except state or gift taxes and taxes on transfers.

## Alternative Minimum Tax Consideration

Except as hereinafter described, interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. The Code imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, a corporation's "alternative minimum taxable income" includes 75% of the amount by which a corporation's "adjusted current earnings" exceeds a corporation's "alternative minimum taxable income" (determined without regard to such adjustment and prior to reduction for certain operating losses). Because interest on tax-exempt obligations is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

## Qualified Tax-Exempt Obligations (Non-Bank Deductibility)

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

## General

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

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

Owners of the Bonds should be aware that (i) the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers and (ii) certain other federal, state and/or local tax consequences may also arise from the ownership and disposition of the Bonds or the receipt of interest on the Bonds. Furthermore, future laws and/or regulations enacted by federal, state or local authorities may affect certain owners of the Bonds. All prospective purchasers of the Bonds should consult their legal and tax advisors regarding the applicability of such laws and regulations and the effect that the purchase and ownership of the Bonds may have on their particular financial situation. Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on or acquisition, ownership or disposition of the Bonds.

**Tax Treatment of Original Issue Premium**

The Bonds maturing December 1, 2009 to December 1, 2019, inclusive, and December 1, 2022 (the "Premium Bonds") are being offered and sold to the public at a price in excess of their stated principal amounts.

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

**Original Issue Discount**

The Bonds maturing December 1, 2025, December 1, 2027, December 1, 2030, December 1, 2033 and December 1, 2036 (the "OID Bonds") are sold to their original owners at a discount. The difference between the initial public offering prices and their stated amounts constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes and which is exempt from all present State taxation subject to the caveats and provisions described herein.

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

## BOND RATINGS

Moody's Investors Service ("Moody's"), Fitch Ratings ("Fitch") and Standard & Poor's Public Finance Ratings, a division of The McGraw-Hill Companies ("S&P") are expected to assign their ratings of "Aa3", "A+", and "AA", respectively, to the Bonds, each with the understanding that the Financial Guaranty Insurance Policy of the Insurer will be issued simultaneously with the delivery of the Bonds.[4] Such ratings reflect only the views of Moody's, Fitch and S&P 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 75201, telephone 214-220-4350; Fitch Ratings, 111 Congress Avenue, Suite 2010, Austin, TX 78701, telephone 888-262-4820; and Standard & Poor's, Lincoln Plaza, Suite 3200, 500 N. Akard, Dallas, TX 75201, telephone 214-871-1400. The Board and the City may have furnished to such rating agencies information relating to the Bonds and the City, certain of which information and materials have not been included in this Official Statement. Moody's initially rated the Bonds "Baa3". Fitch initially rated the Bonds "BBB-". S&P initially rated the Bonds "BB". Generally, a rating agency bases its rating on the information and materials so furnished and on investigations, studies and assumptions by such rating agency. A rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information. There is no assurance that a rating will not be changed or withdrawn entirely if, in the judgment of the rating agency issuing the rating, circumstances so warrant. Any such changes or withdrawals of either rating could have an adverse effect on the market price for the Bonds.

## FINANCIAL STATEMENTS

The audited basic financial statements of the City of New Orleans, for the year ended December 31, 2005, are included in APPENDIX "C" to this Official Statement, and have been examined by KPMG LLP, to the extent and for the periods indicated in their report thereon, dated as of July 26, 2007. 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.

In connection with the release of the audited financial statements of the City for the fiscal year ending December 1, 2005. KPMG, LLP issued two letters concerning the City's internal control over financial reporting and providing comments and recommendations to the City to

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[4]On September 5, 2007, Radian formally requested that Fitch immediately withdraw all of its rating for Radian and its subsidiaries, including the insurer financial strength ratings on the Insurer. Consequently, Radian has ceased providing information to Fitch in support of its ratings of the Insurer. On September 9, 2007, Fitch announced that it would not honor Radian's request at that time in light of the current high level of investor interest in both the mortgage insurance and financial guaranty industries, but that Fitch would instead monitor investor interest and make a decision with respect to Radian's request at a future date based on market feedback. Fitch also acknowledged that it would withdraw its ratings of Radian and its subsidiaries regardless of investor interest if it believed that it no longer had access to adequate public and non-public information to credibly maintain its ratings (see "FINANCIAL GUARANTY INSURANCE" herein).

improve the internal control or result in other operating efficiencies of the City which are also included in Appendix "C" to this Official Statement. The letter concerning internal controls over financial reporting indicated that there were material weaknesses, reportable conditions that were not considered to be a material weakness, and material noncompliance matters. The City concurs with the findings and has taken steps to improve the internal controls, including the employment of an outside accounting firm, Postlewaite & Netterville, to provide the necessary resources to allow the City to properly prepare financial statements, and the employment of additional accounting staff. The loss of internal controls is a direct result of Hurricane Katrina which severely impacted the City's work force. Approximately 50% of the City's accounting staff was lost because of layoffs, retirement of key senior managers, and the inability of many staff members to return to the City after the storm.

It is anticipated that similar findings will be included in connection with the financial statements for the fiscal year ending December 1, 2006 because Postlewaite and Netterville was not hired until September of 2006.

Included in Appendix "D" to this Official Statement are the audited financial statements of the Board for the year ended December 31, 2006, which have been examined by Spilsbury, Hamilton, Legendre & Paciera, Certified Public Accountants, to the extent and for the period indicated in their report thereon, dated as of March 30, 2007. The audited financial statements pertaining to the Board which are included in this Official Statement have been included in reliance upon said report; however, said auditors have not consented to inclusion of the financial statements herein and have not performed any additional review procedures related hereto.

## LEGAL MATTERS

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

The approving opinion of Foley & Judell, L.L.P., The Cantrell Law Firm and The Godfrey Firm, P.L.C., Co-Bond Counsel, will be printed on the Bonds. The opinion of Co-Bond Counsel is limited to the matters set forth therein and Co-Bond Counsel is not passing upon the accuracy or completeness of this Official Statement. A manually executed original of this 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 preceding section titled "TAX EXEMPTION." The compensation of Co-Bond Counsel is contingent upon the sale and delivery of the Bonds.

The City Attorney will pass on certain matters as Counsel to the City Council.

## LITIGATION AFFECTING THE CITY

On November 15, 2004, the Supreme Court of the State of Louisiana (the "State") denied the writ application of the City regarding a trial on a case involving back pay and pension benefits of the City's firefighters. The case, which has been in litigation since 1981, involves a 1964 law regarding certain pay increases that were mandated by the Louisiana Legislature. The case will now be remanded to the trial court for recalculation of the damages in accordance with an appellate court ruling. There are two components of the case. The first involves back pay and benefits and the second includes a requirement that the City immediately increase current salaries and benefits to existing firefighters. The counsel to the firefighters has claimed total damages, including interest, of approximately $120,000,000, which amount the City disputes. The City is currently exploring its options with respect to possible increased salaries and benefits, including revisions to the budget to reduce other expenses and raising revenue.

The City has also been sued by the clerks of court, assessors and sheriffs alleging that the City has failed to make the required contributions to the Louisiana Clerks of Court Retirement Fund, Louisiana Assessors Retirement Fund, and Louisiana Sheriffs Retirement Fund. These suits were filed prior to 1995. The clerks originally prevailed in their suit against the City and a judgment of approximately $18 million was rendered against the City. The City appealed, the judgment was overturned and the case was remanded. No trial date has been set for any of the three suits, and the City continues to defend its position that the contributions have been properly made.

The City is also in litigation with the United States with respect to certain clean-up costs in which the United States is claiming $40 million of damages and $8 million in interest and penalties associated with the Agriculture Street landfill. Following Hurricane Katrina, the United States dropped their demand for monetary damages, and settlement negotiations are now contemplating operational commitments only. It is anticipated that a consent decree will be signed before the end of the year, on terms that have no financial obligations required of the City.

Finally, the Department of Housing and Urban Development ("HUD") is also in the process of auditing the City in connection with certain contracts for loan grantee assistance administered by the City and the Housing Authority of New Orleans. No demand has been made by HUD to the City with respect to any failure to properly administer such grants, but the Office of the Inspector General ("OIG") has recommended to HUD that the City repay such certain grants in full. For copy of the OIG's audit reports, see http://www.hud.gov/offices/oig/reports/oigsearch.cfm. The City intends to defend itself in this matter if a demand is made by HUD.

The Louisiana Constitution provides that no public property or public funds shall be subject to seizure and that no judgment against a political subdivision shall be exigible, payable or paid except from funds appropriated by the political subdivision against which the judgment is rendered. Accordingly, the City may treat any judgment rendered against it in State court like other judgments of the City and place any judgment in line for payment upon the appropriation of funds to pay such judgment. The City could also enter into settlement negotiations to reduce the amount to be paid on any judgment.

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

## FINANCIAL ADVISOR

This Official Statement has been prepared under the direction of the Board and with the assistance of Public Financial Management, Atlanta, Georgia, employed by the Board to perform professional services in the capacity of financial advisor (the "Financial Advisor"). The Financial Advisor has reviewed and commented on certain legal documentation, including the Preliminary Official Statement and the Official Statement. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other information available to the Board, 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 Financial Advisor respecting such accuracy and completeness of information or any other matter related to such information and the Official Statement.

## CONTINUING DISCLOSURE

The City will, pursuant to a Continuing Disclosure Certificate, covenant for the benefit of the Certificate owners to provide certain financial information and operating data relating to the City by not later than August 31 in each year, with the first report due not later than August 31, 2008 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Depository (and with any future Louisiana officially designated State Information Depository). Any notices of material events will be filed by the City with the Municipal Securities Rulemaking Board (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 Participating Underwriters in complying with Rule 15c2-12 (b) (5) of the United States Securities and Exchange Commission ("SEC").

The City's designated Dissemination Agent for the above information is the Secretary, Board of Liquidation, City Debt, Room 8E17, City Hall, 1300 Perdido Street, New Orleans, Louisiana 70112-2197, telephone (504-658-1410).

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

The City failed to file its audited financial statements for the Fiscal Years ended December 31, 2005 and December 31, 2006 in a timely matter as required by its outstanding Continuing Disclosure Certificate. The audited financial statements for Fiscal Year 2005 were accepted by the City's Budget Committee on July 27, 2007 and filed on July 31, 2007. The Continuing Disclosure Report for Fiscal Year 2006 was filed on September 6, 2007. The audited financial statements for Fiscal Year 2006 have not been completed and are not expected until

December 2007. The City's failure to file audited financial statements on a timely basis is a direct result of Hurricane Katrina.

## ADDITIONAL INFORMATION

This Official Statement was prepared in conjunction with Fiscal Services, Inc., Suite 2630, One Canal Place, 365 Canal Street, New Orleans, Louisiana 70130-1138 telephone (504-522-4253).

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 Mr. Peter Kessenich, Public Financial Management, 600 Peachtree Street, N.E., Suite 3770, Atlanta, Georgia 30308-2214, telephone (404-876-1919).

The City, Public Financial Management, Fiscal Services, Inc., and Co-Bond Counsel are familiar with the *Disclosure Guidelines for State and Local Government Securities* published by the Government Finance Officers Association.

## 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 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 and the City's general obligation 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 required to be stated herein or 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 believes to be reliable and the Board has no reason to believe that they are untrue or incomplete in any material respect, and (2) a certificate signed by the Director of Finance of the City to the effect that on the date of the Preliminary Official Statement, on the date of the Official Statement, on the date of sale of the Bonds, and on the date of the delivery thereof, (a) the descriptions and statements, including financial statements, of or pertaining to the City contained in the Official Statement (other than the matters covered by the certificate of the Secretary of the Board) were and are true and correct in all material respects, (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading, and (c) other than as set forth herein, there has been no material adverse change in the financial condition of the City since December 31, 2005, the date of the last audited financial statements of the City included in this Official Statement.

## MISCELLANEOUS

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

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

**BOARD OF LIQUIDATION, CITY DEBT**

**/s/ David W. Gernhauser**
**David W. Gernhauser**
**Secretary**

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# MAPS

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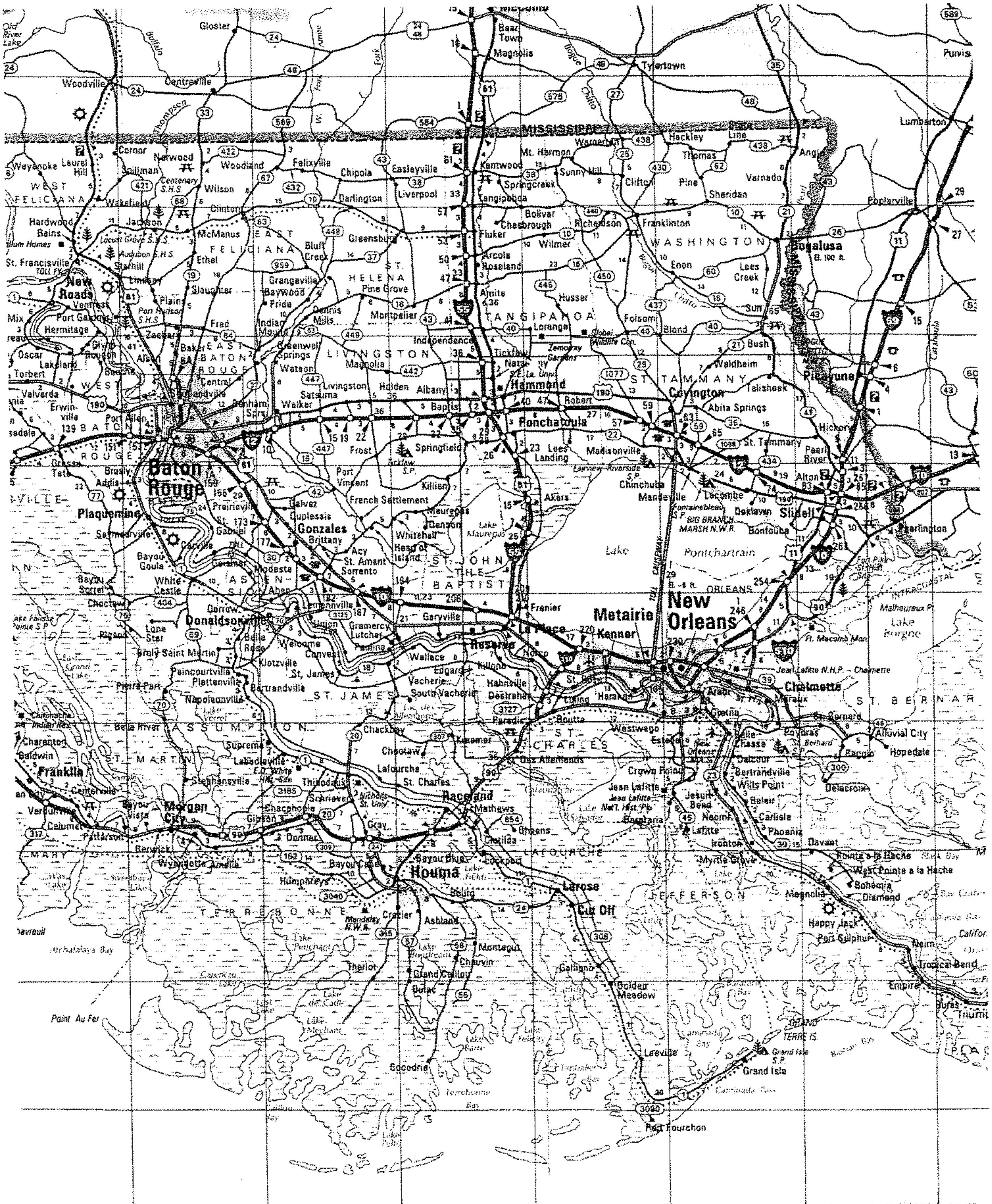
**MAP INDICATING THE APPROXIMATE LOCATION OF ORLEANS PARISH AND THE CITY OF NEW ORLEANS WITHIN THE STATE OF LOUISIANA**



MISSISSIPPI
Woodville
Centreville
Gloster
Magnolia
Tylertown
Kentwood
Franklinton
Bogalusa
Picayune
WEST FELICIANA
EAST FELICIANA
ST. HELENA
TANGIPAHOA
WASHINGTON
LIVINGSTON
ST. TAMMANY
EAST BATON ROUGE
WEST BATON ROUGE
New Roads
St. Francisville
Clinton
Jackson
Greensburg
Amite
Hammond
Ponchatoula
Covington
Mandeville
Slidell
Baton Rouge
Plaquemine
Gonzales
Donaldsonville
Springfield
Denham Springs
Livingston
Walker
Lake Maurepas
Lake Pontchartrain
Lake Borgne
ST. JOHN THE BAPTIST
ST. JAMES
ASCENSION
ASSUMPTION
ST. CHARLES
ST. BERNARD
ORLEANS
LaPlace
Reserve
Metairie
Kenner
New Orleans
Chalmette
Gretna
Westwego
Napoleonville
Thibodaux
Raceland
Morgan City
Franklin
Houma
LAFOURCHE
TERREBONNE
JEFFERSON
Larose
Cut Off
Golden Meadow
Grand Isle
Port Fourchon
Cocodrie
Pointe a la Hache
Empire
Port Sulphur

APPENDIX “A”

# OFFICIAL NOTICE OF BOND SALE

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## OFFICIAL NOTICE OF BOND SALE

**$75,000,000**
**CITY OF NEW ORLEANS, LOUISIANA**
**PUBLIC IMPROVEMENT BONDS**
**Issue of 2007A**

**Sealed bids or electronic bids via PARITY®**
**will be received until eleven o'clock a.m.,**
**New Orleans, Louisiana (Central Daylight) Time**
**on Tuesday, October 30, 2007**

Sealed bids or 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 $75,000,000 (the "Bonds").

**Date of Sale:** Tuesday, October 30, 2007 (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 Daylight) 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:** Five and three-fourths percent (5.75%) per annum.

**Paying Agent, Authenticating Agent and Redemption Agent:** The Bank of New York Trust Company, N.A., at its corporate trust office in Dallas, Texas (the "Paying Agent"), or any successor thereto.

**Interest Payment Dates:** June 1 and December 1. The Bonds will bear interest from their date until paid, payable on June 1, 2008 and semiannually on each June 1 and December 1 thereafter.

**Manner and Place of Payment:** Principal of and premium, if any, on the Bonds will be payable in lawful money of the United States of America at the corporate trust office of the Paying Agent in Dallas, Texas.

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

| DUE (DEC. 1) | PRINCIPAL AMOUNT | DUE (DEC. 1) | PRINCIPAL AMOUNT |
|---|---|---|---|
| 2009 | $ 1,390,000 | 2023 | $2,525,000 |
| 2010 | 1,450,000 | 2024 | 2,635,000 |
| 2011 | 1,515,000 | 2025 | 2,755,000 |
| 2012 | 1,580,000 | 2026 | 2,895,000 |
| 2013 | 1,645,000 | 2027 | 3,040,000 |
| 2014 | 1,715,000 | 2028 | 3,190,000 |
| 2015 | 1,790,000 | 2029 | 3,350,000 |
| 2016 | 1,865,000 | 2030 | 3,515,000 |
| 2017 | 1,945,000 | 2031 | 3,695,000 |
| 2018 | 2,025,000 | 2032 | 3,880,000 |
| 2019 | 2,115,000 | 2033 | 4,070,000 |
| 2020 | 2,210,000 | 2034 | 4,275,000 |
| 2021 | 2,310,000 | 2035 | 4,490,000 |
| 2022 | 2,415,000 | 2036 | 4,715,000 |

**Redemption:** The Bonds maturing December 1, 2018 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, 2017, 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:** The City anticipates obtaining a policy of municipal bond insurance for the Bonds. The purchase of such insurance policy shall be at the sole expense of the City and any increased costs of issuance of the Bonds resulting by reason of the same, shall be paid by the City.

**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 Tuesday, October 30, 2007.

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) 849-5021and notify the Board's Financial Advisor, Public Financial Management (404) 876-1919, Suite 3770, 600 Peachtree Street N.E., Atlanta, Georgia 30308.

**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 am., local New Orleans, Louisiana time, on Tuesday, October 30, 2007. 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.

**Sealed Bids:** **Bids will also be accepted in written form on the Official Bid Form.** The Board will receive sealed bids at the offices of The Board of Liquidation, City Debt, Room 8E17, City Hall, 1300 Perdido Street, New Orleans, Louisiana, 70112, for the purchase of $75,000,000 principal amount of City of New Orleans, Louisiana, Public Improvement Bonds, Issue of 2007A. Each bid in written form must be on the Official Bid Form in a sealed enveloped marked "Proposal for the Purchase of $75,000,000 of City of New Orleans, Louisiana, Public Improvement Bonds, Issue of 2007A." For purposes of accepting written bids, the time as maintained on PARITY® shall constitute the official time.

**Bid Requirements:** Each bid, whether submitted as a sealed bid or electronically, (i) shall be for the full amount of $75,000,000 in aggregate principal amount of the Bonds, (ii) shall name the rate or rates of interest to be borne by the Bonds, expressed in multiples of 1/8th or 1/20th of 1%, (iii) shall prescribe one rate of interest, not to exceed five and three-fourths per centum (5.75%) 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, (v) shall be unconditional and (vi) shall be made on the form in the case of sealed bids furnished by the Board without alteration.

In addition to the foregoing, (a) the interest rate specified for any maturity after December 1, 2018 shall be the same or greater than the interest rate for the preceding maturity (i.e., level or ascending coupons for callable bonds) and (b) no interest rate specified for any maturity prior to December 1, 2018 may exceed by more than 2% the interest rate specified for the December 1, 2018 maturity. No bid for less than par or which specifies the cancellation of Bonds will be considered. Any premium bid (not exceeding 5% of the principal amount of the Bonds) must be paid in the funds specified for the payment of Bonds as part of the purchase price.

**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, 2018 may, *in lieu* of maturing on each of such dates, be combined to comprise one or more maturities of Bonds scheduled to mature on the latest of such annual payment dates and be subject to redemption through mandatory sinking fund installments at the principal amount thereof in the manner described in the Official Statement, on each of the annual payment dates, except for that principal amount of Bonds scheduled to mature on the latest such annual payment date, which Bonds shall mature on such annual payment date ("Term Bonds"). Bidders may specify one or more of such Term Bonds.

**Award of Bid:** The Bonds will be awarded to the bidder whose bid offers the lowest "true interest cost" to the City, to be determined by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments on the Bonds from the payment dates to the date of delivery of the Bonds, such that the sum of such present values is equal to the price bid, including any premium bid or less any discount, but not including interest (if any) accrued to the date of delivery (the preceding calculation is sometimes referred to as the "Canadian Interest Cost Method" or "Present Value Method"). In the case of a tie bid, the winning bid will be awarded by lot.

**Reoffering Prices:** As soon as practical after award of the Bonds to the successful bidder, but in any case no later than November 5, 2007, the successful bidder shall furnish to the Board a certificate acceptable to Co-Bond Counsel to the Board stating (i) either, (A) in the case of Bonds that the successful bidder intends to reoffer, the reoffering prices, expressed as a percentage of par, to the public of each maturity of the Bonds (the "Reoffering Prices") or (B) the specific Bonds that the successful bidder intends to retain; (ii) that, in the case of Bonds described in (i)(A), the successful bidder has made a bona fide public offering of the Bonds at the Reoffering Prices; (iii) that a substantial amount of the Bonds have been sold or were reasonably expected to be sold to the public (excluding bond houses, brokers and other intermediaries) at such Reoffering Prices; and (iv) that, at the time that the successful bidder submitted its bid, based upon prevailing market conditions, the successful bidder had no reason to believe that any of the Bonds would be initially sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices greater than the Reoffering Prices represented in (i)(A). Co-Bond Counsel to the Board advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder; (ii) the sale to the public of 10% or more in par amount of the Bonds of each maturity at (or below) the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Bonds; and (iii) reliance on other facts as a basis for such certification would require evaluation by Co-Bond Counsel to the Board to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

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

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

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

**Bidders' Check or Financial Surety Bond:** A good faith deposit (the "Deposit") is required to accompany each bid, whether submitted as a sealed bid or electronically, in the form of (i) a certified or cashier's check on a national bank having an office in New Orleans, Louisiana, (ii) a cashier's check on any member bank of the Federal Reserve System, or (iii) a Financial Surety Bond, for a sum equal to Seven Hundred Fifty Thousand Dollars ($750,000) made payable to the "Board of Liquidation, City Debt", as a guarantee that the bidder or bidders will comply with their bid. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Louisiana, and such Financial Surety Bond must be submitted to the Board or its Financial Advisor by 4:00 p.m., Louisiana time, on the day prior to the opening of bids. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a bidder utilizing a Financial Surety Bond, then that purchaser is required to submit its Deposit to the Board in the form of a wire transfer not later than 3:30 p.m., Louisiana time, on the next business day following the day of the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Board to satisfy the Deposit requirement. The Deposits of the unsuccessful bidder or bidders will be returned promptly, and the Deposit of the successful bidder or bidders 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.

**Delivery of the Bonds:** The Bonds will be delivered to DTC on or as soon as practicable after December 14, 2007, in "book-entry only" form. The successful bidder or bidders shall pay in Federal Funds on the date of delivery the balance of the purchase price of the Bonds plus accrued interest, if any. The Bonds will be delivered in New Orleans, Louisiana, or in New York, New York, at the option of the successful bidder, 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., The Cantrell Law Firm and The Godfrey Firm, P.L.C., 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 successful bidder. 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 successful bidder 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 successful bidder.

**Continuing Disclosure:** In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), 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 City failed to file its audited financial statements for the Fiscal Years ended December 31, 2005 and December 31, 2006 in a timely matter as required by its outstanding Continuing Disclosure Certificate. The audited financial statements for Fiscal Year 2005 were accepted by the Budget Committee on July 27, 2007 and filed on July 31, 2007. The Continuing Disclosure Report for Fiscal Year 2006 was filed on September 6, 2007. The audited financial statements for Fiscal Year 2006 have not been completed. The City's failure to file audited financial statements on a timely basis is a direct result of Hurricane Katrina.

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

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

**DAVID W. GERNHAUSER, Secretary**
**Board of Liquidation, City Debt**
**Room 8E17, City Hall**
**1300 Perdido Street**
**New Orleans, Louisiana 70112-2197**
**Telephone: (504) 658-1410**

APPENDIX "B"

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

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

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

New Orleans is one of the largest seaports in the United States, a major trade and service market, and a world-wide tourist destination and a convention center. The manufacturing base is relatively small.

**Population**

The City of New Orleans population has significantly decreased since the hurricanes of 2005 as shown in the table below. The population of the New Orleans Metropolitan Statistical Area (the "MSA") (which, as defined by the U.S. Office of Management and Budget, includes Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. James[1], St. John the Baptist and St. Tammany Parishes) grew from approximately 770,190 in 1950 to approximately 1,337,726 in 2000, an increase of approximately 73.69%. Orleans Parish's population comprised approximately 74.1% of the MSA's population in 1950, as compared to approximately 21.8% in 2006. The estimated population of the City for 2007 is approximately 273,000.

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

| | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | 2006 |
|---|---|---|---|---|---|---|---|
| New Orleans | 570,445 | 627,525 | 593,471 | 557,482 | 496,938 | 484,674 | 223,388 |
| MSA* | 770,190 | 987,695 | 1,144,791 | 1,303,452 | 1,285,262 | 1,337,726 | 1,024,678 |

(* Restated to reflect inclusion of Plaquemines and St. James Parishes in 1993.)

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

[1] St. James Parish excluded in 2003.

## Assessed Valuations

The following tables set forth (a) the assessed value of taxable property in the City of New Orleans and homestead exemptions for the years 1996-2007, and (b) the assessed value of various categories of property for the years 2003-2007.

**Assessed Value of Property in the City of New Orleans**

| Tax Year | Real Property | Personal Property | Public Service Property | Total Assessed Valuation | Less: Homestead Exemptions | Taxable Assessed Valuation |
|---|---|---|---|---|---|---|
| 1996 | $1,333,765,001 | $334,058,132 | $201,840,690 | $1,869,663,823 | $448,231,776 | $1,421,432,047 |
| 1997 | 1,353,858,445 | 338,240,913 | 183,764,270 | 1,875,863,628 | 453,744,727 | 1,422,118,901 |
| 1998 | 1,378,438,467 | 367,134,805 | 183,278,860 | 1,928,852,132 | 459,513,089 | 1,469,339,043 |
| 1999 | 1,418,730,451 | 384,913,864 | 185,165,360 | 1,988,809,675 | 466,834,441 | 1,521,975,234 |
| 2000 | 1,566,349,584 | 417,866,288 | 189,071,230 | 2,173,287,102 | 472,736,617 | 1,700,550,485 |
| 2001 | 1,622,017,999 | 437,217,247 | 188,786,950 | 2,248,022,196 | 474,795,273 | 1,773,226,923 |
| 2002 | 1,668,593,521 | 445,690,366 | 172,736,160 | 2,287,020,047 | 475,530,514 | 1,811,489,533 |
| 2003 | 1,668,593,521 | 448,788,841 | 173,844,970 | 2,291,227,332 | 478,666,076 | 1,812,561,256 |
| 2004 | 1,852,618,536 | 484,006,473 | 164,249,110 | 2,500,874,119 | 489,517,102 | 2,011,357,017 |
| 2005 | 1,967,375,676 | 465,782,621 | 171,451,660 | 2,604,609,957 | 465,989,854 | 2,138,620,103 |
| 2006 | 1,432,380,307 | 394,823,507 | 170,463,560 | 1,997,667,374 | 328,776,640 | 1,668,890,734 |
| 2007 | 1,650,948,720 | 344,397,546 | 139,643,310 | 2,134,989,576 | 288,851,693 | 1,906,137,883 |

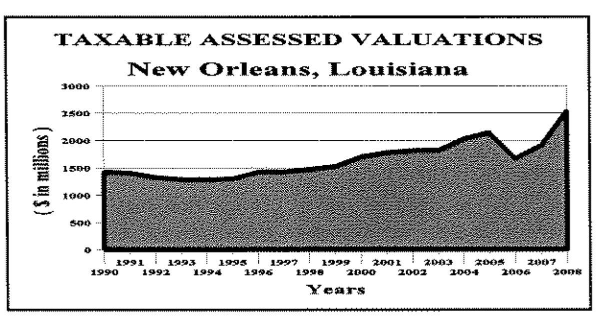
Source: Tax Commission. (Note: Hurricane Katrina occurred August 29, 2005 and impacted the 2006 tax rolls.)

| | | | | | | |
|---|---|---|---|---|---|---|
| **2008** | **2,297,492,825** | **391,875,755** | **145,056,080** | **2,834,424,660** | **289,218,6552** | **2,545,206,005** |

Source: Board of Review, City of New Orleans, October 19, 2007.

**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 herein.**

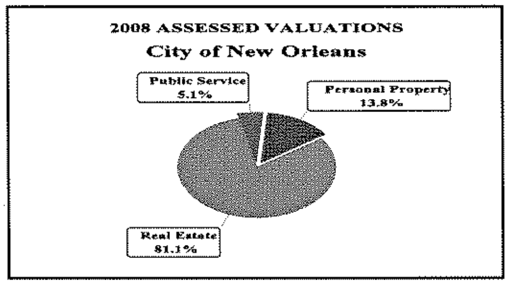
**A general reappraisal of property was made by the Assessors for the 2008 tax roll. Preliminary indications were that the assessed valuations had a significant increase. Residential and commercial property owners who filed their appeals for real estate property tax assessments with their district assessor on or before August 20, 2007 received notification of when and where their appeal hearing would be held. The appeals process ended October 15, 2007. The Board of Review contracted with private contractors to help process appeals. The assessed valuations for 2008 listed above are after appeals and as certified to the Louisiana Tax Commission. It is expected that certain taxpayers will appeal their assessed valuations to the Tax Commission pursuant to R.S. 47: 1989, and, if not satisfied by the Tax Commission, then to the courts pursuant to R.S. 47: 1998. The procedure to recover taxes paid under protest is provided in R.S. 47: 2110.**



**Assessed Value by Classification**

| Classification | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Land | $ 368,111,444 | $ 416,128,049 | $ 433,871,082 | $435,390,172 | $436,370,360 |
| Improvements | 1,300,482,077 | 1,436,490,487 | 1,533,504,594 | 996,990,135 | 1,214,578,360 |
| Inventories | 83,095,031 | 55,917,751 | 60,665,604 | 38,042,810 | 54,705,294 |
| Machinery & Equipment | 119,441,062 | 88,176,429 | 85,323,836 | 70,812,617 | 91,442,496 |
| Business Furniture & Fixtures | 58,599,392 | 55,172,296 | 57,944,811 | 44,254,037 | 46,935,223 |
| Miscellaneous Personal Property | 31,081,830 | 132,188,914 | 108,122,998 | 105,470,596 | 23,086,826 |
| Watercraft | 5,319,333 | 2,344,705 | 15,799,550 | 1,128,926 | 1,072,244 |
| Credits (Insurance & Finance Companies) | 1,190,070 | 1,406,796 | 1,406,608 | 769,375 | 778,730 |
| Financial Institutions | 109,959,827 | 117,364,192 | 112,347,214 | 112,341,850 | 100,952,510 |
| Leased Equipment | 40,102,296 | 31,435,390 | 24,172,000 | 22,203,296 | 25,424,223 |
| Public Service Corporations | 173,844,970 | 164,249,110 | 171,451,660 | 170,663,560 | 139,643,310 |
| | $2,291,227,332 | $2,500,874,119 | $2,604,609,957 | $1,997,667,374 | $2,134,989,576 |

Source: Tax Commission. (2008 data has not been certified by the Tax Commission as of the date of this Preliminary Official Statement.)




The following table shows the assessed valuation of taxable property in New Orleans and the estimated fair market value applicable to each classification of property. The estimated fair market value is derived from the assessed valuation.

| Classification of Property | 2007 Assessed Valuation | Constitutional Percentages of Market Value | 2007 Estimated Market Value |
|---|---|---|---|
| Land | $436,370,360 | 10% | $4,363,704,000 |
| Improvements for Residential Purposes | 707,144,744 | 10% | 7,071,447,000 |
| Public Service Properties | 139,643,310 | 25% | 558,573,000 |
| Other Property | 851,831,162 | 15% | 5,678,874,000 |
| Gross Values | $2,134,989,576 | | $17,672,598,000 |
| Less: Homestead Exemptions | (288,851,693) | 10% | (2,888,519,000) |
| Net Homestead Exemptions | $1,846,137,883 | | $14,784,079,000 |

Sources: Department of Finance, City of New Orleans and Tax Commission.

## 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 millage are to be increased or decreased to achieve this result. There is a statutory procedure by which the millage, if reduced, may be readjusted upward to the prior authorized millage rate.

The following table shows, in summary, the property tax rates levied in Orleans Parish for the years 2002 through 2007.

| Purpose | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|
| | | ($ per $1,000 of Taxable Assessed Value) | | | | |
| **City:** | | | | | | |
| General Purposes | $14.91 | $14.91 | $14.91 | $14.91 | $14.91 | $14.91 |
| Debt Service on General Obligation Bonds | 26.90 | 28.40 | 28.40 | 28.40 | 38.20 | 31.70 |
| Fire and Police | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 |
| Police (1) | 5.26 | 5.26 | 5.26 | 5.26 | 5.26 | 5.26 |
| Fire (1) | 5.21 | 5.21 | 5.21 | 5.21 | 5.21 | 5.21 |
| Audubon Park Zoo | .44 | .44 | .44 | .44 | .44 | .44 |
| Aquarium | 4.11 | 4.11 | 4.11 | 4.11 | 4.11 | 4.11 |
| Library | 4.32 | 4.32 | 4.32 | 4.32 | 4.32 | 4.32 |
| Capital Improvements & Infrastructure Trust Fund | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| Neighborhood Housing | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Economic Development | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Parkway & Recreation | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Streets (Traffic Control Devices) | 1.90 | 1.90 | 1.90 | 1.90 | 1.90 | 1.90 |
| Sewerage and Water Board: | | | | | | |
| Drainage System (Act 617 of 1977) | 6.48 | 6.48 | 6.48 | 6.48 | 6.48 | 6.48 |
| Drainage System (Ord. 6289, M.C.S.) | 9.71 | 9.71 | 9.71 | 9.71 | 9.71 | 9.71 |
| Drainage System (R-81-29) | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 |
| **Total City Tax Rates** | **$100.04** | **$101.54** | **$101.54** | **$101.54** | **$111.34** | **$104.84** |
| Assessors (Act 44) | 1.19 | 1.19 | 1.19 | 1.19 (4) | 1.19 | 1.19 |
| Orleans Law Enforcement District | 3.00 | 3.00 | 3.00 | 3.00 | 4.50 | 3.50 |
| Orleans Parish School Board | 52.98 | 52.83 | 52.80 | 52.80 | 58.55 | 52.90 |
| Orleans Levee Board | 12.76 | 12.76 | 12.76 | 12.76 | 12.76 | 12.76 |
| **Total Parishwide Tax Rates** | **$169.97** | **$171.32** | **$171.35** | **$171.35** | **$188.34** | **$175.19** |
| Downtown Development District (2) | $15.90 | $15.90 | $15.90 | $15.90 | $15.90 | $15.90 |
| New Orleans Business & Industrial District (3) | $ -- | $22.79 | $22.79 | $22.79 | $22.79 | $22.79 |
| Garden District Security | $19.00 | $19.00 | $19.00 | $19.00 | $15.00 | $15.00 |
| Touro Bouligny | -- | -- | -- | -- | -- | $12.80 |

(1) No homestead exemption. Includes 5.26 mills for Police and 5.21 mills for Fire. (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. (4) Act 433 of the 2005 Louisiana Legislature provides that the Board of Assessors for Orleans Parish shall be funded annually no later than March first by the City with no less than two percent of the ad valorem taxes levied on property in the City and the Parish of Orleans. Such funding shall produce in the initial year revenue equal to or greater than that which was received by the Board of Assessors from the City for the previous year. The total amount of revenue received by the Board of Assessors shall never be less than that received by said Board in the initial year. In 2004, the amount received by the Board of Assessors was $2,241,360 from its 1.19 mills, and $166,092 from State Revenue Sharing. The millage levied by the Board of Assessors for the 2005 tax year shall be transferred to and levied by the City, without the necessity of voter approval, for the 2006 and subsequent tax years. Effective December 31, 2005, and thereafter, the legal authority for the Orleans Parish assessment district is repealed.

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. They include the Lakeview Crime Prevention District ($100 parcel fee); the Spring Lake Subdivision Improvement District ($200 parcel fee); the Lake Carmel Subdivision Improvement District ($250 parcel fee); the Audubon Area Security District ($325 parcel fee); the Lake Terrace Crime Prevention District ($300-$700 parcel fee); Upper Hurstville Security District ($500 parcel fee);the Lakewood Crime Prevention & Improvement District ($450 parcel fee); the Lakeshore Crime Prevention District ($360 parcel fee);the Kenilworth Improvement District ($200 parcel fee); the Lake Oaks Subdivision Improvement District ($350 parcel fee); the Lake Forest Estates Improvement District ($385 parcel fee); the Huntington Park Subdivision Improvement District (250 parcel fee); and the Twinbrook Security District ($440 parcel fee).

## Property Taxpayers

The following list includes the names and the 2007 assessed valuations of the ten largest property taxpayers in New Orleans and their assessed value:

| | Name of Taxpayer | Type of Business | 2007 Assessed Valuation |
|---|---|---|---|
| 1. | Entergy | Utilities | $62,460,830 |
| 2. | BellSouth | Telecommunications | 54,205,510 |
| 3. | Capital One/Hibernia National Bank | Banking | 42,458,690 |
| 4. | Whitney National Bank | Banking | 30,240,050 |
| 5. | Harrah's | Casino | 28,510,070 |
| 6. | J.P. Morgan Chase Bank | Banking | 20,459,310 |
| 7. | C S & M | Real Estate | 19,196,820 |
| 8. | International Rivercenter | Retail Shopping; Hotel | 18,464,270 |
| 9. | Marriott Hotel | Hotel | 14,544,540 |
| 10. | Hertz Properties | Commercial Real Estate | 11,736,990 |
| | Total | | $302,277,080* |

* Approximately 15.9 % of the City's 2007 taxable assessed valuation.

Source: Department of Finance, City of New Orleans, July, 2007.

## Penalty for Nonpayment of Taxes

A delinquent tax incurs a penalty of ten percent of the amount of the tax on the day such tax become delinquent (normally February 1st). A delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid in accordance with Title 47, Section 2101 of the Louisiana Revised Statutes of 1950, as amended. All delinquent taxes for prior years, and taxes that remain delinquent on April 1 of the year in which they become delinquent, incur an additional penalty of 9½% to defray costs of collection if the taxing unit has referred the collection of the delinquent taxes, penalty and interest to an attorney or collection agent. The additional 9½% represents payment to a private collection enterprise employed by the City.

## Property Tax Collections

The property taxes for the calendar year 2007 are currently being collected by the City Finance Department. Act 254 of the 2005 Regular Session of the Louisiana Legislature 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. 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. (La. R. S. 47:1997.1) In addition, the assessors receive 2% of the amount of taxes levied pursuant to Act 433 of the 2005 Louisiana Legislature (La. R. S. 47:1925.8), which provides that the Board of Assessors for Orleans Parish shall be funded annually no later than March first by the City with no less than two percent of the ad valorem taxes levied on property in the City and the Parish of Orleans. Such funding shall produce in the initial year revenue equal to or greater than that which was received by the Board of Assessors from the City for the previous year. The total amount of revenue received by the Board of Assessors shall never be less than that received by said Board in the initial year.

The following table shows real and personal property tax levies for the City in each year from 1997 through 2006, the amounts collected and the percentage of such levy that has been collected.

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

| Fiscal Year | Total Levied | Collected though December 31, 2006 Amount | Collected though December 31, 2006 Percent | Balance Outstanding at December 31, 2006 Amount | Balance Outstanding at December 31, 2006 Percent | Collected During 2006 Amount |
|---|---|---|---|---|---|---|
| | | | *Real Estate Taxes* | | | |
| 1997 | $157,517 | $155,695 | 98.84% | $1,822 | 1.16% | $250 |
| 1998 | 163,715 | 161,502 | 98.65 | 2,213 | 1.35 | 406 |
| 1999 | 172,016 | 169,892 | 98.77 | 2,124 | 1.23 | 80 |
| 2000 | 199,666 | 196,770 | 98.55 | 2,896 | 1.45 | 133 |
| 2001 | 209,441 | 206,316 | 98.51 | 3,125 | 1.49 | 162 |
| 2002 | 214,088 | 210,392 | 98.27 | 3,696 | 1.73 | 158 |
| 2003 | 217,039 | 213,253 | 98.26 | 3,786 | 1.74 | 169 |
| 2004* | 247,328 | 238,882 | 96.59 | 8,446 | 3.41 | 1,706 |
| 2005 | 267,327 | 253,994 | 95.01 | 13,333 | 4.99 | 5,613 |
| 2006** | 219,991 | 194,337 | 88.34 | 25,654 | 11.66 | 194,337 |

* 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.

| Fiscal Year | Total Levied | Collected Amount | Collected Percent | Balance Amount | Balance Percent | Collected During 2006 Amount |
|---|---|---|---|---|---|---|
| | | | *Personal Property Taxes* | | | |
| 1997 | $88,126 | $83,498 | 94.75% | $4,628 | 5.25% | $ 7 |
| 1998 | 94,777 | 88,682 | 93.57 | 6,095 | 6.43 | 41 |
| 1999 | 98,467 | 93,398 | 94.85 | 5,069 | 5.15 | 55 |
| 2000 | 105,951 | 99,545 | 93.95 | 6,406 | 6.05 | 91 |
| 2001 | 110,058 | 100,572 | 91.38 | 9,486 | 8.62 | 365 |
| 2002 | 105,378 | 96,452 | 91.53 | 8,926 | 8.47 | 207 |
| 2003 | 110,691 | 103,525 | 93.53 | 7,166 | 6.47 | 268 |
| 2004* | 115,676 | 108,848 | 94.10 | 6,828 | 5.90 | 386 |
| 2005 | 106,354 | 100,129 | 94.15 | 6,225 | 5.85 | 1,003 |
| 2006** | 99,477 | 87,878 | 88.34 | 11,599 | 11.66 | 99,477 |

* 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.

Personal property taxes are not billed for vehicles beginning in 2005..

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 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 City. The total sales tax rate levied on goods sold or used (excluding hotel and motel rooms) in the City 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 an affirmative vote in a City election.

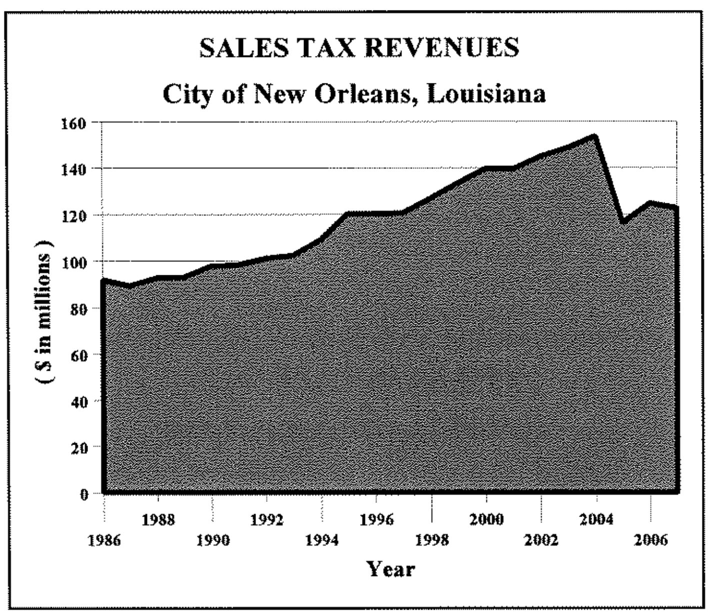
Five public agencies share in the taxation of hotel/motel rooms in Orleans Parish. The rate of taxation of each of the respective agencies is as follows: (a) the State of Louisiana - 2%, (b) the Louisiana Stadium and Exposition District (the Superdome) - 4%, (c) the City - 1½%, (d) the Orleans Parish School Board - 1½% and (e) the Ernest N. Morial-New Orleans Exhibition Hall Authority (the "Authority")- 2% (effective October 1, 1980), 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 Authority.

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 a significant adverse impact on the collections of the sales and use taxes in the City. The following table shows annual revenues of the City's general purpose two and one-half percent (2½%) sales and use tax.

| Calendar Year | 2½% Sales Tax Revenues ($ in thousands) | |
|---|---|---|
| 1986 | $92,135 | |
| 1987 | 89,403 | |
| 1988 | 92,876 | |
| 1989 | 93,063 | |
| 1990 | 98,077 | |
| 1991 | 98,483 | |
| 1992 | 101,221 | |
| 1993 | 102,530 | |
| 1994 | 109,167 | |
| 1995 | 120,229 | |
| 1996 | 120,240 | |
| 1997 | 120,652 | |
| 1998 | 126,899 | |
| 1999 | 133,490 | |
| 2000 | 139,770 | |
| 2001 | 139,511 | |
| 2002 | 145,009 | |
| 2003 | 148,855 | |
| 2004 | 153,851 | |
| 2005 | 116,339 | |
| 2006 | 124,738 | (Unaudited) |
| 2007 | 122,768 | (Original budget) |




Sources: Annual Financial Reports, City of New Orleans; Department of Finance (2006).

## Other Revenue Sources

The City also derives revenues for its general fund from other sources. (See Operating Budget section of this Appendix.) These other revenue sources include licenses and permits, such as telephone, cable television and other franchise fees, occupational licenses, building permits, electrical and mechanical permits and motor vehicle permits; intergovernmental revenue, such as state welfare aid, state revenue sharing, parish transportation fund for roads and transit, tobacco tax, racing tax and regional transit authority revenues; service charges, such as public safety, streets and sanitation charges; fines and forfeits, such as traffic fines and violations and parking ticket collection; and miscellaneous revenue, such as interest income on operating and capital funds and rents and royalties.

In 2007, the City's initial operating budget of revenues (approximately $773.3 million) included $100 million in anticipated grants, contribution, and fund transfers; approximately $148 million of federal grants; and approximately $90 million from other financing sources (including a UDAG/HUD 108 Loan, a $49,254,000 CDL; a $21,345,239 Gulf Outlet Zone Payment; $12.2 million transfers from other funds; and $7.2 million appropriated from Fund Balance). A significant portion of the federal funds and grant funds are for capital improvements to the City's infrastructure notwithstanding that they were included in the operating budget.

A summary of the City's 2007 operating budget, as amended, appears at the conclusion of the Appendix B.

## Bank Balances

The City reported the following balances in its various funds and accounts as of August 31, 2007:

| | Balances | | |
|---|---|---|---|
| **Name of Fund** | **Cash** | **Investments** | **Total** |
| General Fund | $70,106,985.14 | $70198,791.12 | $140,305,776.26 |
| Capital Funds | | 114,243,594.40 | 114,243,594.40 |
| Debt Service Funds | | 676,659.64 | 676,659.64 |
| Escrow Fund | | 29,408,873.88 | 29,408,873.88 |
| Deposit Fund | | -- | -- |
| Revolving Fund | | 67,401,233.86 | 67,401,233.86 |
| Trust Proceeds Funds | | 13,043,690.11 | 13,043,690.11 |
| Other Funds | | 3,634,155.77 | 3,634,155.77 |
| Clearing Funds | | 8,680,377.23 | 8,680,377.23 |
| Totals | $70,106,985.14 | $307,287,376.01 | $377,394,361.15 |

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

## Employment

According to the *Metropolitan Report* of the Division of Business and Economic Research at the University of Tulane, employment now stands at about 83% of its Pre-Katrina employment level. It is also stated that compared to the size of the population, unemployment claims have remained low.

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

**ANNUAL AVERAGE ORLEANS PARISH CONCURRENT ECONOMIC INDICATORS, 2002, 2003, 2004, 2005 AND FIRST QUARTER 2007** *(All data not seasonally adjusted.)*

| | ORLEANS PARISH | | | | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2007:1 |
| **EMPLOYMENT** | | | | | |
| **Total** | **253,859** | **250,767** | **247,260** | **212,504** | **164,662** |
| Agriculture, Forestry, Fishing, and Hunting | 67 | 85 | 68 | 52 | 53 |
| Mining | 4,758 | 4,601 | 4,217 | 4,146 | 3,580 |
| Utilities | 2,132 | 1,993 | 1,967 | 1,891 | 1,088 |
| Construction | 6,506 | 7,191 | 6,470 | 5,578 | 5,443 |
| Manufacturing | 8,875 | 8,013 | 7,711 | 7,793 | 7,735 |
| Wholesale Trade | 7,028 | 6,366 | 6,307 | 5,486 | 4,397 |
| Retail Trade | 19,672 | 19,573 | 19,103 | 15,344 | 10,804 |
| Transportation & Warehousing, | 13,972 | 13,613 | 13,044 | 12,189 | 8,739 |
| Information | 4,815 | 5,116 | 5,253 | 4,979 | 3,956 |
| Finance & Insurance | 10,892 | 10,623 | 9,605 | 7,774 | 6,070 |
| Real Estate and Rental and Leasing | 4,774 | 4,560 | 4,116 | 3,514 | 2,226 |
| Professional & Technical Services | 14,597 | 14,957 | 15,035 | 13,872 | 13,381 |
| Management of Companies and Enterprises | 4,891 | 4,552 | 4,579 | 4,095 | 3,416 |
| Administrative and Waste Services | 16,725 | 15,752 | 15,712 | 13,547 | 11,310 |
| Educational Services | 30,041 | 31,208 | 30,808 | 25,215 | 17,910 |
| Health Care and Social Services | 36,111 | 34,981 | 34,565 | 28,199 | 16,759 |
| Arts, Entertainment, and Recreation | 8,320 | 8,326 | 8,538 | 7,544 | 6,325 |
| Accommodation and Food Services | 34,312 | 33,773 | 35,328 | 29,424 | 22,982 |
| Other Services, except Public Administration | 8,037 | 7,678 | 7,588 | 6,055 | 4,757 |
| Public Administration | 16,931 | 17,460 | 16,877 | 15,396 | 13,157 |
| **EARNINGS ($ in Thousands)** | **Annual** | **Annual** | **Annual** | **Annual** | **Quarterly** |
| **Total** | **$8,735,242** | **$8,894,926** | **$9,118,298** | **$8,470,308** | **$2,064,158** |
| Agriculture, Forestry, Fishing, and Hunting | 1,448 | 1,281 | 1,380 | 1,375 | 272 |
| Mining | 417,653 | 438,849 | 427,495 | 443,624 | 137,607 |
| Utilities | 108,158 | 107,417 | 113,848 | 122,322 | 16,049 |
| Construction | 223,746 | 253,201 | 250,580 | 235,765 | 70,246 |
| Manufacturing | 387,318 | 340,679 | 360,559 | 385,397 | 112,034 |
| Wholesale Trade | 324,867 | 304,730 | 313,427 | 299,954 | 77,434 |
| Retail Trade | 422,129 | 431,396 | 431,721 | 349,782 | 80,701 |
| Transportation & Warehousing, | 564,983 | 562,912 | 560,893 | 559,647 | 112,441 |
| Information | 217,610 | 202,462 | 200,968 | 203,051 | 39,694 |
| Finance & Insurance | 508,900 | 486,537 | 499,247 | 475,347 | 126,977 |
| Real Estate and Rental and Leasing | 128,899 | 132,773 | 117,965 | 105,577 | 20,636 |
| Professional & Technical Services | 793,538 | 831,394 | 843,432 | 822,081 | 210,094 |
| Management of Companies and Enterprises | 280,300 | 280,141 | 290,504 | 308,997 | 105,245 |
| Administrative and Waste Services | 355,995 | 382,193 | 417,627 | 402,665 | 159,715 |
| Educational Services | 1,129,745 | 1,195,687 | 1,227,054 | 1,032,052 | 225,729 |
| Health Care and Social Services | 1,226,715 | 1,254,118 | 1,285,127 | 1,060,733 | 179,878 |
| Arts, Entertainment, and Recreation | 202,969 | 238,448 | 249,410 | 241,418 | 48,133 |
| Accommodation and Food Services | 586,043 | 567,432 | 608,450 | 537,469 | 139,066 |
| Other Services, except Public Administration | 174,262 | 163,514 | 175,721 | 152,210 | 33,138 |
| Public Administration | 670,557 | 709,491 | 732,494 | 716,437 | 164,039 |

*Source: Louisiana Department of Labor.*

The Louisiana Department of Labor 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:

| Year | Labor Force | Employment | Unemployment | Parish Rate | State Rate |
|---|---|---|---|---|---|
| 2002 | 200,894 | 188,784 | 12,110 | 6.0 | 5.9 |
| 2003 | 198,411 | 186,405 | 12,006 | 6.1 | 6.2 |
| 2004 | 196,310 | 185,428 | 10,882 | 5.5 | 5.5 |
| 2005 | 181,814 | 170,481 | 11,333 | 6.2 | 6.7 |
| 2006 | 154,041 | 146,817 | 7,224 | 4.7 | 4.0 |

The preliminary figures for August 2007 for Orleans Parish were reported as follows:

| Month | Labor Force | Employment | Unemployment | Parish Rate | State Rate |
|---|---|---|---|---|---|
| 8/07 | 157,443 | 150,321 | 7,122 | 4.5 | 4.1* |

* Seasonally adjusted rate was 3.8.

Source: Louisiana Department of Labor. September 25, 2007.

The following table shows the composition of the employed work force not seasonally adjusted in the New Orleans-Metairie-Kenner MSA.

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

| | Revised August 2006 | Revised July 2007 | Preliminary August 2007 |
|---|---|---|---|
| Natural Resources & Mining | 8.5 | 8.6 | 8.6 |
| Construction | 32.2 | 32.8 | 32.9 |
| Manufacturing | 35.2 | 36.1 | 36.0 |
| Trade, Transportation, & Utilities | 104.8 | 105.8 | 105.8 |
| Information | 6.6 | 7.1 | 7.2 |
| Financial Activities | 26.6 | 26.8 | 27.1 |
| Professional and Business Services | 66.5 | 69.5 | 69.8 |
| Educational and Health Services | 56.3 | 59.1 | 59.3 |
| Leisure and Hospitality | 60.8 | 65.0 | 65.1 |
| Other Services | 16.1 | 17.5 | 17.4 |
| Government | 72.4 | 75.4 | 75.1 |
| Total | 486.0 | 503.7 | 504.3 |

Source: Louisiana Department of Labor. September 25, 2007.

## Largest Employers

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

| Employer | Type of Business | Approximate Number of Full-Time Local Employees |
|---|---|---|
| Ochsner Health System | Health Care | 9,107 |
| Tulane University | Higher Education | 4,410 |
| Lockheed Martin Michoud Operations | Aerospace Structures and Applications | 2,832 |
| American Nursing Services Inc. | Nurse Supplemental Staffing | 2,250 |
| Children's Hospital | Health Care | 1,917 |
| Touro Infirmary | Health Care | 1,835 |
| Vinson Guard Service Inc. | Contract Security Guards/Investigators | 1,636 |
| Boh Bros. Construction Co. LLC | General Contractor | 1,500 |
| Whitney National Bank | Financial Services | 1,399 |
| University of New Orleans | Higher Education | 1.334 |
| USDA National Finance | Financial Services | 1,300 |
| Acme Truck Line Inc. (Harvey) | Transportation | 2,091 |
| Textron Marine & Land Systems | Manufacturing Armored Vehicles | 1,165 |
| Pan American Life Insurance | Insurance | 796 |

Note: This list does not include some major employers who declined to supply employment information. The list excludes governmental employers such as the City, the State and offices and agencies of the Federal Government, which comprise almost 15% of the workforce.

Source: New Orleans CityBusiness *2007-2008 Book of Lists.*

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

## ECONOMIC INDICATORS

### Per Capita Personal Income

A comprehensive revision of the estimates of Per Capita Personal Income by State were published in April 2007 by the Bureau of Economic Analysis of the U.S. Department of Commerce. The recent trends in revised per capita personal income for Jefferson Davis Parish, Louisiana, and the Nation are indicated in the following table:

| | | Per Capita Personal Income | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| Orleans Davis Parish | $27,970 | $28,176 | $29,066 | $30,749 | $12,837 |
| Louisiana | 24,702 | 25,219 | 25,819 | 27,088 | 24,664 |
| United States | 30,562 | 30,795 | 31,466 | 33,090 | 34,471 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis. April, 2007.

(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.)

## Housing

The Real Estate Market Data Center for the center for Economic Development of the University of New Orleans periodically publishes its *Metropolitan New Orleans Real Estate Market Analysis*, a recent edition being dated March 2007 (the "Analysis"). According to the Analysis, the pricing patterns in the City are influenced primarily by the extent of flooding damage and rate of neighborhood repopulation. In areas less impacted by flooding and where critical masses of population have been able to revitalize neighborhoods, average home prices have generally risen and remained stable at their new post-Katrina plateau. This includes Uptown neighborhoods comprising the "sliver on the river" built on the alluvial ridge extending from the Central Business District ("CBD") to Carrollton as well as the northernmost sections of the Lakefront neighborhoods such as Lake Vista, Lakeshore and Lake Terrace and the City's Westbank in Algiers.

In Algiers, average prices for single family homes have steadily risen over the past several years. However, as an area only slightly touched by Hurricane Katrina's fierce winds and spared the storm surge flooding inflicted on other parts of the City, this sector of the market has attracted increased interest among home buyers desiring a place to live in close proximity to the CBD and other nodes of employment in Orleans and Jefferson Parishes. Between 2005 and 2006, single family home prices in Algiers rose from an average of $193,308 to $214,442. Since 2003, the average home price in this area has risen by just under 9.4% annually. The neighborhoods regustering the strongest rates of price appreciation between 2005 and 2006 were Lakewood (up 13.7% to $184,973) and English Turn (up 14.9% to $597,523).

With few exceptions, average home prices in most other New Orleans neighborhoods declined between 2005 and 2006. This is particularly true in Eastern New Orleans where the average single family home prices fell by 41.1% from $135,941 in 2005 to $80,185 in 2006. The inventory of sold homes in this sector of the market includes a fairly high concentration of units that received significant flood damage and that are being sold for what approximates land value. Those that have been gutted may be refurbished and raised to meet new base flood elevation requirements, while others, particularly those not yet gutted, will be demolished to make room for newly constructed inventory. The pace of the recovery has been painfully slow in this section of the City with many homeowners stifled in their attempts to rebuild by the glacial rate at which the Road Home Program has been making financial awards. The area remains largely unserved by everyday commercial conveniences such as grocery and drug stores and service stations. As these and other services return, neighborhood recovery will gain some much needed traction.

The acute challenges residents face to neighborhood recovery are also quite evident in areas such as Lakeview, Mid-City, Gentilly and the Ninth Ward. Each of these areas received significant flood damage and have struggled to recover. In some areas, neighborhood services have returned more quickly and the evidences of rebuilding are more apparent and visibly reassuring. This is particularly true in parts of the Lakefront neighborhoods as well as Lakeview and the Uptown-Fountainbleau area. These areas were generally well established mostly affluent neighborhoods prior to Katrina where households have been able to draw upon their own financial resources (including insurance proceeds) to fund their rebuilding efforts. Although average prices in both the Uptown-Fountainbleau and Lakefront neighborhoods declined by just under 13% between 2005 and 2006, the inventory of sold units includes damaged properties which skew the averages downward.

Neighborhoods such as City Park (including Lakeview) and Claiborne-Tulane (including much of Mid-City) and Peoples-St. Bernard (Gentilly) all contain relatively large inventories of heavily flood-damaged units. With the exception of Lakeview, these are also areas where household incomes are more moderate and where personal financial resources were generally placed under greater strain by Katrina's damage. This is particularly true for homeowners who were either under-insured or not insured at all for either flood or casualty losses. Most of these households are awaiting resources from the Road Home Program to proceed with the rebuilding effort. Also, these areas have generally been slow to recover local neighborhood shopping and convenience services. As such, those who do attempt to repopulate and rebuild are faced with even greater challenges. Average prices in all three of these MLS neighborhoods have declined over 40% between 2005 and 2006. In the City Park area (consisting of Lakeview and West Lakeview) average prices dropped 45.6%, while in the Claiborne-Tulane (Mid-City) and Peoples-St. Bernard (Gentilly) areas average prices fell by 40.9% and 42.7%, respectively.

Housing prices in the area generally referred to as the Ninth Ward declined by an average 46.1% when compared to 2005, while in the MLS area labeled Industrial Canal (including older neighborhoods east of the Industrial Canal) average home prices dropped 58.2% between 2005 and 2006.

Neighborhoods with a sufficiently representative number of transactions recording positive price appreciation between 2005 and 2006 in Orleans Parish included Center City (Central City), the Garden District, Marigny/Bywater and the French Quarter. In Central City, the average price among the ten sales recorded in 2006 rose 47.1% when compared to 2005 (from $100,178 to $147,380), while in neighborhoods comprising the Garden District home prices rose from an average of $365,613 in 2005 to $386,169 in 2006 or by 5.6%. In the Marigny/Bywater area there was a significant increase in both the number of transactions and average price. The number of sales rose from just seven in 2005 to 65 in 2006 while average price increased by 23.2% from $207,071 to $255,022. In the neighboring French Quarter, average home prices for the year 2006 broke through the $1.0 million level. This highest priced neighborhood throughout the New Orleans region saw a 24.6% increase over 2005's average of $813,234 to $1,031,406. The French Quarter continues to attract an eclectic mix of wealthy buyers who view prices exceeding $1.0 million as a bargain when compared to other cities where they may own other homes.

## Education

Elementary and secondary education in Orleans 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 Orleans Parish follows:

| Year | Membership End of Session | Average Daily Membership | Average Daily Attendance |
|---|---|---|---|
| 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 | 8,604 | 49,139.9 | 48,675.7 |

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

In addition to the children attending public schools in New Orleans, there are approximately 25,000 student 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 pursuant to L. R. S. 17: 1990 for the purpose of governing public schools in failing school districts, primarily Orleans Parish, there are 27,000 public school students in New Orleans with an additional 6,000 students expected this fall. The New Orleans Recovery School District of the State of Louisiana Department of Education was created to assist the failing public school system in Orleans Parish, but it has a crucial need for qualified teachers.

Institutions of higher education located in New Orleans include:

| Institution | 2002 Fall Enrollment | 2003 Fall Enrollment | 2004 Fall Enrollment | 2006 Fall Enrollment | 2007 Fall Enrollment |
|---|---|---|---|---|---|
| University of New Orleans | 17,421 | 17,360 | 17,350 | 11,747 | 11,363 |
| Tulane University | 12,759 | 12,976 | 13,214 | 10,606 | 10,333 |
| Loyola University New Orleans | 5,903 | 5,900 | 5,500 | 4,874 | 4,585 |
| Southern University at New Orleans | 3,300 | 3,595 | 3,634 | 2,314 | 2,634 |
| Xavier University of Louisiana | 3,994 | 3,913 | 4,121 | 3,012 | 3,103 |
| Dillard University | 2,225 | 2,312 | 1,953 | n/a | 957 |
| Our Lady of Holy Cross College | 1,379 | 1,456 | 1,452 | 1,226 | 1,259 |
| | 46,981 | 47,512 | 47,224 | 33,779 | 34,234 |

Sources: New Orleans City Business, July 2, 2007. 2007 figures from institutions.

These eight 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 Fall 2007 enrollment of 13,217, 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** New Orleans is a major convention and tourist center. In 2004, the City attracted approximately 10.1 million visitors. The first major convention to occur after Katrina was the American Librarian Association Convention held in June of 2006. Between September 2005 and May 2006, 450 meetings and conventions were cancelled, representing 2.25 million room nights for the lodging industry in New Orleans. As of August 2007, business travel and conventions in New Orleans are at approximately 70% of pre-Katrina levels, and they are projected to reach 90% of pre-Katrina levels in 2008. New Orleans' distinctive music and festivities, including Mardi Gras, all contribute to its attractiveness to tourists. Hurricane Katrina effectively put the tourist industry on hold for two years. Hotel facilities were damaged by the storm; conventions were cancelled; restaurants closed; and tourist attractions became dark. However, over 800 restaurants have re-opened in the City, conventions are scheduled for this fall, and the French Quarter is open for business.

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. The visitor can view 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. Additionally, a new exhibit is planned which will allow the Aquarium to change certain of its aquatic exhibits on at least an annual basis. 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. Thousands of specimens of marine life representing several hundred species are presented in exhibits at the Aquarium.

The **Louisiana Superdome** is an architecturally unique multi-purpose facility located adjacent to the New Orleans Central Business District. It was completed in August, 1975 and is the largest enclosed stadium arena in the world. It has a seating capacity of approximately 76,000 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 totals 166,000 square feet and there are also four auxiliary convention halls, 32 meeting rooms and a 27,000 square foot exhibition concourse and parking facilities for approximately 5,000 automobiles and 250 buses. The Superdome's major tenant is the **New Orleans Saints**, a National Football League professional football team. 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.

In addition, 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 arena is home to Tulane University of Louisiana's basketball team. **The Hornets**, a NBA professional basketball team, the **New Orleans Voodoo**, an AFL professional football team, the Sugar Bowl tournament and other basketball games are played in the Arena, along with concerts, family shows and other entertainment.

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

Tourism in New Orleans not only includes conventions (hereinafter described) but also major events such as **Mardi Gras**, the **Jazz and Heritage Festival**, since 1995, the **Essence Music Festival**, the **Bayou Classic football game,** the **New Orleans Bowl,** the **Sugar Bowl,** and periodically, the **Super Bowl**. Adults may continue to find entertainment in the river boat and land based **casinos** located in the area. Churchill Downs Inc., owner of the Fair Grounds Race Course, has opened a temporary facility with almost 250 slot machines seeking expanded gambling at the track. A permanent facility with up to 700 machines is expected to open in late 2008. The traditional opening day for horse racing at the track is Thanksgiving Day.

**Conventions** New Orleans ranked among the top five cities nationwide as a destination city for conventions. Convention attendance in the Greater New Orleans area increased dramatically since 1981, then has been struggling to recover since Hurricane Katrina. The construction of large facilities such as the Ernest N. Morial Convention Center (the "Convention Center"), and the newly renovated Louisiana Superdome, and hotels including over 1,000 public meeting rooms permitted growth. In October 2007, the American College of Surgeons will bring approximately 17,000 visitors to the City for its conference; the International Association of Chiefs of Police will bring 12,000 delegates; and the International Facility Management Association will host another 5,000. In November, the American Academy of Ophthalmology will host a 20,000 attendee meeting. Hotel occupancy is expected to average approximately 80% for the remainder of 2007.

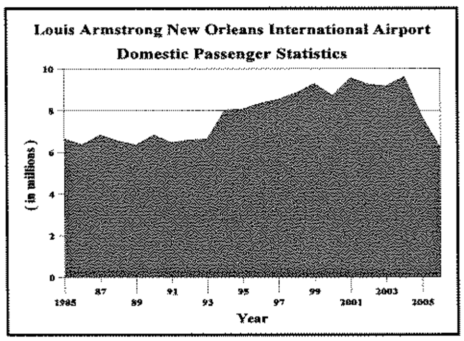
The Convention Center was planned and operated as part of the 1984 World Exposition and opened for convention activity in January, 1985. The Convention Center has accommodated major conventions and trade shows that have brought delegates, spouses and guests to New Orleans. The Convention Center underwent 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. The Convention Center Board of Commissioners has decided to postpone Phase IV construction plans in order to focus on making major improvements to Phase I improvements that would give New Orleans a competitive advantage in attracting executive conferences and corporate business events.

The Ernest N. Morial - New Orleans Exhibition Hall Authority borrowed approximately $28,284,267 under its cooperative endeavor agreement with the State of Louisiana under the State's Tax Credit Program.

**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 6.2 million in 2006. In 2004, the approximately 4,862,525 passengers were enplaned at the Airport. Enplanements drastically decreased in the final four months of calendar year 2005 following Hurricane Katrina, and only reached 3,904,366. 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. 2006 enplanements reached only 3,108,617. Through the first eight months of 2007, the total number of enplaned passengers equaled approximately 2,512,277, compared to approximately 1,988,398 and 3,455,649 during the same period in 2006 and 2005, respectively.

The Airport is currently served by the following domestic carriers: AirTran Airways; American Airlines; America Express Carriers; Continental and Continental Express; Delta Air Lines; ExpressJet; JetBlue; Northwest; Southwest; United; United Express; US Airways; and US Airways Express. Of these, Southwest accounts for approximately 25% 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 per month to 42 cities with approximately 21,000 seats. In September 2005, the Airport had 19 flights to 8 cities and 2,197 seats.

Domestic freight and mail is handled at the Airport by Continental; Delta; Delta Express; Northwest; Southwest; United; US Airways; DHL; Federal Express; UPS; and the US Postal Service. Air Cargo for 2004 totaled approximately 80,938.35 metric tons, compared to the approximately 46,014.25 metric tons that was handled in 2006.




The Airport's Board expects to issue its not exceeding [$88,200,000] Revenue Refunding Bonds (Passenger Facility Charge Projects) in November 2007, to refund $25,740,000 of its Revenue Refunding Bonds (Passenger Facility Charge Projects), Series 1992 A-1 (AMT) and Series 1992 A-2 (Non-AMT).

**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 his annual address on the status of the Port, the President of the Dock Board said the need is $750 million over the next 10 years to compete with other ports on the Gulf of Mexico. New funding would be used to improve cargo container facilities, rehabilitate some breakbulk wharfs and build new cruise facilities. Both container shipping and the number of cruise passengers are up 50% or more from the same time a year ago. The 490,000 passengers this year is still well below the record 750,000 for 2004, the last full year before Hurricane Katrina.

In the first five months of 2007, container cargo was almost up to pre-storm figures: 101,824 "20-foot equivalency units", compared to 107,604 in the first five months of 2005, and 65,103 in the same period of 2006.

The Port is scheduled to receive $30.5 million from the State of Louisiana, more than it has received for years, to renovate the Gov. Nicholls Street Wharf for use by New Orleans Cold Storage, a major poultry exporter. New Orleans Cold Storage is moving because the large vessels it uses can no longer get through the Mississippi River Gulf Outlet (the "MRGO"), in which Katrina dumped 14 feet of silt, reducing its depth to 22 feet. The Army Corps of Engineers has recommended closing the MRGO entirely to reduce wear on the surrounding marshes, which protect St. Bernard Parish from hurricane damage. The potential closure of the MRGO has resulted in one company, CG Railways, to Mobile, Alabama. In addition, Southern Scrap Material Co. And Bollinger Shipyards have also indicated that they would move some of their operations. In addition to its new terminal at France Road, Seaboard Marine Inc. of Miami, which bases three ships in New Orleans, plans a long-term lease of the Port's France Road Container Terminal, closed since Hurricane Katrina. Seaboard carries cargo to many smaller ports in Central America, so uses ships small enough to fit through the 84 year old lock on nearby Industrial Canal.

The Board of Commissioners of the Port of New Orleans borrowed approximately $14,364,960 under its cooperative endeavor agreement with the State of Louisiana under the State's Tax Credit Program.

Pursuant to the Community Disaster Loan Act of 2005, as amended and supplemented, the Board of Commissioners of the Port of New Orleans executed a promissory note in the principal amount of $7,549,106, to the Federal Emergency Management Agency ("FEMA"). The promissory note matures in 2011. At maturity, the Board of Commissioners of the Port of New Orleans may request an extension for another five years, and if extenuating circumstance exist and the recipient demonstrate an inability to repay, there could be an additional time period of ten years granted by FEMA.

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

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

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| GENERAL CARGO | | | | | |
| Container (Board-owned) | 2,831,167 | 3,050,508 | 3,165,964 | 2,565,879 | 2,344,186 |
| General Cargo (Non-container Board owned) | 4,231,049 | 3,473,312 | 4,918,106 | 4,035,504 | 5,753,085 |
| Total General Cargo (Board-owned) | 7,062,216 | 6,523,820 | 8,084,070 | 6,601,383 | 8,097,271 |
| General Cargo (Non-Board private facilities) | 2,562,968 | 1,412,903 | 2,296,048 | 1,172,614 | 1,283,180 |
| Total General Cargo | 9,625,184 | 7,936,723 | 10,380,118 | 7,773,997 | 9,380,451 |
| BULK CARGO | | | | | |
| Bulk (Board-owned) | 79,932 | 49,510 | 86,248 | 35,305 | 84,944 |
| Export Grain (Non-Board private facilities) | 9,023,540 | 7,871,755 | 8,052,320 | 6,689,888 | 8,621,478 |
| Other Bulk (Non-Board private facilities) | 15,210,744 | 13,972,914 | 12,913,825 | 10,713,396 | 11,353,731 |
| Total Bulk Cargo | 24,314,216 | 21,894,179 | 21,052,393 | 17,438,589 | 20,060,153 |
| TOTAL CARGO (Board-owned and non-private facilities) | 33,939,400 | 28,830,902 | 31,432,511 | 25,212,586 | 29,440,604 |
| Container Count in TEU's | 241,854 | 251,102 | 258,448 | 203,411 | 175,905 |
| Ship Calls | 1,967 | 1,773 | 1,904 | 1,500 | 1,682 |

Notes:
A short ton is equal to 2,000 pounds.
A TEU represents a twenty=foot equivalent unit.
Hurricane Katrina occurred in 2005.

Source: Board of Commissioners of the Port of New Orleans.

**Port of New Orleans**
**Leading Inbound/Outbound Cargoes**
**Calendar Years 2000 to 2004**
**--- (General Cargo Only) ---**
**(Short Tons)**

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| Inbound Cargo: | | | | | |
| Iron & Steel | 3,610,579 | 1,932,305 | 4,042,603 | 2,498,008 | 4,150,733 |
| Aluminum | 457,877 | 442,499 | 548,012 | 332,391 | 413,948 |
| Natural Rubber | 451,233 | 411,411 | 494,884 | 355,036 | 376,707 |
| Forest Products | 312,061 | 298,330 | 392,629 | 286,774 | 369,195 |
| Coffee | 250,189 | 266,174 | 252,582 | 195,776 | 209,042 |
| Outbound Cargo: | | | | | |
| Forest Products | 371,135 | 558,589 | 546,243 | 421,027 | 327,410 |
| Poultry | 190,094 | 237,535 | 274,671 | 192,636 | 187,692 |
| Rice | 123,682 | 184,098 | 211,574 | 174,226 | 123,535 |
| Pesticides | 30,967 | 85,485 | 122,735 | 85,836 | 66,561 |
| Grain and Flour Products | 95,922 | 102,394 | 115,138 | 41,221 | 42,940 |
| **Port-wide Container Units** | **159,827** | **164,711** | **169,304** | **133,928** | **120,313** |
| **PORT-WIDE TEUS** | **241,854** | **251,102** | **258,448** | **203,411** | **175,905** |

Source: Board of Commissioners of the Port of New Orleans.

# THE CITY

## City Government

The City was founded in 1718, incorporated in 1805, and is the largest populated city in 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 "E-Debt Statement").

The City has a Mayor-Council plan of government. The Mayor, 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.

**C. Ray Nagin, Mayor**, began his second term as Mayor of New Orleans in May, 2006. Born in 1956, Mr. Nagin received his B.S. degree in accounting from the Tuskegee University in 1978. His Masters of Business Administration degree was received from Tulane University in 1994. Mayor Nagin is the 51st mayor of New Orleans and the first mayor in nearly seven decades to serve without holding a previous elected office. He is the former Vice-President/General Manager of Southeast Louisiana cable system Cox Communications.

Mayor Nagin has served as a board member of the United Way and Covenant House, Chairman of the United Negro College Fund Walkathon fund-raising campaign and President of 100 Black Men of Metro New Orleans. He is the recipient of numerous awards and honors. He and his wife and three 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. The Charter provides that a person who has served as a council member representing a Council district for more than 1 ½ terms in two consecutive terms shall not be elected as a council member representing a Council district for the succeeding term, and a person who has served as a council member-at-large for more than 1 ½ terms in two consecutive terms shall not be elected as a council member-at-large for the succeeding term. 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.

Currently, one at-large member of the City Council is serving on a temporary basis for the member who resigned. An election has been called to fill on a permanent basis the term of the member who resigned.

**City Financial Management, Budgeting and Control**

The City's finances are overseen by the Chief Administrative Officer and the Director of Finance. The 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 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 Chief Administrative Office. 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, recording, 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. In March 2003, the City Council adopted an ordinance amending the City Charter which reassigned certain duties and responsibilities of the Department of Utilities, which was abolished, to the Departments of Finance, Safety and Permits, and Public Works.

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

**Brenda G. Hatfield, Chief Administrative Officer,** was named the Chief Administrative Officer for the City in July 2005. Ms. Hatfield was formerly the Mayor's executive assistant for intergovernmental affairs, and before that was director of governmental affairs for Cox Communications. A native of New Orleans, Ms. Hatfield has a master's degree in library science and earned a Ph.D. in education from Louisiana State University. After marrying Charles Hatfield, Jr., they lived in Washington, D.C. and Toronto, Ontario, Canada. Upon returning to New Orleans Ms. Hatfield was the director of instructional media, technology and communications in the New Orleans public school system, a position she held for 18 years before retiring in 1995, only to be hired by the Mayor when he was then general manager of Cox.

**Reginald E. Zeno, Director of Finance,** was appointed Director of Finance by the Mayor in May 2002. Mr. Zeno was previously employed for twenty years by the Orleans Parish School Board and served as its Budget Director and Interim Chief Financial Officer. He was employed for two years with the Regional Transit Authority as Budget Director, and, most recently, as Chief of Staff. Mr. Zeno holds a B. S. degree in Finance from the University of Louisiana at Lafayette and a Masters of Business Administration from Tulane University. Mr. Zeno is a native of New Orleans.

## Budgets

### *The Capital Budget and Program*

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

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

The City issued $25,000,000 of general obligation bonds in 2001, $34,000,000 of general obligation bonds in 2002, $41,700,000 of general obligation bonds in 2003, and $33,000,000 of general obligation bonds in 2004, and $16,300,000 of general obligation bonds in 2005, being the first, second, third, fourth, and fifth series of the total $150,000,000 authorized to be issued in the election held on November 7, 2000. In 2002, the City also issued $58,415,000 of general obligation refunding bonds for the purpose of refunding $56,130,000 of the City's then outstanding General Obligation Refunding Bonds, Series 1991, maturing September 1, 2021. In 2005, the City issued $105,280,000 of General Obligation Refunding Bonds, Series 2005 for the purpose of refunding certain maturities of the City's then outstanding General Obligation Refunding Bonds, Series 1995, and Public Improvement Bonds, Issue of 1998-A and Public Improvement Bonds, Issue of 1999. The City has a sum of $260,000,000 of bonds authorized to be issued in an election held in the City on November 2, 2004. The Bonds constitute the first emission of this authorization. Any general obligation bonds, other than refunding bonds, in addition to the $260,000,000 would require an election to be held to authorize their issuance.

*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 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 Chief Administrative Officer in accordance with a schedule prescribed by the 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 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 Chief Administrative Officer with respect to each request, an estimate of the receipts from each source of revenue and a statement of the total estimated income and total recommended expenditures for each operating fund.

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

A summary of the adopted City operating budget for the year ending December 31, 2007 appears at the conclusion of this Appendix. Included in Appendix D hereto is a summary of the City's capital budget by revenue source.

## 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 Comprehensive Annual Financial Report in conformance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

**Employee Relations**

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

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

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

Certain City employees from time to time stage "sickouts" and/or demonstrations protesting their salaries. The Service Employees International Union, Local 100, and the New Orleans Public Workers Council of the AFL-CIO are now recognized as the official bargaining agent for certain City employees. An election was held on October 11 and 12, 2001, for certain City employees to decide on a department-by-department basis whether their positions will be part of a collective bargaining unit. In February 2002, a three-year collective bargaining agreement covering seventeen departments and/or agencies and approximately 1,550 employees, excluding the Police, Fire and Finance Departments, and including such provisions that workers are not allowed to strike and compensation, layoff and promotion policies will remain under the control of the New Orleans Civil Service Commission, became the first labor contract between the City and its employees.

In 2005, in an effort to reduce operating expenses necessitated by declines in revenues, the City laid off approximately 2,440 employees representing 37.5% of the City's work force as a result of Hurricane Katrina.

**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, and in accordance with certain other conditions. Effective March 6, 1983, all members of the Old Police System, active and retired, except for approximately 250 participants who did not meet the eligibility requirements, became members of MPERS. The Old Police System remains responsible for the payment of certain benefits due to differences in length of service and age requirements for the participants who were not transferred to MPERS. The Employees' System covers all City employees other than firemen and policemen. All systems are funded on an actuarial basis except the Old Police System and the Old Fire System which are funded on a pay-as-you-go basis.

**Other Matters**

Act 380 of 2005 pertains to the Algiers Development District for the City of New Orleans (the "ADD") and designates it as a local redevelopment authority for federal military base realignment purposes. The ADD began to receive in January 2004 income from the Algiers Economic Development District No. 1, a tax increment-financing (TIF) district located in Algiers (the Fifteenth Ward of the City) on the west bank of the Mississippi River. The TIF district collects a portion of the sales and use taxes levied within its boundaries (primarily from a Wal-Mart store). Funds from this source and others were used to prepare the "Federal City" concept for the Base Realignment and Closure proceedings recently held by the U. S. Department of Defense. Future economic development projects will be largely dictated by the Naval Support Activity Base realignment or closure decisions. However, Act 380 authorized an ad valorem tax on all real property within the boundaries of the ADD after voter authorization. It expanded the debt issuing authority of the ADD, and increase the general obligation bond debt limit authority of the ADD from $50,000,000 to $200,000,000. Act 380 also authorized a "design-construct" process for the completion of public improvements by the ADD.

Act 467 of 2005 creates the Orleans Parish Juvenile Services Financing District with boundaries coterminous with the boundaries of Orleans Parish. The Act authorizes an ad valorem tax of up to ten mills, subject to voter approval, and authorized the issuance of general obligation bonds, subject to voter approval, for the purposes set forth in the Act.

Act 487 of 2005 creates and provides for the Greater New Orleans Biosciences Economic Development District (the "District"), comprising all of the territory located in Orleans Parish bounded by Earhart Blvd., Carrollton Ave., Loyola Ave., and Iberville St. The New Orleans medical and biosciences efforts employed approximately 24,000 persons in 2004 with average salaries well above the state average, and it receives considerable federal research and bioscience funding, in recognition of its historical excellence in health care and education. The District was created for the purpose of:

- facilitating the creation of high paying jobs by assisting the biomedical institutions and employees in the District with development of bioscience facilities and programs;
- acting to acquire and develop real estate needed to grow the academic research institutions within the District;
- receiving public and private funds for such purpose;
- assisting with increasing research and training dollars for institutions within the District;
- receiving public and private funds for such purpose;
- assisting with increasing research dollars for health-related research and training;
- increasing basic and clinical research and the health and bioscience workforce;
- working to bridge commercialization opportunities from research developed within the District;
- enhancing interdisciplinary biosciences; and
- acting as a link to private sector life sciences companies in the state, all with a view toward job growth in the District.

The District is authorized to issue debt; enter into an agreement with the City for funding; levy fees and charges; levy an ad valorem tax, subject to voter approval; create a biosciences development and job creation plan as set forth in the Act; and sets forth projects to be implemented under the plan.

**Operating Budget**

There follows an unaudited summary of the City's 2007 operating budget, as amended.

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PRELIMINARY BUDGET PROJECTION
REVISED 2007
THESE ESTIMATES ARE SUBJECT TO CHANGE
DATE: 07/15/2007

| DESCRIPTION | FY 2004 ACTUAL | FY 2005 UNAUDITED ACTUALS 6/15/07 | FY 2006 UNAUDITED ACTUALS 6/15/07 | FY 2007 BUDGETED Amended 12-14-06 |
|---|---|---|---|---|
| TAXES | | | | |
| PROPERTY TAXES | | | | |
| REAL ESTATE | $53,013,660 | $55,871,530 | $40,361,379 | $49,571,610 |
| PERSONAL PROPERTY | $21,996,942 | $20,873,336 | $18,198,293 | $17,585,369 |
| PENALTY AND INTEREST | $5,092,069 | $5,946,905 | $1,835,615 | $1,000,000 |
| TOTAL PROPERTY TAXES | $80,102,671 | $82,691,771 | $60,395,287 | $68,156,979 |
| SALES TAX | | | | |
| GENERAL SALES-USE TAX | $128,336,881 | $95,423,884 | $105,941,645 | $109,091,498 |
| MOTOR VEHICLE TAX | $10,573,380 | $11,903,841 | $11,753,575 | $5,865,000 |
| HOTEL/MOTEL TAX | $11,813,220 | $8,800,126 | $7,650,370 | $7,811,330 |
| TOTAL SALES TAX | $150,723,481 | $116,127,851 | $125,345,590 | $122,767,828 |
| TOTAL UTILITY | $10,817,870 | $8,326,329 | $7,284,809 | $6,591,572 |
| PARKING TAX | $3,517,055 | $2,175,086 | $2,317,548 | $1,993,958 |
| DOCUMENTARY TRANSACTION | $7,298,365 | $4,682,996 | $4,728,386 | $3,014,175 |
| TOTAL GAMING TAXES | $1,139,852 | $323,134 | $78,633 | $1,500,000 |
| TOTAL OTHER TAXES | $799,474 | $644,697 | $383,734 | $500,000 |
| **TOTAL TAXES** | **$254,398,768** | **$214,971,865** | **$200,533,987** | **$204,524,512** |

PRELIMINARY BUDGET PROJECTION
REVISED 2007
THESE ESTIMATES ARE SUBJECT TO CHANGE
DATE: 07/15/2007

| DESCRIPTION | FY 2004 ACTUAL | FY 2005 UNAUDITED ACTUALS 6/15/07 | FY 2006 UNAUDITED ACTUALS 6/15/07 | FY 2007 BUDGETED Amended 12-14-06 |
|---|---|---|---|---|
| **LICENSES & PERMITS** | | | | |
| OCCUPATIONAL LIC | $10,717,244 | $9,663,115 | $7,670,991 | $5,888,812 |
| FRANCHISE FEES | $41,286,594 | $35,293,141 | $32,496,953 | $24,711,183 |
| BUILDING PERMITS | $3,279,916 | $4,032,032 | $6,192,310 | $4,115,000 |
| ELECTRICAL AND MECHANICAL | $1,163,401 | $1,395,813 | $2,932,248 | $1,555,000 |
| MOTOR VEHICLES | $2,818,851 | $2,068,548 | $1,479,628 | $1,540,000 |
| BEVERAGE PERMITS | $1,868,832 | $1,288,971 | $1,315,035 | $1,136,736 |
| HEALTH | $341,598 | $5,190 | $25,960 | $15,000 |
| MAYORALITY PERMITS | $20,250 | $198,718 | $202,880 | $172,241 |
| OTHER LICENCES & PERMITS | $2,693,796 | $1,907,983 | $1,386,481 | $1,646,335 |
| **TOTAL LICENCES & PERMITS** | **$64,190,481** | **$55,853,491** | **$53,702,485** | **$40,780,307** |
| **INTERGOVERNMENTAL** | | | | |
| STATE REVENUE SHARING | $2,567,326 | $2,187,187 | $1,662,020 | $1,606,847 |
| PARISH TRANSPORTATION | $3,819,808 | $4,048,907 | $3,800,867 | $4,357,503 |
| OTHER INTERGOVERNMENTAL | $8,571,639 | $6,291,206 | $3,125,376 | $3,182,500 |
| **TOTAL INTERGOVERNMENTAL** | **$14,958,773** | **$12,527,300** | **$8,588,263** | **$9,146,850** |

PRELIMINARY BUDGET PROJECTION
REVISED 2007
THESE ESTIMATES ARE SUBJECT TO CHANGE
DATE: 07/15/2007

| DESCRIPTION | FY 2004 ACTUAL | FY 2005 UNAUDITED ACTUALS 6/15/07 | FY 2006 UNAUDITED ACTUALS 6/15/07 | FY 2007 BUDGETED Amended 12-14-06 |
|---|---|---|---|---|
| **CHARGES FOR SERVICES** | | | | |
| HEALTH FEES | $6,655,512 | $4,520,502 | $2,498,447 | $4,007,000 |
| PARKING METERS | $3,437,856 | $1,998,968 | $1,422,406 | $3,120,000 |
| SANITATION SERVICE CHARGE | $24,149,183 | $17,351,080 | $11,824,956 | $13,898,769 |
| TAX COLLECTION SERVICE | $2,538,960 | $1,867,300 | $7,732,950 | $6,840,924 |
| INDIRECT COSTS | $1,550,657 | $2,111,246 | $1,614,376 | $1,000,000 |
| UTILITY REGULATORY FEES | $6,592,716 | $3,087,367 | $1,176,574 | $5,900,000 |
| TOWING AND BOOTING | $1,110,815 | $540,902 | $777,645 | $900,000 |
| OTHER CHARGES FOR SERVICES | $6,086,349 | $4,630,561 | $4,110,817 | $3,448,360 |
| **TOTAL CHARGES FOR SERVICES** | **$52,122,048** | **$36,107,926** | **$31,158,171** | **$39,115,053** |
| **FINES & FORFEITS** | | | | |
| TRAFFIC FINES | $4,778,846 | $6,481,035 | $1,532,366 | $3,000,000 |
| PARKING METER FINES | $11,207,489 | $5,903,912 | $4,957,488 | $6,750,000 |
| OTHER FINES & FORFEITS | $454,651 | $320,865 | $222,705 | $200,000 |
| **TOTAL FINES & FORFEITS** | **$16,440,986** | **$12,705,811** | **$6,712,560** | **$9,950,000** |
| **INTEREST INCOME** | | | | |
| INTEREST-OPERATING FUNDS | $2,132,265 | $3,341,512 | $7,903,209 | $3,711,571 |
| INTEREST - CAPITAL FUNDS | $1,319,538 | $4,639,317 | $6,175,050 | $5,887,266 |
| **TOTAL INTEREST INCOME** | **$3,451,803** | **$7,980,828** | **$14,078,258** | **$9,598,837** |

PRELIMINARY BUDGET PROJECTION
REVISED 2007
THESE ESTIMATES ARE SUBJECT TO CHANGE
DATE: 07/15/2007

| DESCRIPTION | FY 2004 ACTUAL | FY 2005 UNAUDITED ACTUALS 6/15/07 | FY 2006 UNAUDITED ACTUALS 6/15/07 | FY 2007 BUDGETED Amended 12-14-06 |
|---|---|---|---|---|
| **MISCELLANEOUS REVENUES** | | | | |
| GAMING REVENUES | $16,487,042 | $14,106,661 | $13,800,000 | $15,800,000 |
| OTHER MISCELLANEOUS REVENUES | $57,162,730 | $51,463,503 | $5,272,290 | $4,885,963 |
| **TOTAL MISCELLANEOUS REVENUES** | **$73,649,772** | **$65,570,165** | **$19,072,290** | **$20,685,963** |
| **GENERAL FUND RECURRING REVENUE** | **$479,212,632** | **$405,717,386** | **$333,846,015** | **$333,801,522** |
| CDL DRAW DOWN | | $61,396,116 | $58,603,884 | |
| GO ZONE PAYMENTS | | | $10,120,474 | $21,345,239 |
| **TOTAL GENERAL FUND REVENUE** | **$479,212,632** | **$467,113,502** | **$402,570,373** | **$355,146,761** |
| CDL DRAW DOWN: PHASE II | | | $17,610,000 | $49,254,000 |
| **TOTAL GENERAL FUND REVENUE** | **$479,212,632** | **$467,113,502** | **$420,180,373** | **$404,400,761** |
| EXPENDITURES | | | | |
| PERSONNEL | | $225,978,218 | $191,161,848 | $209,145,271 |
| OTHER | | $162,075,961 | $141,052,369 | $159,312,110 |
| DEBT SERVICE | | $35,334,699 | $39,100,868 | $43,170,752 |
| **TOTAL EXPENDITURES** | | **$423,388,877** | **$371,315,085** | **$411,628,133** |
| EXCESS (DEFICIENCY) OF REVENUES | | **$43,724,625** | **$48,865,287** | **($7,227,372)** |
| AVAILABLE FUND BALANCE | | **$4,203,681** | $47,928,306 | $96,793,593 |
| USE OF PRIOR YEAR FUND BALANCE | | | | $7,227,372 |
| ENDING FUND BALANCE | | $47,928,306 | $96,793,593 | $89,566,221 |
| RESERVED | | $23,743,143 | $78,165,171 | $70,937,799 |
| UNRESERVED | | $24,185,163 | $18,628,422 | $18,628,422 |

CITY OF NEW ORLEANS
2007 CURRENT GENERAL FUND BUDGETS AS OF 9/17/2007 DRAFT

| | | 2007 ADOPTED | 2007 GEN. FUND ADDITIONS | 2007 MODIFIED BUDGET |
|---|---|---|---|---|
| 200 | COUNCIL | 13,685,644 | 1,500,000 | 15,185,644 |
| 210 | MAYOR | 8,831,639 | 4,935,502 | 13,767,141 |
| 220 | CAO | 43,974,471 | 12,600,000 | 56,574,471 |
| 230 | LAW | 7,773,225 | 3,024,406 | 10,797,631 |
| 250 | FIRE | 48,385,207 | 450,000 | 48,835,207 |
| 260 | SAFETY & PERMITS | 3,607,470 | 572,739 | 4,180,209 |
| 270 | POLICE | 102,586,074 | | 102,586,074 |
| 300 | SANITATION | 36,316,655 | | 36,316,655 |
| 360 | HEALTH | 9,111,866 | 981,580 | 10,093,446 |
| 380 | HUMAN SERVICES | 813,378 | | 813,378 |
| 400 | FINANCE | 51,973,807 | | 51,973,807 |
| 450 | PROP MGMT | 6,105,509 | | 6,105,509 |
| 480 | CIVIL SERVICE | 1,132,765 | | 1,132,765 |
| 500 | PUBLIC WORKS | 11,885,323 | 1,100,000 | 12,985,323 |
| 580 | RECREATION | 2,426,278 | 500,000 | 2,926,278 |
| 620 | PARKWAYS | 4,026,695 | 530,755 | 4,557,450 |
| 630 | LIBRARY | 0 | 855,912 | 855,912 |
| 640 | HDLC | 457,459 | | 457,459 |
| 650 | VCC | 368,204 | | 368,204 |
| 655 | ACHL CTRL BD. | 1,500 | | 1,500 |
| 670 | CPC | 1,505,407 | | 1,505,407 |
| 685 | MOSQUITO CTRL | 2,043,280 | | 2,043,280 |
| 689 | NOMA | 104,364 | | 104,364 |

| | | ADOPTED | GEN. FUND | MODIFIED |
|---|---|---|---|---|
| 700 | RESERVE PAY | 0 | | 0 |
| 700 | RESERVE HOSP | 4,500,000 | | 4,500,000 |
| 700 | RESERVE W/C | 3,000,000 | | 3,000,000 |
| 700 | SUMMER YOUTH | 500,000 | 558,058 | 1,058,058 |
| 700 | CIVIC AFFAIRS | 150,000 | | 150,000 |
| 700 | MUN PARTICIPATION | 3,034,510 | | 3,034,510 |
| 700 | TIFS | 2,747,129 | | 2,747,129 |
| 700 | CITY DUES | 283,000 | | 283,000 |
| 710 | OIG | 250,000 | | 250,000 |
| 810 | DIST ATTORNEY | 2,946,131 | 220,000 | 3,166,131 |
| 820 | CORONER | 1,399,428 | | 1,399,428 |
| 830 | JUVENILE | 1,577,802 | | 1,577,802 |
| 832 | CITY COURT | 6,000 | | 6,000 |
| 834 | CIVIL COURT | 14,400 | | 14,400 |
| 835 | MUNICIPAL | 1,073,968 | | 1,073,968 |
| 836 | TRAFFIC | 970,035 | | 970,035 |
| 837 | CRIM. DIST. COURT | 2,008,709 | | 2,008,709 |
| 850 | CRIM SHERRIF | 27,406,055 | | 27,406,055 |
| 860 | CLK CRIM. DIST. CT | 2,177,816 | | 2,177,816 |
| 870 | REGISTRAR | 306,350 | 59,000 | 365,350 |
| 880 | JUD. RETIREMENT | 160,580 | | 160,580 |
| | | | | 0 |
| | **TOTALS** | **411,628,133** | **27,887,952** | **439,516,085** |

APPENDIX "C"

# ANNUAL FINANCIAL STATEMENTS

# OF THE

# CITY OF NEW ORLEANS, LOUISIANA

# FOR THE YEAR ENDED

# DECEMBER 31, 2005

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# CITY OF NEW ORLEANS, LOUISIANA

Basic Financial Statements

December 31, 2005

(With Independent Auditors' Report Thereon)



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KPMG LLP
Suite 2900
909 Poydras Street
New Orleans, LA 70112

**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, 2005, 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 Downtown Development District of the City of New Orleans, the New Orleans Tourism Marketing Corporation, the Orleans Parish Communication District, the Audubon Commission, the Sewerage and Water Board of New Orleans, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, and the Canal Street Development Corporation, which represent 78% and 74%, respectively, of the assets and revenues of the aggregate discretely presented component units; the Firefighters' Pension and Relief Fund of the City of New Orleans (old and new systems), the Police Pension Fund of the City of New Orleans, and the Employees' Retirement System of the City of New Orleans, which represent 86% of the assets and 51% of the additions and revenues of the aggregate remaining fund information; and the Board of Liquidation, City Debt, which is a major fund and 2% 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 Downtown Development District of the City of New Orleans, the New Orleans Tourism Marketing Corporation, the Orleans Parish Communication District, the Audubon Commission, the Sewerage and Water Board of New Orleans, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, the Canal Street Development Corporation, 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.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Orleans, Louisiana, as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the basic financial statements, on August 29, 2005 Hurricane Katrina struck the United States' gulf coast and caused destruction across the City and the states of Louisiana, Mississippi, and Alabama. The storm and related flooding had a significant financial impact on the City in 2005 and will have continuing effects in future years as described in notes 2 and 13 to the basic financial statements.

As discussed in note 1 to the basic financial statements, during 2005, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

In accordance with *Government Auditing Standards*, we have issued our report dated July 26, 2007 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 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.

The accompanying management's discussion and analysis, budgetary comparison schedule, and schedules of funding progress are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

New Orleans, Louisiana
July 26, 2007



CITY OF NEW ORLEANS, LOUISIANA

Management's Discussion and Analysis

December 31, 2005

### Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the City of New Orleans, Louisiana's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the City's financial statements and the notes to the financial statements. The reader should keep in mind that many of the variances reported in the City's financial statements are a result of the City being struck by Hurricane Katrina. On August 29, 2005, Hurricane Katrina struck the United States' gulf coast and caused destruction across the City and the states of Louisiana, Mississippi, and Alabama. Hurricane Katrina's tidal surges and the resulting levee breaches left eighty percent of the City under water. Ninety percent of the City's residents left under mandatory evacuation orders. The City suffered losses to buildings, police cars, fire trucks, parks, and other City-owned properties and equipment. Hurricane Katrina also devastated the City's economy, primarily the tourism and convention industries, and negatively impacted tax collections. Grants from the federal and state governments as well as a Community Disaster Loan (CDL) from the federal government enabled the City to continue to serve returning citizens.

### Financial Highlights

- The City's total net assets on the government-wide basis totaled $235.1 million at December 31, 2005; total assets exceeded $1.7 billion.
- The Government-wide Statement of Activities reported a decrease in net assets of $72 million. General Fund tax revenues decreased by $43.8 million in 2005 as compared to 2004.
- The General Fund reported an excess of revenues and other financing sources over expenses of $13.7 million for a total ending fund balance at December 31, 2005 of $46.3 million. The General Fund undesignated fund balance at December 31, 2005 is $18.5 million.
- Total Governmental Funds reported an excess of revenues and other financing sources over expenses of $15.1 million.
- Total cash and investments of Governmental Funds amounted to $306.5 million at December 31, 2005, an increase of $41.3 million over the beginning of the year total.
- Total bonded debt amounted to $664 million, an increase of $22.9 million over the beginning of the year total.
- In November 2004, the City received approval of the taxpayers to issue $260 million general obligation bonds.

### 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 financial statements. This report also contains other 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.

The statement of activities presents information showing how the City's net assets changed during the year ended December 31, 2005. 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 a 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 74 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 six major funds: the General Fund, the Department of Housing and Urban Development (HUD) fund, the Federal Urban Development Action Grant (UDAG) fund, the Federal Emergency Management Agency (FEMA) fund, the debt service fund and the capital projects fund. Data from the other governmental funds are combined under the heading, "Nonmajor Governmental Funds."

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





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

**Notes to the 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 present information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

**Government-Wide Financial Analysis**

As noted above, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets exceeded liabilities by $235.1 million at December 31, 2005.

Net Assets
December 31, 2005 and 2004
(In thousands)

| | | 2005 | 2004 |
|---|---|---|---|
| Governmental activities: | | | |
| Current and other assets | $ | 484,991 | 402,328 |
| Capital assets | | 1,299,160 | 1,465,693 |
| Total assets | | 1,784,151 | 1,868,021 |
| Long-term liabilities | | 1,402,814 | 1,354,842 |
| Other liabilities | | 146,206 | 206,069 |
| Total liabilities | | 1,549,020 | 1,560,911 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 678,766 | 817,046 |
| Restricted | | 32,495 | 33,062 |
| Unrestricted (deficit) | | (476,130) | (542,998) |
| Total net assets | $ | 235,131 | 307,110 |

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 used to acquire those assets that is still outstanding in the amount of $678.8 million at December 31, 2005. 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 $32.5 million at December 31, 2005 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 $476.1 million is due to the City's recording of long-term obligations including claims and judgments liabilities and accrued annual and sick leave. The unrestricted deficit decreased by $66.9 million, which is primarily due to a decrease in claims and judgments and the change in the prepaid pension asset.

**Governmental Activities**

Governmental activities decreased the City's net assets by $72 million. Key elements of this decrease are as follows (amounts reported in thousands):

| | | 2005 | 2004 |
|---|---|---|---|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | $ | 87,810 | 115,935 |
| Operating grants and contributions | | 222,175 | 93,926 |
| Capital grants and contributions | | 12,728 | 15,478 |
| General revenues: | | | |
| Property taxes | | 160,130 | 146,065 |
| Sales taxes | | 116,339 | 153,851 |
| Other taxes | | 46,226 | 56,222 |
| Gain on impairment | | 5,542 | — |
| Investment earnings | | 11,133 | 3,803 |
| Miscellaneous | | 17,232 | 21,355 |
| Total revenues | | 679,315 | 606,635 |
| Expenses: | | | |
| General government | | 212,551 | 332,685 |
| Public safety | | 249,423 | 195,470 |
| Public works | | 144,465 | 123,926 |
| Health and human services | | 22,368 | 20,836 |
| Culture and recreation | | 22,627 | 25,119 |
| Urban development and housing | | 28,330 | 23,760 |
| Economic development and assistance | | 13,731 | 15,149 |
| Interest and fiscal changes | | 57,799 | 57,977 |
| Total expenses | | 751,294 | 794,922 |
| Decrease in net assets | | (71,979) | (188,287) |
| Net assets, beginning of year | | 307,110 | 495,397 |
| Net assets, ending of year | $ | 235,131 | 307,110 |





Total revenue increased by $72.7 million or 12% from $606.6 million in 2004 to $679.3 million in 2005. Operating grants increased due to additional FEMA funding of $136.8 million. This increase was partially offset by decreases in taxes, license and permits, and charges for services as a result of the impact of Hurricane Katrina as further discussed below.

Property tax collections increased from $146.1 million in 2004 to $160.1 million in 2005, an increase of $14.1 million or 9.6%. Real estate property taxes were assessed in January 2005 and a majority was collected in the first half of the year. Hurricane Katrina did impact the collection of delinquent real estate property taxes and automobile personal property taxes, which were not billed in 2005. Sales taxes decreased $37.5 million or 24.4%. Sales taxes have been the largest source of revenue for the City. As a result of Hurricane Katrina, all normal commerce ceased, and sales tax collections on retail activity, hotel rooms, and auto sales decreased throughout the region. Finally, the City recorded $38.3 million of insurance proceeds, which offset an impairment loss of $32.8 million, resulting in a $5.5 million net gain on impairment.

Total expenses decreased $43.6 million or 5.5% from $794.9 million in 2004 to $751.3 million in 2005. General government expense decreased $120.1 million or 36.1% from $332.7 million to $212.6 million principally due to the decrease in the general liability and police excessive force liability of $112.1 million. Public safety expense increased $54 million or 27.6% from $195.5 million in 2004 to $249.4 million in 2005 due to an increase in police and fire department personnel hours worked during the response to Hurricane Katrina, as well as additional pension expense and increase in salaries. Public works expense increased $20.5 million or 16.6% from $123.9 in 2004 to $144.5 million in 2005. Public works expense activity after the storm was reduced as the federal government was responsible for debris removal; however, as a result of an extensive analysis of construction in progress and capital asset balances, $14.1 million was expensed as additional depreciation during 2005. Finally, urban development and housing expense increased $4.5 million or 18.99% from $23.8 million to $28.3 million due to an increase in the allowance for uncollectible grantee loans.

**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 expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, the City's governmental funds reported a combined ending fund balance of $281.9 million, an increase of $15.1 million when compared to the prior year. Approximately 13.9% of this total amount ($39.1 million) constitutes unreserved-undesignated fund balance, which is available for spending at the government's discretion. The unreserved-designated fund balance in the amount of $133.1 million indicates that it is not available for new spending because it has already been designated for expenditure by the City in future years. The reserved fund balance in the amount of $109.7 million is primarily reserved to pay debt service ($32.5 million), for grantee loans ($12.7 million) and to liquidate contracts and purchase orders of the prior period ($64.5 million), and other receivables ($3.1 million).

**General Fund**

The General Fund is the chief operating fund of the City. At December 31, 2005, total fund balance reached $46.3 million.

The fund balance of the City's General Fund increased by $13.7 million compared to the 2004 increase of $11.3 million. Key factors in this increase are as follows:

- Total revenues and other financing sources for the General Fund decreased by $34.7 million or 7.1% compared to 2004. All revenue sources experienced decreases, other than interest income and intergovernmental revenue, due to the impact of Hurricane Katrina.

- Taxes decreased by $43.8 million or 16.5% as compared to 2004. This decrease was primarily due to lost sales, utility, and gaming taxes during the latter part of the year. The stoppage of normal commercial activities limited the generation of these taxes after Hurricane Katrina as hotel/motel taxes are influenced by the tourism and convention industry.

- Licenses and permits revenue decreased $11.1 million or 17.2% as compared to 2004. Franchise fees for the utility company were impacted by absence of normal commercial and residential activity. The last quarter collection for alcohol beverage permits and taxi cab licenses were greatly impacted by the storm.

- Charges for services decreased by $18.2 million or 34.8% as compared to 2004. Sanitation service charges were impacted by the destruction of residential property, which made collection more difficult. Parking meter revenue was also down due to the loss of commercial activity.

- Other financing sources totaled $89.1 million in 2005 representing a $48.3 million or 118.1% increase in comparison to 2004. The primary source of this additional funding was a $61.4 million CDL from the federal government to assist the City in the aftermath of storm. In addition, transfers-in increased $11.9 million from $15.5 million in 2004 to $27.4 million in 2005 due to a payment from the federal government for equipment usage received in the FEMA fund and transferred to the General Fund.

- Expenditures decreased to $438.1 million as compared to $475.2 million in 2004, a 7.8% decrease. The overall decrease of approximately $45.2 million is due in part to the lay-off of 2,440 employees, representing 37.5% of the City's workforce. These layoffs were a direct result of the storm and the loss of revenues. In addition, normal operating expenses declined. The federal government paid a portion of the Hurricane Katrina-related incremental payroll expense, representing overtime for emergency workers, including police, fire, and emergency services. These overtime payroll expenses are reflected in the FEMA fund. These decreases were offset by an increase of $8.6 million of unemployment costs and $5.6 million of terminal leave accrued at year-end for the layoff of employees.



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The accompanying table shows the amount (in thousands) of General Fund revenues by source for 2005 and 2004.

| Revenues and other financing sources | 2005 actual | Percent of total | Increase (decrease) over 2004 | 2004 actual | Percent of total |
|---|---|---|---|---|---|
| Taxes | $ 221,044 | 48.92% | $ (43,763) | 264,807 | 54.43% |
| Licenses and permits | 53,129 | 11.76 | (11,061) | 64,190 | 13.19 |
| Intergovernmental | 21,253 | 4.70 | 6,264 | 14,989 | 3.08 |
| Charges for services | 34,150 | 7.56 | (18,228) | 52,378 | 10.77 |
| Fines and forfeits | 11,131 | 2.46 | (6,671) | 17,802 | 3.66 |
| Interest income | 7,981 | 1.77 | 4,529 | 3,452 | 0.71 |
| Contributions, gifts, and donations | 2,711 | 0.60 | (9,073) | 11,784 | 2.42 |
| Miscellaneous | 11,340 | 2.51 | (4,918) | 16,258 | 3.34 |
| Other financing sources (uses) net | 89,129 | 19.72 | 48,271 | 40,858 | 8.40 |
| | $ 451,868 | 100.00% | $ (34,650) | 486,518 | 100.00% |

### HUD Fund

This special revenue fund is used to account for funding from the 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). Revenue and expenditures decreased $6.3 million from $25.8 million to $19.5 million due to lower expenditures in the last quarter of the year due to the effects of the storm.

### Federal UDAG Fund

The Federal UDAG special revenue fund accounts for grants received from the HUD for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Expenditures increased $10.7 million from $1.9 million to $12.6 million due to recording an additional allowance for uncollectible loans.

### FEMA Fund

The FEMA fund is a newly created major fund that primarily accounts for grants received as a result of Hurricane Katrina 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. In 2005, the City received a grant in the amount of $102 million to assist the City in recovering from the damage suffered as a result of Hurricane Katrina. Additional grants were received in 2006 to cover expenses resulting from effects of Hurricane Katrina. The FEMA grants are reimbursement basis grants where expenditures and related revenues have been accrued. The deficit in the FEMA fund at December 31, 2005 of $13 million results from revenue that has been deferred and will be collected by the City in 2007. Revenue amounted to $136.8 million in 2005 while expenditures and transfers-out totaled $149.9 million.

### Debt Service Fund

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

$32.5 million at December 31, 2005, which was a $0.6 million decrease from the prior year balance of $33.1 million.

**Capital Projects Funds**

The Capital Projects fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities and other repair and maintenance projects, other than those accounted for in the component units. Expenditures for capital projects in 2005 totaled $45.3 million, a decrease of $12.9 million compared to the 2004. This reduction was due principally because of the curtailment of major projects during the four months after Hurricane Katrina.

**General Fund Budgetary Highlights**

Variances between the General Fund's original budget and the final budget include increases in the projected revenues, expenditures, and other financing sources. The original budget compared to the 2004 budget included small increases in taxes, fines, and forfeits, and miscellaneous revenues. Decreases were expected in intergovernmental revenues, licenses and permits, charges for services, and net other financing sources. The revised 2005 budget for revenues and other financing sources was 3.7% greater than the 2004 budget and 2005 budget for other financing sources 82.90% more than 2004 budget.

The variances between the 2005 revised budget and the actual were caused in large part by the impact of Hurricane Katrina. As discussed above, all revenue sources, other than interest income and contributions and gifts, were lower than expected.

The City's projected revenue collections were reduced during the four remaining months of the year after Hurricane Katrina. The City laid off 37.5% of its workforce. Other than debt service payments, the City reduced all expenditures below budgeted amounts. Federal and state grants and the CDL increased the City's other financing sources by 207%.

| | | Budget | Actual | Variance favorable (unfavorable) |
|---|---|---|---|---|
| Taxes | $ | 268,574 | 224,191 | (44,383) |
| Licenses and permits | | 63,876 | 55,853 | (8,023) |
| Intergovernmental | | 13,210 | 12,527 | (683) |
| Charges for services | | 54,070 | 36,368 | (17,702) |
| Fines and forfeits | | 18,239 | 12,568 | (5,671) |
| Interest income | | 7,140 | 7,981 | 841 |
| Contributions, gifts, and donations | | 135 | 2,712 | 2,577 |
| Miscellaneous | | 20,178 | 12,608 | (7,570) |
| Total | $ | 445,422 | 364,808 | (80,614) |
| Expenditures | $ | 481,629 | 429,731 | 51,898 |
| Other financing sources (uses), net | | 36,207 | 111,300 | 75,093 |



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**Capital Assets**

Capital assets at December 31, 2005 and 2004 are as follows (net of depreciation):

| | | 2005 | 2004 |
|---|---|---|---|
| Land | $ | 103,522 | 103,372 |
| Construction in progress | | 58,238 | 236,837 |
| Buildings, improvements, and equipment | | 130,064 | 140,473 |
| Other | | 15,455 | 2,384 |
| Infrastructure assets | | 991,881 | 982,627 |
| | $ | 1,299,160 | 1,465,693 |

Hurricane Katrina caused physical damage from the flooding 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. The City evaluated its capital assets in accordance with Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and realized a loss from impairment of $32.8 million. The City had purchased commercial insurance to cover its risk of loss from destruction of assets and under these policies realized $38.3 million of insurance recoveries in 2005. In 2005, $3 million was received and $35.3 million has been recorded as other receivables in the accompanying statement of net assets. Accordingly, the City has recorded a net gain on impairment of $5.5 million in the accompanying statement of activities.

In 2005, the City recorded one-time adjustments to the balance of capital assets. In response to Hurricane Katrina, the City evaluated its capital assets records, including construction in progress, and identified $70.3 million that should have been expensed. In addition, the City identified certain balances in construction in progress that should have been transferred to a depreciable asset prior to January 1, 2005. As a result, the City recorded an additional $14.1 million as depreciation expense in 2005.

**Debt Administration**

Outstanding general obligation bonds at December 31, 2005 totaled $631 million, all of which are considered to be net, direct-tax supported debt. There are no special assessment bonds outstanding.

**Outstanding Debt**

| | | 2005 | 2004 |
|---|---|---|---|
| General obligation bonds | $ | 631,024 | 637,285 |
| Limited tax bonds | | 33,000 | 3,840 |
| Revenue bonds | | 161,205 | 166,260 |
| | | 825,229 | 807,385 |
| Certificates of indebtedness | | 139,424 | 150,092 |
| Notes payable (CDL loan) | | 61,396 | — |
| Section 108 HUD loans | | 36,157 | 37,875 |
| | $ | 1,062,206 | 995,352 |

The following is a summary of debt transactions:

| | | |
|---|---|---|
| Balance at January 1, 2005 | $ | 995,352 |
| New issues | | 218,026 |
| Payments | | (151,172) |
| Balance, December 31, 2005 | $ | 1,062,206 |

During 2005, the City issued the following bonds or certificates of indebtedness:

- $105.3 million of General Obligation Refunding Bonds for the purpose of currently refunding $57.4 million of the General Obligation Refunding Bonds, Series 1995 and for the purpose of advance refunding $26.4 million and $27 million of the Public Improvement Bonds, Issue of 1998-A and Public Improvement Bonds, Issue of 1999, respectively.
- $33 million of Limited Tax Bonds for the purpose of making capital improvements and purchasing heavy equipment for the City.
- $16.3 million of Public Improvement Bonds for the purpose of acquisition, construction, improvements, and renovation of public buildings and facilities.
- $2.1 million of Certificates of Indebtedness for the purpose of paying costs to repair trackage for rail car storage and to make infrastructure improvements in connection with the CG Rail Project.

In November 2004, the taxpayers approved $260 million in general obligation bonds. No amounts have been issued to date. In addition, the City entered into a CDL with the FEMA to assist in paying current operations as a result of Hurricane Katrina. The City is authorized to draw down $120 million. As of December 31, 2005, the City has drawn down $61.4 million. The City has pledged as collateral future revenues from anticipated taxes.







The Louisiana Legislature, by Act No. 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 No. 1, the City's debt limit, based on the most recent assessed valuations, is $875.3 million as of December 31, 2005. At December 31, 2005, the City's legal debt margin (after the reduction for outstanding general obligation bonds and Limited Tax Bonds totaling $526.7 million less $32.5 million available in debt service funds) was $381.1 million.

As of the end of 2005, the City's general obligation bonds were rated "Ba1" noninvestment grade by Moody's Investors Service and "B" noninvestment grade by Standard & Poor's Corporation. However, on May 1, 2007, Moody's Investors Service upgraded the City's general obligation bond rating to "Baa3" investment grade.

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

The historic culture of New Orleans has in the past attracted visitors from every part of the globe. Hurricane Katrina, the worst national disaster in the history of the United States, devastated the City and the surrounding gulf coast. Property values, public facilities, tourism, and the morale of the City's citizens have all suffered greatly.

The City's General Fund budget for revenues and other financing sources equaled expenditures and totaled $483.5 million for 2005. Actual total revenue for 2005 was $364.8 million, a deficit of $80.6 million. The City's administration, in accordance with its obligation to act in a fiscally responsible manner in light of the impact of Hurricane Katrina, was forced to lay off 37.5% of its workforce. In order to ensure the safety of its citizens and visitors, all police and fire personnel were retained.

The 2006 revenue budget was reduced due to anticipated reductions in all revenue categories resulting from the reduction in the City's population. The expenditure budget was reduced in anticipation of decreased personnel costs from to the termination of approximately 2,400 employees. The revenue budget was increased in 2007 as a result of anticipated increase in the City's population and increased tax collections.

The following table presents an adopted budget comparison for 2005, 2006, and 2007 of the General Fund (amounts in thousands):

| | | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| Revenues and other financing sources | $ | 415,989 | 329,475 | 483,454 |
| Expenditures | | 415,989 | 329,475 | 483,454 |

In the first quarter of 2006, the City drew the remaining balance of $58.6 million from the original $120 million CDL. In 2006, the City also received authorization for a second CDL from FEMA for $120 million. The City drew $17.6 million in December 2006. The City plans to draw down the remaining balance over the course of the next four years.

In 2006, the State of Louisiana authorized the City to borrow through the Gulf Opportunity Zone Program $52.2 million to defray the cost of debt service in the General Fund for the years 2006 through 2009. Through July 2007, the City has borrowed $19.6 million under this program.

The City's revenues have been reduced as a result of the storm and the City has reduced related expenditures. Federal and state grants, as well as loans, have been used to pay hurricane-related expenses and to make up for the reduction in local revenue. The City will continue to be dependent on these finding sources until the City's revenues increase to cover all operating expenses.

The City is a leader in hosting large-scale events. The City's Mardi Gras celebration, the Jazz & Heritage Festival, Bayou Classic, and summer Essence Festival were annual attractions drawing millions of visitors and were major parts of the City's tourism industry prior to Hurricane Katrina.

With aid from the state and federal governments, the City is on the road to recovery. Mardi Gras, although somewhat diminished, and the Jazz & Heritage Festival, larger than ever, continued in 2006. The New Orleans Saints, Sugar Bowl, and Bayou Classic Football Games returned in 2006 after a 2005 absence. The Essence Festival returned in 2007 after a 2006 absence. The Arena Football Championship game will be played at the renovated New Orleans Arena. Additionally, the City is scheduled to host the Bowl Championship Series football national championship game in January 2008 and has been selected to host the National Basketball Association All-Star Game in February 2008.

The City is rebuilding and our citizens are rebuilding their homes.

**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.





Statement of Net Assets

December 31, 2005

(Amounts in thousands)

| Assets | | Primary government Governmental activities | Component units |
|---|---|---|---|
| Cash and cash equivalents | $ | 17,030 | 34,456 |
| Investments | | 289,447 | 29,783 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes | | 25,249 | 7,409 |
| Accounts | | 10,323 | 27,607 |
| Interest | | 1,406 | 1,174 |
| Grantee loans | | 12,658 | — |
| Insurance | | 35,313 | — |
| Other | | — | 4,069 |
| Due from component units | | 2,864 | — |
| Due from other governments | | 81,971 | 40,993 |
| Other assets | | 2,907 | 28,013 |
| Restricted investments | | — | 384,980 |
| Prepaid pension asset | | 5,823 | — |
| Capital assets (net of accumulated depreciation) | | 1,299,160 | 1,926,115 |
| Total assets | | 1,784,151 | 2,484,599 |
| **Liabilities** | | | |
| Accounts payable | | 113,406 | 86,168 |
| Retainages payable | | — | 2,540 |
| Accrued expenses | | 22,431 | 51,386 |
| Accrued interest payable | | 6,769 | 3,739 |
| Due to component units | | 822 | — |
| Due to other governments | | 2,778 | 2,776 |
| Unearned revenue | | — | 127 |
| Liabilities payable from restricted assets | | — | 14,268 |
| Noncurrent liabilities due within one year | | 38,532 | 163,471 |
| Noncurrent liabilities due in more than one year | | 1,364,282 | 528,102 |
| Total liabilities | | 1,549,020 | 852,577 |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | | 678,766 | 1,447,981 |
| Restricted for debt service | | 32,495 | 38,583 |
| Restricted for capital improvements | | — | 93,566 |
| Unrestricted (deficit) | | (476,130) | 51,892 |
| Total net assets | $ | 235,131 | 1,632,022 |

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Activities

Year ended December 31, 2005

(Amounts in thousands)

| Functions/programs | Expenses | Program revenues: Charges for services | Program revenues: Operating grants and contributions | Program revenues: Capital grants and contributions | Net expense and changes in net assets: Primary government governmental activities | Net expense and changes in net assets: Component units |
|---|---|---|---|---|---|---|
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | $ 212,551 | 59,207 | 55,530 | 741 | (97,073) | — |
| Public safety | 249,423 | 12,540 | 113,880 | — | (123,003) | — |
| Public works | 144,465 | 10,528 | 14,005 | 10,189 | (109,743) | — |
| Health and human services | 22,368 | 5,014 | 12,860 | 2 | (4,492) | — |
| Culture and recreation | 22,627 | 375 | 3,776 | 1,796 | (16,680) | — |
| Urban development and housing | 28,330 | 52 | 15,189 | — | (13,089) | — |
| Economic development and assistance | 13,731 | 94 | 6,935 | — | (6,702) | — |
| Interest and fiscal charges | 57,799 | — | — | — | (57,799) | — |
| Total primary government | $ 751,294 | 87,810 | 222,175 | 12,728 | (428,581) | — |
| Component units: | | | | | | |
| Audubon Commission | 42,312 | 23,759 | — | 11,693 | — | (6,860) |
| Louis Armstrong New Orleans International Airport | 91,366 | 52,926 | — | 25,090 | — | (13,350) |
| Sewerage and Water Board | 218,281 | 96,232 | 9,338 | 35,352 | — | (77,359) |
| Other nonmajor component units | 29,338 | 12,222 | 546 | 9 | — | (16,561) |
| Total component units | $ 381,297 | 185,139 | 9,884 | 72,144 | — | (114,130) |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | | | | | 160,130 | 63,477 |
| Sales taxes | | | | | 116,339 | — |
| Utility taxes | | | | | 8,326 | — |
| Franchise fees | | | | | 35,293 | — |
| Parking | | | | | 2,175 | — |
| Beverage taxes | | | | | 432 | — |
| Gain on impairment | | | | | 5,542 | — |
| Unrestricted investment earnings | | | | | 11,153 | 8,887 |
| Passenger facility charges | | | | | — | 15,070 |
| Miscellaneous | | | | | 17,232 | 14,952 |
| Total general revenues | | | | | 356,602 | 102,386 |
| Change in net assets | | | | | (71,979) | (11,744) |
| Net assets – beginning of year | | | | | 307,110 | 1,643,766 |
| Net assets – ending of year | | | | | $ 235,131 | 1,632,022 |

See accompanying notes to basic financial statements.



CITY OF NEW ORLEANS, LOUISIANA

Balance Sheet – Governmental Funds

Year ended December 31, 2005

(Amounts in thousands)

| Assets | General | HUD | Federal UDAG | FEMA | Debt service | Capital projects | Nonmajor governmental funds | Total governmental funds |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ — | 125 | 33 | — | 2,163 | 10,419 | 4,290 | 17,030 |
| Investments | 6,820 | 485 | 2,837 | 57,896 | 31,187 | 159,895 | 30,327 | 289,447 |
| Receivables, net | | | | | | | | |
| Sales taxes | 10,445 | — | — | — | — | — | — | 10,445 |
| Property taxes | 5,656 | — | — | — | 3,126 | — | 540 | 9,322 |
| Franchise taxes | 5,482 | — | — | — | — | — | — | 5,482 |
| Interest | — | — | — | — | — | 1,406 | — | 1,406 |
| Accounts | 9,784 | — | — | — | — | — | 539 | 10,323 |
| Grantee loans | — | — | 7,949 | — | — | — | 4,709 | 12,658 |
| Insurance | — | — | — | — | — | 35,313 | — | 35,313 |
| Due from other funds | 88,335 | 12 | — | — | — | — | 2,246 | 90,593 |
| Due from other governments | 2,031 | 12,359 | — | 46,192 | — | 7,331 | 14,058 | 81,971 |
| Due from component units | 2,430 | — | — | — | — | 434 | — | 2,864 |
| Advances from other funds | 252 | — | — | — | — | — | — | 252 |
| Other assets | — | — | — | — | — | — | 4 | 4 |
| Total assets | $ 131,235 | 12,981 | 10,819 | 104,088 | 36,476 | 214,798 | 56,713 | 567,110 |
| **Liabilities** | | | | | | | | |
| Accounts payable | $ 51,072 | 3,575 | 2 | 36,882 | — | 12,920 | 8,955 | 113,406 |
| Accrued expenses | 20,773 | 111 | — | — | 998 | — | 549 | 22,431 |
| Due to other funds | 1,193 | 9,295 | 9 | 66,346 | — | 1,010 | 12,740 | 90,593 |
| Due to other governments | 1,620 | — | — | 860 | — | — | 298 | 2,778 |
| Due to component units | 76 | — | — | — | — | — | 347 | 423 |
| Advances to other funds | — | — | — | — | — | — | 252 | 252 |
| Advances to component unit | — | — | — | — | — | 399 | — | 399 |
| Deferred revenues | 10,194 | — | — | 13,045 | 2,983 | 28,190 | 513 | 54,925 |
| Total liabilities | 84,928 | 12,981 | 11 | 117,133 | 3,981 | 42,519 | 23,654 | 285,207 |
| **Fund Balances** | | | | | | | | |
| Fund balances: | | | | | | | | |
| Reserved | 4,087 | — | 10,808 | — | 32,495 | 53,662 | 8,621 | 109,673 |
| Unreserved: | | | | | | | | |
| Designated for subsequent year | 23,743 | — | — | — | — | 108,052 | 1,296 | 133,091 |
| Undesignated | 18,477 | — | — | (13,045) | — | 10,565 | 23,142 | 39,139 |
| Total fund balances | 46,307 | — | 10,808 | (13,045) | 32,495 | 172,279 | 33,059 | 281,903 |
| Total liabilities and fund balances | $ 131,235 | 12,981 | 10,819 | 104,088 | 36,476 | 214,798 | 56,713 | 567,110 |

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, 2005

(Amounts in thousands)

| | | |
|---|---|---|
| Total fund balances – governmental funds | $ | 281,903 |
| 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 | | 1,299,160 |
| Certain receivables are not available to pay for the current period's expenditures and, therefore, are deferred in the funds | | 54,921 |
| Bond issue costs are capitalized and amortized over the life of the bonds in the government-wide statement of net assets | | 2,907 |
| 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 | | (6,769) |
| 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 | | (833,630) |
| Certificates of indebtedness | | (139,424) |
| Notes payable | | (61,396) |
| Annual and sick leave | | (44,846) |
| Claims payable | | (273,994) |
| Net pension obligation | | (1,637) |
| Other long-term liabilities | | (47,887) |
| The prepaid pension asset is not available to pay for the current period expenditures and, therefore, is not reported in the funds. | | 5,823 |
| Total net assets – governmental activities | $ | 235,131 |

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, 2005

(Amounts in thousands)

| | General | HUD | Federal UDAG | FEMA | Debt service | Capital projects | Nonmajor governmental | Total governmental funds |
|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | |
| Taxes | $ 221,044 | — | — | — | 55,642 | — | 7,491 | 284,177 |
| Licenses and permits | 53,129 | — | — | — | — | — | — | 53,129 |
| Intergovernmental | 21,253 | 19,419 | — | 136,835 | — | 11,378 | 27,035 | 215,920 |
| Charges for services | 34,150 | — | — | — | — | — | — | 34,150 |
| Program income | — | 52 | 220 | — | — | — | 76 | 348 |
| Fines and forfeits | 11,131 | — | — | — | — | — | 4,426 | 15,557 |
| Interest income | 7,981 | — | 223 | — | 1,829 | 138 | 273 | 10,444 |
| Contributions, gifts, and donations | 2,711 | — | — | — | — | — | 2,163 | 4,874 |
| Miscellaneous | 11,340 | — | — | — | — | 318 | 12,587 | 24,245 |
| Total revenues | 362,739 | 19,471 | 443 | 136,835 | 57,471 | 11,834 | 54,051 | 642,844 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 164,762 | 589 | — | 38,649 | 2,103 | — | 15,453 | 221,556 |
| Public safety | 160,251 | 1,068 | — | 79,093 | — | — | 3,527 | 243,939 |
| Public works | 47,907 | 779 | — | 12,790 | — | 122 | 89 | 61,687 |
| Health and human services | 10,174 | 154 | — | 5,973 | — | — | 6,067 | 22,368 |
| Culture and recreation | 17,788 | 652 | — | — | — | — | 1,096 | 19,536 |
| Urban development and housing | — | 16,229 | 11,547 | — | — | — | 554 | 28,330 |
| Economic development and assistance | — | — | — | — | — | — | 13,731 | 13,731 |
| Capital projects | — | — | — | — | — | 45,141 | — | 45,141 |
| Debt service: | | | | | | | | |
| Principal | 18,465 | — | 413 | — | 18,834 | — | 200 | 37,912 |
| Interest and fiscal charges | 18,776 | — | 616 | — | 37,185 | — | 354 | 56,931 |
| Total expenditures | 438,123 | 19,471 | 12,576 | 136,505 | 58,122 | 45,263 | 41,071 | 751,131 |
| (Deficiency) excess of revenues over expenditures | (75,384) | — | (12,133) | 330 | (651) | (33,429) | 12,980 | (108,287) |
| Other financing sources (uses): | | | | | | | | |
| Transfers-in | 27,375 | — | — | — | — | 49,306 | 798 | 77,479 |
| Transfers-out | (1,692) | — | — | (13,375) | (49,306) | — | (13,106) | (77,479) |
| Issuance of notes payable | 61,396 | — | — | — | — | — | — | 61,396 |
| Issuance of long-term debt | 2,050 | — | — | — | 49,300 | — | — | 51,350 |
| Issuance of refunding bonds | — | — | — | — | 105,279 | — | — | 105,279 |
| Premium on issuance of long-term debt and refunding bonds | — | — | — | — | 12,901 | — | — | 12,901 |
| Insurance proceeds | — | — | — | — | — | 10,565 | — | 10,565 |
| Payment to escrow agent | — | — | — | — | (118,090) | — | — | (118,090) |
| Total other financing sources (uses) | 89,129 | — | — | (13,375) | 84 | 59,871 | (12,308) | 123,401 |
| Net change in fund balances | 13,745 | — | (12,133) | (13,045) | (567) | 26,442 | 672 | 15,114 |
| Fund balances, beginning of year | 32,562 | — | 22,941 | — | 33,062 | 145,837 | 32,387 | 266,789 |
| Fund balances, end of year | $ 46,307 | — | 10,808 | (13,045) | 32,495 | 172,279 | 33,059 | 281,903 |

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, 2005

(Amounts in thousands)

| | | |
|---|---|---|
| Net change in fund balances – total governmental funds | $ | 15,114 |
| 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 is the amount by which depreciation expense and the impairment loss and other adjustments to capital assets exceeded capital asset expenditures in the current period. | | (165,428) |
| Bond issue costs of $1,572 were capitalized in the current year and amortization in the amount of $202 was recorded. | | 1,370 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in deferred revenue. | | 49,383 |
| The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, which has no effect on net assets. | | (218,026) |
| The repayment of long-term debt consumes the current financial resources of governmental funds, which has no effect on net assets. | | 149,454 |
| The net increase in other long-term liabilities, exclusive of long-term debt, are not recorded in the governmental funds. | | 126,048 |
| 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, i.e., net changes in interest accrual. | | 253 |
| Premium and deferred loss on refunding of $8,345 (net) were capitalized in the current year and amortization in the amount of $56 (net) was recorded. | | (8,401) |
| Pension 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. | | (21,746) |
| Change in net assets of governmental activities | $ | (71,979) |

See accompanying notes to basic financial statements.



## CITY OF NEW ORLEANS, LOUISIANA

Statement of Fiduciary Net Assets

December 31, 2005

(Amounts in thousands)

| Assets | | Pension trust funds | Agency funds |
|---|---|---|---|
| Cash | $ | 42,084 | 14,252 |
| Investments | | 649,138 | 38,844 |
| Receivables: | | | |
| Accounts | | — | 1,010 |
| Accrued interest | | 7,479 | — |
| Contribution | | 534 | — |
| Other | | 3,242 | — |
| Due from other governments | | — | 2,887 |
| Capital assets, net of accumulated depreciation | | 19 | — |
| Total assets | | 702,496 | 56,993 |
| **Liabilities and Net Assets** | | | |
| Liabilities: | | | |
| Accounts payable | | 219 | 8,913 |
| Other payables and accruals | | 8,268 | 33,794 |
| Due to other governments | | — | 14,286 |
| Total liabilities | | 8,487 | 56,993 |
| Net assets: | | | |
| Net assets held in trust for pension benefits | $ | 694,009 | — |

See accompanying notes to basic financial statements.

## CITY OF NEW ORLEANS, LOUISIANA

Statement of Changes in Fiduciary Net Assets

Year ended December 31, 2005

(Amounts in thousands)

| | Pension trust funds |
|---|---|
| Additions: | |
| Contributions: | |
| Employer | $ 7,353 |
| Members | 11,692 |
| Fire insurance rebate | 1,439 |
| Total contributions | 20,484 |
| Investment income: | |
| Net appreciation in fair value of investments | 18,232 |
| Interest and dividends | 17,565 |
| Other investment income | 1,849 |
| Total investment income | 37,646 |
| Less investment expense | (2,324) |
| Net investment income | 35,322 |
| Other income | 1 |
| Total additions | 55,807 |
| Deductions: | |
| Pension benefits | 50,807 |
| Refunds of member contributions | 1,761 |
| Death benefits | 51 |
| Administrative expenses | 1,067 |
| DROP withdrawal | 2,992 |
| PLOP withdrawal | 1,084 |
| Loss on disposal of equipment | 48 |
| Transfers to other plans | 188 |
| Total deductions | 57,998 |
| Decrease in net assets | (2,191) |
| Net assets held in trust for pension benefits – beginning of year | 696,200 |
| Net assets held in trust for pension benefits – end of year | $ 694,009 |

See accompanying notes to basic financial statements.



## CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Component Units

December 31, 2005

(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 | $ 3,120 | 8,077 | 4,496 | 18,763 | 34,456 |
| Investments | — | 21,749 | — | 8,034 | 29,783 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Property taxes | — | — | 7,409 | — | 7,409 |
| Accounts | 766 | 10,150 | 12,345 | 4,346 | 27,607 |
| Accrued interest | — | 214 | 894 | 66 | 1,174 |
| Other | — | — | 3,604 | 465 | 4,069 |
| Due from other governments | — | 77 | 39,206 | 1,710 | 40,993 |
| Inventory of supplies | 770 | 120 | 4,884 | — | 5,774 |
| Prepaid expenses and deposits | 916 | 556 | 638 | 139 | 2,249 |
| Other assets | — | — | — | 12 | 12 |
| Total current assets | 5,572 | 40,943 | 73,476 | 33,535 | 153,526 |
| Restricted cash and investments: | | | | | |
| Customer deposits | — | — | 5,417 | — | 5,417 |
| Construction account | — | — | 182,615 | — | 182,615 |
| Current debt service account | 1,203 | 5,815 | 1,882 | — | 8,900 |
| Future debt service account | — | 8,447 | 22,254 | — | 30,701 |
| Contingency (renewal and replacement) account | — | 2,061 | — | 2,465 | 4,526 |
| Operation and maintenance account | — | 7,920 | — | — | 7,920 |
| Capital improvements | — | 44,096 | 81,601 | — | 125,697 |
| Health insurance reserve | — | — | 4,474 | — | 4,474 |
| Other | — | 3,495 | 212 | 11,023 | 14,730 |
| Total restricted cash and investments | 1,203 | 71,834 | 298,455 | 13,488 | 384,980 |
| Capital assets (net of accumulated depreciation) | 143,978 | 436,369 | 1,317,299 | 28,469 | 1,926,115 |
| Other assets | 11,018 | 3,220 | 5,216 | 524 | 19,978 |
| Total assets | $ 161,771 | 552,366 | 1,694,446 | 76,016 | 2,484,599 |



(Continued)

## CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Net Assets

Component Units

December 31, 2005

(Amounts in thousands)

| Liabilities and Net Assets | Audubon Commission | Louis Armstrong New Orleans International Airport | Sewerage and Water Board | Nonmajor component units | Total |
|---|---|---|---|---|---|
| Current liabilities (payable from current assets): | | | | | |
| Accounts payable | $ 5,771 | 6,904 | 72,061 | 1,432 | 86,168 |
| Retainages payable | — | — | 2,540 | — | 2,540 |
| Other payables and accruals | 8,133 | 2,084 | 38,389 | 2,780 | 51,386 |
| Due to other governments | — | 324 | 808 | 1,644 | 2,776 |
| Capital lease payable | — | — | — | 381 | 381 |
| Deferred revenues | — | — | — | 127 | 127 |
| Total current liabilities (payable from current assets) | 13,904 | 9,312 | 113,798 | 6,364 | 143,378 |
| Current liabilities (payable from restricted assets): | | | | | |
| Retainages payable | — | — | 2,741 | — | 2,741 |
| Capital projects payable | 80 | 2,991 | — | — | 3,071 |
| Accounts payable | — | 2,931 | — | — | 2,931 |
| Accrued interest | 115 | 930 | 2,683 | 11 | 3,739 |
| Limited tax bonds | 1,974 | — | — | — | 1,974 |
| Bonds payable, current portion | — | 11,260 | 148,545 | 245 | 160,050 |
| Revenue bonds | 1,066 | — | — | — | 1,066 |
| Deposits and other | — | — | 5,417 | 108 | 5,525 |
| Total current liabilities (payable from restricted assets) | 3,235 | 18,112 | 159,386 | 364 | 181,097 |
| Total current liabilities | 17,139 | 27,424 | 273,184 | 6,728 | 324,475 |
| Long-term liabilities: | | | | | |
| Claims payable | — | — | 6,372 | — | 6,372 |
| Capital lease payable | — | — | — | 595 | 595 |
| Limited tax bonds (net of current portion) | 36,839 | — | — | — | 36,839 |
| Revenue bonds (net of current portion and unamortized discounts | 8,433 | — | 259,229 | 16,670 | 284,332 |
| Refunding bonds (net of current portion and unamortized loss on advance refunding) | — | 195,151 | — | 3,625 | 198,776 |
| Other | 1,121 | — | — | 67 | 1,188 |
| Total long-term liabilities | 46,393 | 195,151 | 265,601 | 20,957 | 528,102 |
| Total liabilities | 63,532 | 222,575 | 538,785 | 27,685 | 852,577 |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | 96,200 | 236,180 | 1,092,140 | 23,461 | 1,447,981 |
| Restricted for bond debt service | — | 13,332 | 21,454 | 3,797 | 38,583 |
| Restricted for capital improvements | — | 51,499 | 42,067 | — | 93,566 |
| Unrestricted | 2,039 | 28,780 | — | 21,073 | 51,892 |
| Total net assets | $ 98,239 | 329,791 | 1,155,661 | 48,331 | 1,632,022 |

See accompanying notes to basic financial statements.



## CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Activities

Component Units

Year ended December 31, 2005

(Amounts in thousands)

| | | Program revenues | | | Net expense and changes in net assets | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Expenses | Charges for services | Operating grants and contributions | Capital grants and contributions | Audubon Commission | Louis Armstrong New Orleans International Airport | Sewerage and Water Board | Nonmajor component units | Total |
| Component units: | | | | | | | | | |
| Audubon Commission | $ 42,312 | 23,759 | — | 11,693 | (6,860) | — | — | — | (6,860) |
| Louis Armstrong New Orleans International Airport | 91,366 | 52,926 | — | 25,090 | — | (13,350) | — | — | (13,350) |
| Sewerage and Water Board | 218,281 | 96,232 | 9,338 | 35,352 | — | — | (77,359) | — | (77,359) |
| Other nonmajor component units | 29,338 | 12,222 | 546 | 9 | — | — | — | (16,561) | (16,561) |
| Total component units | $ 381,297 | 185,139 | 9,884 | 72,144 | (6,860) | (13,350) | (77,359) | (16,561) | (114,130) |
| General revenues: | | | | | | | | | |
| Property taxes | | | | | 8,356 | — | 49,656 | 5,465 | 63,477 |
| Unrestricted investment earnings | | | | | 911 | 2,615 | 3,291 | 2,070 | 8,887 |
| Passenger facility charges | | | | | — | 15,070 | — | — | 15,070 |
| Miscellaneous | | | | | 5,008 | 651 | — | 9,293 | 14,952 |
| Total general revenues | | | | | 14,275 | 18,336 | 52,947 | 16,828 | 102,386 |
| Change in net assets | | | | | 7,415 | 4,986 | (24,412) | 267 | (11,744) |
| Net assets, beginning of year | | | | | 90,824 | 324,805 | 1,180,073 | 48,064 | 1,643,766 |
| Net assets, end of year | | | | | $ 98,239 | 329,791 | 1,155,661 | 48,331 | 1,632,022 |

See accompanying notes to basic financial statements.

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

The 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 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. The Municipal Yacht Harbor Management Corporation does not prepare complete financial statements.

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

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





Louis Armstrong New Orleans International Airport
New Orleans Aviation Board
P.O. Box 2007
New Orleans, Louisiana 70141

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

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

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

Downtown Development District
1010 Common Street, Suite 100
New Orleans, Louisiana 70112

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

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

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

***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. 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:

***Municipal Employees Retirement Plan (MERP)*** – MERP 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 MERP governing board. MERP is presented as a pension trust fund because MERP serves the employees of the City. The net assets of MERP are held for the sole benefit of the participants and are not available for appropriation.

***Firefighters' Pension and Relief Fund (FPRF)*** – FPRF is a separate legal entity established by City ordinance to provide pension benefits for City fire fighters. 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 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 FPRF 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:

| Major Discretely Presented Component Units | Brief Description of Activities, Relationship to City, and Key Inclusion Criteria |
|---|---|
| *Louis Armstrong New Orleans International Airport (the Airport)* | Local government corporation established in 1943 by the City to provide for the operation and maintenance of the Airport. The Board consists of nine members appointed by the Mayor of the City with approval of the City Council. The City of Kenner, Louisiana and the Parish of St. Charles, Louisiana each have input as to the selection of one board member. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will. |
| *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. |





| Major Discretely Presented Component Units | Brief Description of Activities, Relationship to City, and Key Inclusion Criteria |
|---|---|
| *Audubon Commission (the Commission)* | The Commission was created by the Louisiana Legislature to manage and operate the 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. |

| Nonmajor Discretely Presented Component Units | Brief Description of Activities, Relationship to City, and Key Inclusion Criteria |
|---|---|
| *Downtown Development District* | Local government corporation created by Act 498 of 1974 and amended and reenacted by Act 124 of 1977 of the State of Louisiana Legislature, effective January 1, 1975. The District is a special taxing district designated "the Core Area Development District of the City of New Orleans," later renamed the Downtown Development District of the City of New Orleans, comprising all the territory within prescribed boundaries. The board of directors is composed of nine members for governance of the District. The City has financial accountability because it appoints a voting majority of the board and the City can impose its will. |

| Nonmajor 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. |
| *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.<br>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. |





| Nonmajor Discretely Presented Component Units | Brief Description of Activities, Relationship to City, and Key Inclusion Criteria |
|---|---|
| | 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 seven 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. |
| *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 downtown. 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. |
| *Orleans Parish Communication District* | The Orleans Parish Communication District, comprising Orleans Parish, was created effective July 13, 1982, pursuant to Act No. 155 of the 1982 Regular Session of the Louisiana Legislature. |

| Nonmajor Discretely Presented Component Units | Brief Description of Activities, Relationship to City, and Key Inclusion Criteria |
|---|---|
| | 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.<br><br>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.

*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, 2005 to December 31, 2005. 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.

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. Nonmajor funds are reported in the aggregate in the other 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 funds accounts for grants received from the Federal Emergency Management Agency (FEMA) for Hurricane Katrina 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).

**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 postclosing 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.

Noncurrent 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 Restricted Assets*

When restricted and unrestricted resources are available to cover expenses, unrestricted resources are first applied.

*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.

*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 and grantee loan receivables are shown net of an allowance of uncollectible amounts of $46 million and $40.8 million, 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.

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.



CITY OF NEW ORLEANS, LOUISIANA
Notes to Basic Financial Statements
December 31, 2005

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, 2005. Other liabilities not expected to mature as of December 31, 2005 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.

*Fund Balance*

*(a)* ***Reserved***

Indicates that portion of fund balance, which has been legally segregated (e.g., by bond ordinance) for specific purposes and not available for appropriation.

*(b)* ***Designated Fund Balance***

Indicates that portion of fund balance for which the City management has placed limitations as to use.

*(c)* ***Undesignated Fund Balance***

Indicates that portion of fund balance, which is available for appropriation in future periods.

*(d)* ***Implementation of New Accounting Principles***

In 2005, the City implemented the provisions of GASB Statement No. 40, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, which establishes and modifies the required disclosures of deposit and investment risk related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The City also adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

**(2) Natural Disaster**

On August 29, 2005, Hurricane Katrina struck the United States' gulf coast and caused destruction across the City and the states of Louisiana, Mississippi, and Alabama. Hurricane Katrina's tidal surges and the resulting levee breaches left eighty percent of the City under water. Ninety percent of the City's residents left under mandatory evacuation orders. The City suffered losses to buildings, police cars, fire trucks, parks, and other City-owned properties and equipment. See further discussion in note 6.

In 2005, the City received a $102,000,000 grant from FEMA for reimbursement of expenditures for recovery efforts that began immediately after the storm. Additional grants were received in 2006 to fund expenditures recorded in 2005. In addition, the City received $1,300,000 from the State of Louisiana as compensation for the revenue shortfall caused by the storm. These grants are reflected as operating grants in the accompanying fund level statement of activities.

The City also received authorization for a $120,000,000 Community Disaster Loan (CDL). As of December 31, 2005, the City had drawn $61,396,000 of the CDL. This loan is reflected as a long-term liability in the accompanying government-wide financial statements and is further described in note 7.

In addition to incurring significant storm related expenses, recurring operating revenues of the City have been reduced. To meet the continuing liquidity needs of the City, other financing sources will be relied upon, see note 13 subsequent events.

**(3) 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, 2005, the carrying amount of the City's deposits was $73,366,000.





Custodial credit risk is the risk that, in event of a failure of a financial institution or counterparty, the City would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party. City deposits are not subject to custodial credit risk since they are deposited in a stock-owned federally insured depository institution organized under the laws of the State of Louisiana or under the laws of the United States, as required by the Revised Statutes.

**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 reportedly 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 a nonprofit corporation organized under the laws of the State of Louisiana formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investments policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. LAMP's portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar-weighted average of portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined weekly to monitor any variances between amortized cost and market value. For purposes of determining participants' share, investments are valued at amortized cost. LAMP is designed to be highly liquid to provide immediate access to participants.

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, 2005, the City's market value of investments was as follows (amounts in thousands):

| | | |
|---|---|---|
| Certificates of deposits | $ | 31,234 |
| LAMP | | 139,895 |
| U.S. Treasury securities | | 63,481 |
| U.S. Agency securities | | 134,420 |
| Corporate bonds | | 72,649 |
| Stock and mutual funds | | 428,771 |
| Real estate | | 16,021 |
| Other | | 90,958 |
| Total investments | $ | 977,429 |





A reconciliation of cash and investments as shown in the basic financial statements as of December 31, 2005 is as follows (amounts in thousands):

| | | |
|---|---|---|
| Governmental activities: | | |
| Cash and cash equivalents | $ | 17,030 |
| Investments | | 289,447 |
| Total governmental activities | | 306,477 |
| Fiduciary: | | |
| Cash and cash equivalents | | 56,336 |
| Investments | | 687,982 |
| Total fiduciary | | 744,318 |
| Total cash and investments | | 1,050,795 |
| Less deposit balance | | (73,366) |
| Total investments | $ | 977,429 |

**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. To the extent possible, 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, 2005, the City's investment balances, excluding the pension trust funds, included certificates of deposits, U.S. Treasury securities, U.S. Agency securities, and LAMP, all with maturities of less than one year (amounts in thousands):

| | | |
|---|---|---|
| Certificates of deposits | $ | 31,234 |
| LAMP | | 139,896 |
| U.S. Treasury securities | | 51,651 |
| U.S. Agency securities | | 105,510 |
| Total investments | $ | 328,291 |

At December 31, 2005, the pension trust funds, 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 |
| U.S. Treasury securities | $ 28,909 | 982 | 2,233 | 5,233 | 20,461 |
| Federal National Mortgage Association bonds | 59 | — | 59 | — | — |
| Corporate bonds | 52,495 | 407 | 13,454 | 16,499 | 22,135 |
| Municipal bonds | 2,666 | — | — | — | 2,666 |
| Foreign bonds | 2,326 | — | 735 | 1,042 | 549 |
| Total investments | $ 86,455 | 1,389 | 16,481 | 22,774 | 45,811 |
| Notes receivable | $ 16,896 | 275 | 8,121 | 3,500 | 5,000 |
| Collateral held under securities lending | 7,559 | 7,559 | — | — | — |

*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. 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-m by Standard & Poor's Corporation.





The following table provides information on the credit ratings associated with the pension trust funds, investments in debt securities at December 31, 2005 (amounts in thousands):

| | Total | Corporate Bonds | Foreign Bonds | Municipal Bonds | Government Agency |
|---|---|---|---|---|---|
| AAA | $ 20,612 | 9,976 | — | 2,666 | 7,970 |
| AA | 3,645 | 3,645 | — | — | — |
| A+ | 361 | 361 | — | — | — |
| A | 10,469 | 10,469 | — | — | — |
| A- | 394 | 394 | — | — | — |
| BBB+ | 197 | 197 | — | — | — |
| BBB | 9,731 | 9,600 | — | — | 131 |
| BBB- | 644 | 644 | — | — | — |
| BB+ | 1,762 | 1,529 | 233 | — | — |
| BB | 1,087 | 1,066 | 21 | — | — |
| BB- | 1,193 | 790 | 403 | — | — |
| B+ | 1,542 | 1,321 | 221 | — | — |
| B | 1,740 | 1,562 | 178 | — | — |
| B- | 1,846 | 1,846 | — | — | — |
| CCC+ | 432 | 432 | — | — | — |
| CCC | 292 | 263 | 29 | — | — |
| CCC- | 94 | 94 | — | — | — |
| CC | 33 | 33 | — | — | — |
| D | 86 | 69 | 17 | — | — |
| Not Rated | 9,486 | 8,204 | 1,224 | — | 58 |
| Total | $ 65,646 | 52,495 | 2,326 | 2,666 | 8,159 |

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 are held by the counterparty's trust department or agent but not held in the City's name. None of the City and MERP pension trust fund's investments owned at December 31, 2005, were subject to custodial credit risk.

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

At December 31, 2005, the Firefighter's new system cash collateral held under the securities lending program in the amount of $7,559,000 is exposed to custodial credit risk since the collateral is not in the name of the fund.

Concentration of Credit Risk – The City's investment policy does not allow for more than 25% of the total investment portfolio to be invested in a single security type with the exception of U.S. Treasury securities, bank certificates of deposit, and authorized pools. As of December 31, 2005, management believes all investments were in compliance with this policy. All of the City's 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 MERP 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 (10%). As of December 31, 2005, all MERP 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 are 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, 2005, 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.

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 and in note 5. The cash collateral was invested in cash equivalents and fixed income securities at December 31, 2005. 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.

## (4) Tax Revenues

At December 31, 2005, the total sales tax levied in the City is 9%, of which 4% is state sales tax, 1.5% is levied by the Orleans Parish School Board (the School Board), and 1% is dedicated for transportation and is levied by the Regional Transit Authority (RTA). The remaining 2.5% is used to fund the general operations of the City. The City administers and collects the entire 5% of local sales tax. The School Board's portion of the sales tax is accounted for in the Orleans Parish School Board sales tax clearing fund, and the RTA's portion of the sales tax is accounted for in the RTA sales tax clearing fund, both of which are agency funds.

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





Taxes are due and payable on January 1, the date on which an enforceable lien attaches on the property, and are delinquent on February 1.

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

Property tax levies per $1,000 of assessed valuation accounted for within the funds of the City (primary government only) for the year ended December 31, 2005 are as follows:

| | | |
|---|---|---|
| General: | | |
| General governmental services | $ | 14.91 |
| Dedicated for fire and police | | 6.40 |
| Public library | | 4.32 |
| 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 |
| Special revenue: | | |
| Neighborhood housing improvement fund | | 1.25 |
| New Orleans economic development fund | | 1.25 |
| Debt service | | 28.40 |
| | $ | 71.90 |

Property taxes levied on January 1, 2005, collected during 2005, or expected to be collected within the first 60 days of 2006, 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.

## (5) Grantee Loans

The City's grantee loan balances at December 31, 2005 are as follows (amounts in thousands):

| | | Gross | Allowance | Net |
|---|---|---|---|---|
| UDAG | $ | 12,803 | (4,854) | 7,949 |
| HUD | | 40,632 | (35,923) | 4,709 |
| Total grantee loans | $ | 53,435 | (40,777) | 12,658 |

*(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. Fourteen individual loans are outstanding at December 31, 2005 totaling $12,800,000 million, which bear interest at rates ranging from 0.1% to 7.0%. These loans are receivable over a 15- 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 $4,900,000 in allowance for bad debt on these loans.

One of the grantee loans receivable, in the original amount of $6,980,000, relates to the development of the Riverfront Marketplace. In addition to the stated interest of 6.55% on this loan, the City participates in 30% of the net annual cash flows of the project. The City's participation interest is receivable 90 days after the project's year-end. This brings the cumulative annual effective yield on the loan up to a maximum of 10%. The cumulative annual effective yield on the loan cannot be less than 8.0%. The City will also participate in 30% of the net proceeds of any sale, refinancing, or other disposition of the project, in whole or in part. The Riverfront Marketplace began operations in September 1986.

*(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, 2005, there were four outstanding loans which bear interest at rates of 2% to 7% and are receivable over 15 to 30 years.

During 1998, HUD agreed to loan to the City $25,300,000 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 City has recorded $24,300,000 in allowance for bad debt 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 final payment is due January 1, 2040, with principal payments commencing on April 1, 2003. The outstanding balances at December 31, 2005 are $4,700,000 on the HUD loan and $1,000,000 on the UDAG loan.



CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2005

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 final payment is due on August 1, 2021, with principal payments commencing on July 15, 2004. The outstanding balance at December 31, 2005 is $4,500,000. No payments have been received as of December 31, 2005. The City has recorded an allowance of $4,500,000 against this loan.

During 2002, HUD agreed to loan to the City $7.1 million 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, 2005 is $7,047,000. No payments have been received as of December 31, 2005. The City has recorded an allowance of $7,047,000 against this loan.

**(6) Capital Assets**

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

| | Balance January 1, 2005 | Additions | Deletions and adjustments | Transfers | Balance December 31, 2005 |
|---|---|---|---|---|---|
| Nondepreciable capital assets: | | | | | |
| Land | $ 103,372 | — | — | 150 | 103,522 |
| Construction in progress | 236,837 | 26,576 | (74,065) | (131,110) | 58,238 |
| Total nondepreciable capital assets | 340,209 | 26,576 | (74,065) | (130,960) | 161,760 |
| Depreciable capital assets: | | | | | |
| Infrastructure | 2,190,069 | — | (460) | 83,688 | 2,273,297 |
| Buildings and improvements | 225,447 | | (51,641) | 24,970 | 198,776 |
| Equipment and vehicles | 43,599 | 12,455 | (3,371) | 5,767 | 58,450 |
| Other | 15,066 | — | (753) | 16,535 | 30,848 |
| Total depreciable capital assets | $ 2,474,181 | 12,455 | (56,225) | 130,960 | 2,561,371 |

| | Balance January 1, 2005 | Additions | Deletions and adjustments | Transfers | Balance December 31, 2005 |
|---|---|---|---|---|---|
| Less accumulated depreciation for: | | | | | |
| Infrastructure | $ 1,207,442 | 73,974 | — | — | 1,281,416 |
| Buildings and improvements | 109,010 | 7,993 | (18,858) | — | 98,145 |
| Equipment and vehicles | 19,563 | 10,968 | (1,514) | — | 29,017 |
| Other | 12,682 | 3,091 | (380) | — | 15,393 |
| Total accumulated depreciation | 1,348,697 | 96,026 | (20,752) | — | 1,423,971 |
| Total depreciable capital assets, net | 1,125,484 | (83,571) | (35,473) | 130,960 | 1,137,400 |
| Total | $ 1,465,693 | (56,995) | (109,538) | — | 1,299,160 |

In 2005, the City was impacted by Hurricane Katrina and certain assets sustained physical damage from the flooding. As a result, certain assets were destroyed and other assets, specifically buildings, require restoration efforts to restore their service utility. The City evaluated its capital assets in accordance with GASB Statement No. 42, and realized a loss from impairment of $32,779,000. The City had purchased commercial insurance to cover its risk of loss from destruction of assets and under these policies realized $38,321,000 of insurance recoveries in 2005. In 2005, $3,008,000 was received and $35,313,000 has been recorded as other receivables in the accompanying statement of net assets. Accordingly, the City has recorded a net gain of $5,542,000 in the accompanying statement of activities.

In 2005, the City recorded one-time adjustments to the balance of capital assets. In response to Hurricane Katrina, the City evaluated its capital assets records, including construction in progress, and identified $70,285,000 that should have been expensed. In addition, the City identified certain balances in construction in progress that should have been transferred to a depreciable asset prior to January 1, 2005. As a result, the City recorded $14,100,000 as depreciation expense in the accompanying statement of activities.

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

| | |
|---|---|
| General government | $ 13,477 |
| Public safety | 5,484 |
| Public works | 73,974 |
| Culture and recreation | 3,091 |
| Total depreciation expense | $ 96,026 |





## (7) 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 $12,726,000, at December 31, 2005 comprise the following (all bonds are serial bonds) (amounts in thousands):

| Description | Original issue | Range of average interest rates | Amount outstanding | Due in one year |
|---|---|---|---|---|
| General obligation bonds: | | | | |
| 1992-2005 Public Improvement Bonds, due in annual installments ranging from $325 to $5,325 through December 2031 | $ 334,400 | 5.0%–7.0% | $ 150,100 | 5,260 |
| 1991 General Obligation Refunding Bonds, due in annual installments ranging from $2,080 to $28,585 commencing in September 2004 through September 2021 | 98,886 | 7.079% | 80,178 | 9,248 |
| 1998 General Obligation Refunding Bonds, due in annual installments ranging from $210 to $13,080 through December 2026 | 106,520 | 4.96% | 99,710 | 755 |
| 2002 General Obligation Refunding Bonds, due in annual installments ranging from $300 to $19,050 commencing on September 1, 2015 through September 1, 2021 | 58,415 | 5.1%–5.4% | 58,415 | — |
| 2005 General Obligation Refunding Bonds, due in annual installments ranging from $2,125 to $8,795 commencing in December 2009 through December 1, 2029 | 105,280 | 3.5%–2.5% | 105,280 | — |
| Limited tax bonds: | | | | |
| 2005 Limited Tax Bonds, due in annual installments of $1,450 to 2,900 commencing in March 2006 though March 1, 2021 | 33,000 | 3%–5% | 33,000 | 1,450 |
| Revenue bonds: | | | | |
| 2000 Taxable Pension Revenue Bonds, due in annual installments from $3,600 to $7,000 commencing on September 1, 2001 through September 1, 2030 | 170,660 | 6.95% | 150,060 | 5,000 |



(Continued)



| Description | Original issue | Range of average interest rates | Amount outstanding | Due in one year |
|---|---|---|---|---|
| 2004 Variable Rate Revenue Bonds, due in annual installments from $355 to $865 commencing on August 1, 2005 through August 1, 2024 | $ 11,500 | Variable | $ 11,145 | 375 |
| Total bonds | | | 687,888 | 22,088 |
| Accreted bond discount at December 31, 2005 | | | 137,341 | — |
| | | | $ 825,229 | 22,088 |

On April 19, 2005, the City issued $16,300,000 in Public Improvement Bonds. The bonds were issued for the acquisition, construction, improvements, and renovation of public buildings and facilities. The bonds are payable in annual installments ranging from $290,000 to $1,025,000 at interest rates ranging from 4.38% to 6.0% through December 1, 2026.

On May 26, 2005, the City issued $33,000,000 in Limited Tax Bonds, with a premium of $1,983,000. The bonds were issued for purpose of making capital improvements and purchasing heavy equipment for the City. The bonds are payable in annual installments ranging from $1,450,000 to $2,615,000 at interest rates ranging from 3% to 5% through 2019.

On May 26, 2005, the City issued $105,280,000, with a premium of $10,912,000, of General Obligation Refunding Bonds for the purpose of currently refunding $57,395,000 of the General Obligation Refunding Bonds, Series 1995 and for the purpose of advance refunding $26,385,000 and $27,005,000 of the Public Improvement Bonds, Issue of 1998-A and Public Improvement Bonds, Issue of 1999, respectively. The current refunding resulted in a difference between the reacquisition price of $59,711,000 and the net carrying amount of $57,975,000, resulting in a deferred loss on refunding of $1,736,000. The advance refunding resulted in a difference between the reacquisition price of $56,355,000 and the net carrying amount of $53,534,000, resulting in a deferred loss on refunding of $2,821,000. The deferred losses on refunding amounts are being amortized over the remaining lives of the defeased debt, which is shorter than the lives of the refunding debt. The City will realize a cash flow savings of $11,675,000 with these transactions.

In November 2004, the City received approval from taxpayers to issue $260,000,000 in General Obligation Bonds. No amounts have been issued.



(Continued)

The payment requirements for all bonds outstanding, including accretion on the 1991 General Obligation Bonds of $137,341,000 (included in interest expense) as of December 31, 2005, are as follows (amounts in thousands):

| | | Interest | Principal |
|---|---|---|---|
| Year ending December 31: | | | |
| 2006 | $ | 42,193 | 22,088 |
| 2007 | | 42,178 | 22,100 |
| 2008 | | 42,099 | 22,134 |
| 2009 | | 41,960 | 22,512 |
| 2010 | | 41,640 | 25,605 |
| 2011–2015 | | 202,346 | 135,298 |
| 2016–2020 | | 146,812 | 196,811 |
| 2021–2025 | | 46,225 | 143,840 |
| 2026–2030 | | 16,734 | 78,375 |
| 2031–2034 | | 1,907 | 19,125 |
| | $ | 624,094 | 687,888 |

The City's legal debt limit for General Obligation Bonds is $875,306,000 (excluding the accretion effects of the deep discount bonds). At December 31, 2005, the City's legal debt margin (after the reduction for outstanding General Obligation Bonds and Limited Tax Bonds totaling $526,683,000 less $32,495,000 available in Debt Service Funds) was $381,118,000.

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, 2005, management believes it is in compliance with all such significant limitations and restrictions.

*Revenue 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, 2005, $150,060,000 in outstanding bonds was recorded as a 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 was entered at the same time the bonds were issued (November 2000). Starting in fiscal year 2001, the notional value of the swap and the principal amount of the associated debt decline. 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.

*Fair value.* Because interest rates have declined since execution of the swap, the swap had a negative fair value of $39.7 million as of December 31, 2005. 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, 2005, 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 AAA/aaa by Moody's Investors Service as of December 31, 2005.

*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.

The following is a summary of the interest rate swap transactions (amounts in thousands):

| | | Swap | Interest | Principal | Total |
|---|---|---|---|---|---|
| Year ending December 31: | | | | | |
| 2006 | $ | 5,184 | 10,036 | 5,000 | 20,220 |
| 2007 | | 5,002 | 9,683 | 5,300 | 19,985 |
| 2008 | | 4,809 | 9,310 | 5,600 | 19,719 |
| 2009 | | 4,605 | 8,915 | 5,900 | 19,420 |
| 2010 | | 4,392 | 8,502 | 6,100 | 18,994 |
| 2011–2015 | | 18,483 | 35,782 | 33,400 | 87,665 |
| 2016–2020 | | 12,322 | 23,854 | 34,700 | 70,876 |
| 2021–2025 | | 6,327 | 12,249 | 31,000 | 49,576 |
| 2026–2030 | | 1,383 | 2,678 | 23,060 | 27,121 |
| | $ | 62,507 | 121,009 | 150,060 | 333,576 |

*Certificates of Indebtedness*

The City issued $109,960,000 ($41,045,000 outstanding at December 31, 2005) in certificates of indebtedness (Series 1998A through D) for the primary purpose of refunding the City's Series 1992 certificates of indebtedness, the City's debt obligation incurred in 1983, and additional debt incurred in 1993 under the merger agreement between the Municipal Police Employees' Retirement System (MPERS) and the City's board of trustees of the Police Pension Fund.

On December 1, 2000, the City issued an additional $27,000,000 ($18,095,000 outstanding at December 31, 2005) in certificates of indebtedness. The primary purpose of this debt was to provide funds to the City to pay general settlements and judgments rendered against the City. The certificates bear interest ranging from 3.625% to 6%, payable semiannually.

In January 2002, the City issued 2001C certificates of indebtedness in the amount of $5,155,000 ($5,155,000 outstanding at December 31, 2005) for the primary purpose of paying general settlements and judgments rendered against the City. These certificates mature on August 1 annually, commencing in 2006, through 2011 and bear interest (ranging from 3.50% to 4.25%) that is payable on February 1 and August 1 semiannually.

During 2003, the City issued $38,555,000 ($28,315,000 outstanding at December 31, 2005) in certificates of indebtedness for the purpose of refinancing the payments of the City under an existing lease agreement financing the costs of acquisition of additional vehicles and paying the costs of issuance. These certificates mature on September 1 annually, commencing on March 1, 2003 through March 1, 2010 and bear interest (ranging from 2.0% to 5.0%) that is payable on March 1 and September 1 annually.

During 2004, the City issued $4,065,000 ($3,610,000 outstanding at December 31, 2005) in limited tax certificates of indebtedness for the purpose of financing the costs of acquisition of additional vehicles and paying the costs of issuance. These certificates mature on March 1 annually, commencing on March 1, 2004 through March 1, 2011 and bear interest (ranging from 2.0% to 3.5%) that is payable March 1 and September 1 annually.

During 2004, the City issued $40,415,000 ($40,415,000 outstanding at December 31, 2005) in limited tax certificates of indebtedness for the purpose of financing the partial defeasance of the 1998B Certificates, financing judgment claims against the City, and paying the costs of issuance. These certificates mature on March 1 annually commencing on March 1, 2004 through September 1, 2014 and bear interest (ranging from 3.15% and 4.75%) that is payable March 1 and September 1 annually.

During 2005, the City issued $2,050,000 ($1,845,000 outstanding at December 31, 2005) in certificates of indebtedness for the purpose of paying costs to repair trackage for rail car storage and to make infrastructure improvements in connection with the CG Rail Project. These certificates mature on December 1 annually commencing on December 1, 2005 through December 1, 2014 and bear interest of 3.59% that is payable on June 1 and December 1 annually.



(Continued)



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

| | | Interest | Principal |
|---|---|---|---|
| Year ending December 31: | | | |
| 2006 | $ | 6,179 | 13,420 |
| 2007 | | 5,568 | 14,895 |
| 2008 | | 4,909 | 16,750 |
| 2009 | | 4,176 | 18,110 |
| 2010 | | 3,345 | 19,845 |
| 2011–2014 | | 5,472 | 55,460 |
| | $ | 29,649 | 138,480 |

*Notes Payable*

The City has entered into a CDL with FEMA to assist in paying current operations as a result of Hurricane Katrina. The City is authorized to draw down $120,000,000. As of December 31, 2005, the City has drawn down $61,396,000. The City has pledged as collateral future revenues from anticipated taxes. The CDL, which accrues interest at a rate of 2.75%, is due at the end of five years but can be extended for an additional five years. Interest in the amount of $8,442,000 will be due on the outstanding principal balance at the end of the five years. Interest accrued for the year ended December 31, 2005 is $158,000.

*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 5. The loans consist of notes bearing interest at either fixed interest rates ranging from 8.70% to 8.75% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). As of December 31, 2005, $36,157,000 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):

| | | Interest | Principal |
|---|---|---|---|
| Year ending December 31: | | | |
| 2006 | $ | 2,221 | 1,821 |
| 2007 | | 2,123 | 1,931 |
| 2008 | | 2,018 | 2,061 |
| 2009 | | 1,902 | 2,182 |
| 2010 | | 1,777 | 2,318 |
| 2011–2015 | | 6,597 | 13,947 |
| 2016–2020 | | 2,024 | 10,346 |
| 2021–2022 | | 131 | 1,551 |
| | $ | 18,793 | 36,157 |



(Continued)

The City has recorded $44,846,000 in accrued annual and sick leave in accordance with its pay-out policies. In October 2005, the City laid off approximately one-third of its workforce. The City has recorded $5,602,000 of accrued expenses in the General Fund for terminal leave payouts which matured at the lay-off date; however, the City did not pay-out the accumulated leave balances to those employees until fiscal year 2007.

*Changes in Long-Term Liabilities*

Long-term liability activity for the year ended December 31, 2005 was as follows (amounts in thousands):

| | January 1, 2005 | Additions | Deletions | December 31, 2005 | Due in one year |
|---|---|---|---|---|---|
| Claims and judgments (note 12) | $ 393,887 | 140,813 | (260,706) | 273,994 | — |
| Landfill closing costs (note 12) | 10,141 | 1,589 | — | 11,730 | 259 |
| Accrued annual and sick leave | 52,018 | 170 | (7,342) | 44,846 | — |
| Revenue bonds | 166,260 | — | (5,055) | 161,205 | 5,375 |
| Certificates of indebtedness (a) | 150,092 | 2,050 | (12,718) | 139,424 | 13,609 |
| General obligation bonds payable (b and c) | 641,125 | 154,580 | (131,681) | 664,024 | 16,713 |
| Deferred loss on refunding | — | 231 | (4,556) | (4,325) | (231) |
| Premium on bonds payable | — | 12,901 | (175) | 12,726 | 986 |
| Notes payable | — | 61,396 | — | 61,396 | — |
| HUD Section 108 loan | 37,875 | — | (1,718) | 36,157 | 1,821 |
| Net pension obligation | 491 | 1,146 | — | 1,637 | — |
| | $ 1,451,889 | 374,876 | (423,951) | 1,402,814 | 38,532 |

(a) Includes unamortized premium of $944.
(b) Additions to General Obligation Bonds include accretion of $92.
(c) General Obligation Bonds include limited tax bonds.

Funding for the above liabilities will come from the General Fund, except for Section 108 loans, for which the funding will come from the entities that received and are repaying HUD loans. The amount available for long-term debt in the debt service funds for bonds payable and in the debt service fund was $32,495,000.

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

At December 31, 2005, the City sponsors and administers four separate single-employer, contributory defined benefit pension plans, namely: (1) Firefighters' Pension and Relief Fund – Old System; (2) Firefighters' Pension and Relief Fund – New System; (3) Police Pension Plan (Police Plan); and (4) Employees' Retirement System of the City of New Orleans (Employees' Plan). The Old System covers firefighters who were employed prior to December 31, 1967; the New System covers firefighters hired since that date. Effective March 6, 1983, all members of the Police Plan, active and retired, except for approximately 250 participants who did not meet the eligibility requirements, became members of the Municipal Police Employees' Retirement System (State of Louisiana) (MPERS). The Police Plan of the City will remain responsible for the payment of certain benefits due to differences in length of service and age requirements for the participants who were not transferred to the MPERS plan. MPERS is the only





cost-sharing, multiple-employer retirement plan in which employees of the City participate. The Employees' Plan covers all City employees other than firefighters and police.

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

*Funding Policy*

The contribution rate for MPERS per dollar of payroll is 7.5% and 15% for the employee and employer, respectively, as established by the State of Louisiana statute. The City's contributions to the MPERS for the years ended December 31, 2005, 2004, and 2003 were $6,396,000, $8,151,000, and $6,648,000, respectively, equal to the required contributions for each year.

*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 Poydras Street, Suite 1E12
New Orleans, Louisiana 70112
(504) 658-1850

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

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

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

The employer contributions for the 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 in excess of $1,200 per year to the MPERS. Employees covered under the Firefighters' Pension and Relief Fund of the City of New Orleans (Old and New Systems) contribute 6% of salary for the first 20 years of employment.





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

| | Employees' Retirement System | Police Pension Fund | Firefighters' Pension and Relief Fund (Old System) | Firefighters' Pension and Relief Fund (New System) |
|---|---|---|---|---|
| Annual required contribution (thousands) | $ 6,396 | — | 20,203 | 9,269 |
| Annual pension cost (thousands) | 6,396 | — | 21,746 | 9,232 |
| Contributions made (thousands) | 6,396 | — | — | 8,087 |
| Actuarial valuation date | 1/1/06 | 12/31/05 | 1/1/05 | 12/31/05 |
| Actuarial cost method | Frozen entry age actuarial cost method | Entry age normal cost method | Entry age normal cost method | Aggregate actuarial cost method |
| Amortization method | (a) | (b) | Specific number of years – level amount, closed | (c) |
| Remaining amortization period | (a) | (b) | 7 years | (c) |
| Asset valuation method | Market value | Cost which approximates market | Market value | Three-year averaging |
| Actuarial assumptions: | | | | |
| Investment rate of return | 7.75% | 7% | 7.5% | 7.5% |
| Projected salary increases | 4.5% | N/A | 5% | 5% |

(a) The amortization period, which ends on December 31, 2005, is being maintained. Beginning with the January 1, 1992 actuarial valuation, the amortization amount was "frozen" and is equal to the 12-year remaining amortization amount over the period January 1, 1992 through December 31, 2005.

(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 actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

*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 Firefighters' Pension and Relief Fund (Old System and New System) for the current year are as follows (amounts in thousands):

| | Firefighters' Pension and Relief Fund (New System) | Firefighters' Pension and Relief Fund (Old System) |
|---|---|---|
| Annual required contribution | $ 9,269 | 19,634 |
| Interest on PPA (NPO) | 37 | (2,068) |
| Adjustment to annual required contribution | (74) | 4,180 |
| Annual pension cost | 9,232 | 21,746 |
| Contributions made | 8,086 | — |
| Decrease (increase) in PPA (NPO) | (1,146) | 21,746 |
| PPA (NPO), beginning of year | (491) | 27,569 |
| PPA (NPO), end of year | $ (1,637) | 5,823 |

The PPA and NPO are $5,823,000 and $1,637,000 respectively, at December 31, 2005, and are recorded in the governmental activities of the governmentwide statement of net assets.

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

| | Year ending | APC | Percentage of APC contributed | NPO PPA |
|---|---|---|---|---|
| MPERS | 12/31/05 | $ 6,396 | 100% | $ — |
| | 12/31/04 | 7,592 | 100 | — |
| | 12/31/03 | 7,168 | 100 | — |
| Firefighters' Pension and Relief Fund (Old System) | 12/31/05 | 21,746 | — | (5,823) |
| | 12/31/04 | 27,118 | — | (27,569) |
| | 12/31/03 | 26,232 | — | (54,687) |
| Firefighters' Pension and Relief Fund (New System) | 12/31/05 | 9,231 | 87.25 | 1,637 |
| | 12/31/04 | 8,028 | 99.9 | 491 |
| | 12/31/03 | 4,785 | 107 | 517 |





*Postretirement Healthcare Benefits*

In addition to providing pension benefits, the City provides postretirement healthcare benefits, as per City ordinance, for certain retired employees. City employees who have completed 10 years of service and who are eligible to receive pension benefits at the time they terminate employment with the City are eligible to participate in the City's healthcare plan as retirees. The cost of retirement hospitalization benefits is recognized as an expense/expenditure on a pay-as-you-go basis. For 2005, the cost of providing those benefits for approximately 2,647 retirees was approximately $16,686,000 of which $12,573,000 and $4,113,000 was provided by the City and retirees, respectively.

(9) **Individual Fund Disclosures**

***Deficit Fund Equity***

At December 31, 2005, the FEMA had deficit fund balance in the amounts of $13,045,000 resulting from accrued expenditures for which revenue has been deferred.

***Interfund Receivables and Payables***

Individual fund interfund receivables and payables at December 31, 2005 were as follows (amounts in thousands):

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | FEMA Fund | $ 66,346 |
| | Capital Projects Fund | 1,010 |
| | Fed UDAG Fund | 9 |
| | HUD Grant Fund | 9,295 |
| | Nonmajor Funds | 11,678 |
| Nonmajor Funds | Nonmajor Funds | 1,050 |
| | General Fund | 1,193 |
| HUD Grant Fund | Nonmajor Funds | 12 |
| | | $ 90,593 |

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 the HUD Grant Fund and the Nonmajor Funds result from timing differences in the payment for services and reimbursement from the federal government.

*Interfund Advances*

Individual fund interfund advances at December 31, 2005 were as follows (amounts in thousands):

| | Advances to other funds | Advances from other funds |
|---|---|---|
| General | $ 252 | — |
| Nonmajor special revenue: | | |
| Sidewalk paving and repairing | — | 2 |
| Department of Safety and Permits – Demolition | — | 250 |
| Total nonmajor special revenue | — | 252 |
| | $ 252 | 252 |

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

*Fund Transfers*

Individual fund transfers for the year ended December 31, 2005 were as follows (amounts in thousands):

| | Transfers-in | Transfers-out |
|---|---|---|
| General | $ 27,375 | (1,692) |
| FEMA | — | (13,375) |
| Debt service | — | (49,306) |
| Capital projects | 49,306 | — |
| Nonmajor governmental funds | 798 | (13,106) |
| Total | $ 77,479 | (77,479) |

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. In 2005, the Board of Liquidation (included as the debt service fund) transferred $49,306,000 to the City's capital projects fund for limited tax and public improvements bond proceeds. In addition, the FEMA fund transferred $13,375,000 to the General Fund for equipment usage. 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 2005 by the Airport amounted to $1,300,000 primarily for overhead reimbursement and fire protection. Interfund charges for support services paid to the General Fund during fiscal year 2005 by the District amounted to $430,300 for overhead reimbursement.





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.

## (10) Fund Balance Reserves

Certain fund balance amounts in the following funds have been reserved to indicate a restriction for a particular purpose or amounts that are not available for appropriation. Details of the components of reserved fund balance at December 31, 2005 are as follows (amounts in thousands):

| | Governmental funds | | | | | |
|---|---|---|---|---|---|---|
| | General | Federal UDAG | Debt service | Capital projects | Other governmental | Total |
| Encumbrances | $ 999 | 2,859 | — | 53,662 | 3,912 | 61,432 |
| Debt service | — | — | 32,495 | — | — | 32,495 |
| Grantee loans | — | 7,949 | — | — | 4,709 | 12,658 |
| Other receivables | 3,088 | — | — | — | — | 3,088 |
| Total | $ 4,087 | 10,808 | 32,495 | 53,662 | 8,621 | 109,673 |

## (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, 2005 was approximately $890,000.

## (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 2005 for such operating lease agreements was $4,595,000.

*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.

As of December 31, 2005, 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 $879,000 for motor vehicle fleet, $216,158,000 for general liability and police department excessive force losses, $51,042,000 for workers' compensation, and $5,915,000 for hospitalization and unemployment have been accrued in the government-wide financial statements in the total amount of $273,994,000.

The City Attorney also estimates that pending cases having a reasonably possible likelihood of resulting in an additional liability aggregate of approximately $230,000,000 at December 31, 2005. This amount is not recorded in the accompanying basic financial statements since, in the opinion of management and the City Attorney, it is not probable that a loss has been incurred.

In fiscal year 2005, the City recorded a one-time adjustment of $82,684,000 to decrease its general and police department excessive force liability for the assessment of probability and estimate of loss.





Changes to the City's claims liability amounts in fiscal 2005 and 2004 are as follows (amounts in thousands):

| | Beginning of fiscal year liability | Claims and changes in estimates | Benefit payments claims, and adjustments | Balance at fiscal year-end |
|---|---|---|---|---|
| General liability and police liability: | | | | |
| 2004 | $ 199,264 | 129,731 | 747 | 328,248 |
| 2005 | 328,248 | 64,156 | 176,246 | 216,158 |
| Workers' compensation: | | | | |
| 2004 | 51,225 | 20,216 | 12,138 | 59,303 |
| 2005 | 59,333 | 2,999 | 11,290 | 51,042 |
| Motor vehicle fleet: | | | | |
| 2004 | 482 | 1,337 | 699 | 1,120 |
| 2005 | 1,120 | — | 241 | 879 |
| Hospitalization and unemployment: | | | | |
| 2004 | 5,341 | 44,670 | 44,825 | 5,186 |
| 2005 | 5,186 | 43,660 | 42,931 | 5,915 |
| Total: | | | | |
| 2004 | 256,312 | 195,954 | 58,409 | 393,857 |
| 2005 | $ 393,887 | 110,815 | 230,708 | 273,994 |

### *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.

### *Landfill Closing Costs*

The City owns two closed landfill sites located in the eastern portion of the City (Recovery I and Gentilly). State and federal laws require the City to cap the landfill and to monitor and maintain the site for 30 subsequent years. The Gentilly site was closed in 1995. The Recovery I site was closed in June 2003 upon obtainment of the Closure Certificate from the Department of Environmental Quality.

Through the time of closure, in the governmentwide 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 these landfills are 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, 2005, the City has estimated its liability at $11,730,000.

These amounts are based on what it would cost to perform all closure and postclosure care in 2005. 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.

***Prior Years' Defeased Bonds***

In prior years, the City entered into advance refunding transactions whereby it issued General Obligation Refunding Bonds to effect early retirement of certain General Obligation Bonds. The net proceeds of these refunding bonds were placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest on the refunded bonds. Accordingly, the escrow accounts and the refundable bonds are no longer included on the City's basic financial statement of net assets. The outstanding balance of the refunded bonds at December 31, 2005 is as follows (amounts in thousands):

| | | |
|---|---|---|
| 1996 Limited Tax Bond | $ | 1,970 |
| 1997A Public Improvement General Obligation Bonds | | 41,910 |
| 1998A Public Improvement General Obligation Bonds | | 32,890 |
| 1998B Limited Tax Certificates of Indebtedness | | 7,100 |
| 1999 Public Improvement Bond | | 27,005 |
| | $ | 110,875 |

***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) **Subsequent Events**

As a result of Hurricane Katrina, the City will continue to rely on other funding sources, such as federal and state grants and loans, to serve returning citizens.

In the first quarter of 2006, the City drew the remaining balance of $58,600,000 from the original $120,000,000 CDL. In 2006, the City received authorization for a second CDL from FEMA for $120,000,000. The City drew $17,600,000 in December of 2006. The City plans to draw down the remaining balance over the course of the next four years.

In 2006, the State of Louisiana authorized the City to borrow through the Gulf Opportunity Zone Program $52,200,000 to defray the cost of debt service in the General Fund for the years 2006 through 2009. Through July 15, 2007, the City has borrowed $19,600,000 million under this program.





In 2007, the City plans to issue approximately $75,000,000 of the $260,000,000 approved General Obligation Bonds. The proceeds from this issue would be used to repair various assets damaged by the storm.

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CITY OF NEW ORLEANS, LOUISIANA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

Year ended December 31, 2005

(Unaudited)

(Amounts in thousands)

| | Original budget | Revised budget | Actual on budgetary basis | Variance favorable (unfavorable) |
|---|---|---|---|---|
| Revenues: | | | | |
| Taxes | $ 260,438 | 268,574 | 224,191 | (44,383) |
| Licenses and permits | 63,876 | 63,876 | 55,853 | (8,023) |
| Intergovernmental | 12,250 | 13,210 | 12,527 | (683) |
| Charges for services | 55,030 | 54,070 | 36,368 | (17,702) |
| Fines and forfeits | 18,156 | 18,239 | 12,568 | (5,671) |
| Interest income | 7,140 | 7,140 | 7,981 | 841 |
| Contributions, gifts, and donations | 2,886 | 135 | 2,712 | 2,577 |
| Miscellaneous | 12,367 | 20,178 | 12,608 | (7,570) |
| Total revenues | 432,143 | 445,422 | 364,808 | (80,614) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 149,942 | 195,463 | 165,166 | 30,297 |
| Public safety | 172,943 | 153,125 | 152,093 | 1,032 |
| Public works | 63,216 | 63,045 | 47,908 | 15,137 |
| Health and human services | 12,585 | 11,087 | 10,117 | 970 |
| Culture and recreation | 15,934 | 22,136 | 17,794 | 4,342 |
| Debt service: | | | | |
| Principal retirement | 18,909 | 18,149 | 18,029 | 120 |
| Interest and fiscal charges | 19,447 | 18,624 | 18,624 | — |
| Total expenditures | 452,976 | 481,629 | 429,731 | 51,898 |
| Deficiency of revenues over expenditures | (20,833) | (36,207) | (64,923) | (28,716) |
| Other financing sources (uses): | | | | |
| Operating transfers in | 20,833 | 18,193 | 27,375 | 9,182 |
| Proceeds from bond and note issuance | — | — | 63,446 | 63,446 |
| Operating transfers out | — | (1,692) | (1,692) | — |
| Appropriations from prior year budgetary fund balance | — | 19,706 | 21,156 | 1,450 |
| Reduction in prior year's outstanding encumbrances | — | — | 1,902 | 1,902 |
| Other | — | — | (887) | (887) |
| Total other financing sources | 20,833 | 36,207 | 111,300 | 75,093 |
| (Deficiency) excess of revenues and other financing sources over expenditures and other financing uses | $ — | — | 46,377 | 46,377 |
| Fund balance – budgetary basis, beginning of year | | | 25,424 | |
| Less appropriation from beginning of year fund balance | | | (21,156) | |
| Fund balance – budgetary basis, end of year | | | $ 50,645 | |

See accompanying independent auditors' report.

## CITY OF NEW ORLEANS, LOUISIANA

Budget to GAAP Reconciliation

Year ended December 31, 2005

(Unaudited)

(Amounts in thousands)

The schedule of revenues, expenditures, and changes in fund balances – Budget (non-GAAP budgetary basis) and actual-General Fund 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 onthe 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 of revenues and other financing sources over expenditures and other financing uses (budgetary basis) | $ | 46,377 |
| Adjustments: | | |
| To adjust revenues for accruals and deferrals | | (10,208) |
| To adjust expenditures for accruals | | 516 |
| Appropriation from beginning of year fund balance | | (21,756) |
| Other | | (1,184) |
| Net change in fund balance | $ | 13,745 |

See accompanying independent auditors' report.



## CITY OF NEW ORLEANS, LOUISIANA

Schedules of Funding Progress

Year ended December 31, 2005

(Unaudited)

(Amounts in thousands)

| Actuarial valuation date | Actuarial value of assets (a) | Actuarial accrued liability (AAL) (b) | Excess of assets over AAL (a-b) | Funded ratio (a/b) | Covered payroll (c) | Excess as percentage of covered payroll ((a-b)/c) |
|---|---|---|---|---|---|---|
| Employees; Retirement System: | | | | | | |
| 12/31/03 | $ 402,504 | 386,747 | 15,757 | 104.07% | $ 87,713 | 17.96% |
| 12/31/04 | 412,487 | 418,857 | (6,370) | 98.48 | 92,665 | (6.87) |
| 12/31/05 | 412,970 | 391,571 | 21,399 | 105.46 | 63,622 | 33.63 |
| Police Pension Fund: | | | | | | |
| 12/31/03 | 3,394 | 152 | 3,242 | 2,232.89 | — | N/A |
| 12/31/04 | 1,629 | 1,607 | 22 | 101.37 | — | N/A |
| 12/31/05 | 1,630 | 1,608 | 22 | 101.37 | — | N/A |
| Firefighters' Pension and Relief Fund (Old System): | | | | | | |
| 12/31/03 | 11,792 | 175,122 | (163,330) | 6.73 | — | N/A |
| 12/31/04 | 15,142 | 169,026 | (153,884) | 8.96 | — | N/A |
| 12/31/05 | 18,043 | 168,211 | (150,168) | 10.73 | — | N/A |

See accompanying independent auditors' report.

## REQUIRED SUPPLEMENTARY INFORMATION

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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.

(2) **Schedules of Funding Progress**

The actuarial value of assets for the Old System does not include contributions receivable of $70,109,000, $86,640,000, and $98,169,000 for the years ended December 31, 2005, 2004, and 2003, respectively. For actuarial purposes, contribution receivable is not deemed to be an asset of the fund. However, for the purposes of the calculation of the prepaid pension asset, the contribution receivable is included in the actuarial value of plan assets in accordance with U.S. generally accepted accounting principles.

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.

KPMG

**KPMG LLP**
Suite 2900
909 Poydras Street
New Orleans, LA 70112

## 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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2007. Our report was modified to include a reference to other auditors. Our report included an explanatory paragraph discussing Hurricane Katrina and the destruction it caused, which had a significant financial impact on the City in 2005 and will have continuing effects in future years. Our report also included an explanatory paragraph discussing the City's implementation, during 2005, of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and *GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* 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. Other auditors audited the financial statements of the Downtown Development District of the City of New Orleans, the New Orleans Tourism Marketing Corporation, the Orleans Parish Communication District, the Audubon Commission, the Sewerage and Water Board of New Orleans, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, the Canal Street Development Corporation, the Firefighters' Pension and Relief Fund of the City of New Orleans (old and new systems), the Police Pension Fund of the City of New Orleans, the Employees' Retirement System of the City of New Orleans, and the Board of Liquidation, City Debt, as described in our report on City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 05-01 through 05-08.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by

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error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05-01 through 05-05 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards,* which is described in the accompanying schedule of findings and responses as item 05-09.

We noted certain matters that we reported to management of the City in a separate letter dated July 26, 2007.

This report is intended solely for the information and use of the Mayor, members of City Council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

July 26, 2007

KPMG

**CITY OF NEW ORLEANS**

Schedule of Findings and Responses

Section 1 – Summary of Auditors' Results

Year ended December 31, 2005

| **Section 1** | **Summary of Auditors' Results** | |
|---|---|---|

*Financial Statements*

Internal control over financial reporting:

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|---|---|---|
| Material weakness | X Yes | __No |
| Reportable condition that is not considered to be a material weakness | X Yes | __No |
| Material noncompliance | X Yes | __No |

**Section 2** | **Basic Financial Statements, Findings, and Responses**

**No. 05-01** **Accounting and Financial Reporting**

*Criteria*

The City should have systems of internal accounting control, which ensures the basic financial statements are presented in accordance with U.S. generally accepted accounting principles.

*Condition*

The City does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements.

*Context*

During our audit, we noted the following conditions:

- The City prepares its governmental fund and agency fund financial statements, but does not have policies, procedure, and resources in place to accurately convert these financial statements to full accrual.
- The City did not have an adequate management review of the financial statements. Certain errors were noted in the financial statements that were not detected by the City.
- The City does not have adequate reconciliations in place for accounts including cash, accounts receivable, capital assets, and liabilities.
- To properly present the financial statements, the City recorded numerous adjustments.
- The City did not properly record property tax receivable and deferred revenue in the governmental fund financial statements.
- The City did not properly record the note payable from the Federal Emergency Management Agency (FEMA) in the financial statements.
- The City's sales tax receivable was not complete and also included fiscal year 2006 sales tax transactions.
- The City's due to and from component units did not reconcile to the amounts reported in the component unit reports.
- Certain journal entries are not approved by someone other than the preparer.

*Cause*

The City does not have an appropriate infrastructure to prepare accurate and complete financial statements in a timely manner in accordance with U.S. generally accepted accounting principles. The fiscal year 2005 financial reporting process was impacted by Hurricane Katrina (the storm) and the layoffs of certain finance employees.

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| *Effect* | The City recorded material adjustments to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles. |
| *Recommendation* | The City should evaluate its accounting and financial reporting function. Specifically, the City should consider the following:<br>• Ensure adequate resources (both number and skill set) are dedicated to the accounting and financial reporting function.<br>• Develop and implement policies, procedures, and related controls over the preparation of the financial statements, including those presented under full accrual.<br>• Assign responsible persons for preparing and reviewing the financial statements.<br>• Address the specific accounting matters discussed in this schedule of findings and responses.<br>• Develop policies and procedure to ensure journal entries are approved by someone other than the preparer. |
| *Views of Responsible Officials and Planned Corrective Action Plan* | We concur with the audit finding. The City's entire workforce was severely impacted by Hurricane Katrina in 2005. Approximately, 50% of the accounting staff was loss to layoffs, retirement of key senior managers, or the inability to return to New Orleans after the storm. In 2007, the City has rehired some additional accounting staff. Additionally, the City has hired an outside certified public accountant firm to provide the necessary resources to supplement the loss of knowledge and skill sets, and to allow the City to properly prepare financial statements and address this finding. |
| *Contact Person* | Reginald Zeno, Director of Finance |
| **No. 05-02** | **Capital Assets** |
| *Criteria* | The City has a significant amount of capital assets, including construction-in-progress (CIP) and infrastructure. The City should have systems of internal accounting control, which provide for proper accounting and financial reporting for capital assets. GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34), provides guidance on recording and reporting capital assets. |

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

*Context* During test work, we noted the following weaknesses in the internal control structure over the capital asset accounting function:

- The City's capital assets were impacted by the storm. As a result, the City was required to evaluate its capital assets for impairment. The City did not have an adequate process to evaluate impairment and we noted errors in the calculation. In addition, the City did not properly consider all assumptions in its analysis.
- The City does not perform a timely review of projects in CIP; therefore, projects are not closed out timely and transferred to a depreciable asset.
- Certain CIP balances represented repair, maintenance, or other noncapitalizable projects that had to be expensed.
- The City did not maintain accurate listings of its capital assets and made numerous revisions during the audit.
- The City did not capitalize library books as required by GASB No. 34.
- The City did not have an adequate management review of the capital asset listings and rollforward.

*Cause* The City has not developed and implemented policies, procedures, and controls to ensure capital assets are properly recorded in the financial statements.

*Effect* Material adjustments were posted by the City to the capital asset balances.

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

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| *Views of Responsible Officials and Planned Corrective Action Plan* | In 2007 the City has rehired additional accounting staff. Additionally, the City has hired an outside CPA firm to provide the necessary resources to manage the review and reconciliation of capital assets. The outside CPA firm will also make recommendations to strengthen policies and procedures over fixed assets. |
| *Contact Person* | Reginald Zeno, Director of Finance |
| **No. 05-03** | **Accounts Payable** |
| *Criteria* | The City should have systems of internal accounting control, which provide for proper preparation of the financial statements. |
| *Condition* | The City did not have adequate process and controls in place to ensure expenditures were reported in the proper period. |
| *Context* | During our audit, we noted certain fiscal year 2006 expenditures paid on a fiscal year 2005 (or older) encumbrance were included in fiscal year 2005 accounts payable. As a result, accounts payable were overstated and the City recorded material adjustments to correct the account balance. In addition, we noted unrecorded invoices in the FEMA and Department of Housing and Urban Development (HUD) funds. |
| *Cause* | Due to the effects of the storm and delays in financial reporting, the City's general ledger system remained open through 2007 for fiscal year 2005. In addition, the City did not evaluate the invoices included in accounts payable. |
| *Effect* | The City recorded material adjustments to properly reflect accounts payable in accordance with U.S. generally accepted accounting principles. |
| *Recommendation* | The City should implement procedures and controls to ensure accounts payable is properly reported at year-end. Specifically, the City should evaluate the configuration of its accounting system to ensure expenditures are reported in the proper period. |

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| *Views of Responsible Officials and Planned Corrective Action Plan* | Due to the effects of the storm the City personnel made the conscientious decision to allow the general ledger for fiscal year 2005 to remain open during fiscal year 2006 to account for the large volume of 2005 invoices directly related to rescue and recovery efforts immediately after the storm. Beginning in 2007, the City will return to its normal procedure of closing out the fiscal year. |
| *Contact Person* | Kim T. DeLarge, Sr., Comptroller |

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| **No. 05-04** | **Cash** |
| *Criteria* | The City should have systems of internal accounting control, which provide for proper preparation of the financial statements. |
| *Condition* | The City did not have adequate processes and controls in place to ensure cash was properly presented in the financial statements at year-end. |
| *Context* | During our audit, we noted the City did not maintain an accurate and complete listing of outstanding checks and deposits-in-transit and considered these items in its year-end cash reconciliation. As a result, we noted the City had recorded an unsupported journal entry at year-end to accounts payable to reconcile cash. |
| *Cause* | After the storm, the City's cash reconciliation was put on hold. The City was not able to reconcile year-end cash until April 2007. In addition, the City did not recognize outstanding checks and deposits-in-transit should be considered in its cash reconciliation and presented as a reduction of or addition to cash at year-end. |
| *Effect* | The City recorded material adjustments to properly reflect present outstanding checks and deposits-in-transit in accordance with U.S. generally accepted accounting principles. |
| *Recommendation* | The City should implement policies, procedure, and controls to track outstanding checks, present outstanding checks as a reduction of cash at year-end, and properly present deposits-in-transit. In addition, the City should ensure the cash reconciliation is completed each month and is properly reviewed. |

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| *Views of Responsible Officials and Planned Corrective Action Plan* | In 2007, the City has rehired additional accounting staff. Additionally, the City has hired an outside CPA firm to provide the necessary resources to manage the review and reconciliation of cash. The outside CPA firm will also make recommendations to strengthen policies and procedures regarding cash reconciliations. Furthermore, the City will review the possibility of implementing an electronic cash reconciliation module. |
| *Contact Person* | Reginald Zeno, Director of Finance |
| **No. 05-05** | **HUD and UDAG Grantee Loans** |
| *Criteria* | Housing & Economic Development is charged with managing the City's loans issued from United States Department of Housing and Urban Development (HUD) grants under Section 108 and Urban Development Action Grant (UDAG). The City should have internal controls in place to ensure the loans are properly recorded in its financial statements. |
| *Condition* | The City does not have adequate policies, procedures, and internal control over HUD loans to ensure they are properly presented in the financial statements in accordance with U.S. generally accepted accounting principles. |
| *Context* | The City's loan records were incomplete and employees were unable to provide accurate status reports on each outstanding loan. As a result, the City has not pursued collection on outstanding loans and did not record adjustments to properly reflect the value of loans at year-end. |
| *Cause* | Economic Development had a complete turnover of staff after the storm. As a result, the City did not maintain complete files on each of the loans. |
| *Effect* | The City recorded adjustments to properly record the allowance for uncollectible loans. |
| *Recommendation* | The City should implement policies, procedures, and internal controls and evaluate the staff of the Economic Development to ensure HUD loans are properly supported and recorded in the City's financial statements. The City should ensure its loan files are complete and contain adequate information to manage the loan and pursue collection. These files should contain data as to the collectibility of each loan. |

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| *Views of Responsible Officials and Planned Corrective Action Plan* | We concur with the audit finding. The City will reestablish policies, procedures, and controls to ensure HUD loans are properly supported and recorded in the City's financial statements. Additionally, the City will take the necessary steps to ensure its loan files are complete and contain adequate information to manage the loan and pursue collection. |
| *Contact Person* | Donna Addkison, Director of Housing & Economic Development |

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| **No. 05-06** | **Agency Fund Reporting** |
| *Criteria* | The City should have systems of internal accounting control, which provide for proper preparation of the financial statements. |
| *Condition* | The City does not have adequate controls in place to ensure agency funds are properly presented in the financial statements. |
| *Context* | The City utilizes agency funds to manage certain operations that U.S. generally accepted accounting principles require be accounted for in the general fund or internal service fund. Specifically, the City uses agency funds to manage its self-insurance activity such as workers' compensation and hospitalization insurance. However, at year-end, the City does not reclassify these balances to the general fund. We also noted the City improperly presented due to and due from other funds in the agency funds and did not clear these accounts at year-end. |
| *Cause* | The City did not have policies and procedures to apply U.S. generally accepted accounting principles to its agency funds. |
| *Effect* | The City recorded adjustments to properly present its agency funds in accordance with U.S. generally accepted accounting principles. |
| *Recommendation* | The City should implement policies and procedures to ensure agency activity is properly presented at year-end. Specifically, the City should evaluate activity reported in its agency funds at year-end and record reclassification entries to ensure self-insurance activity, property taxes, and other transactions are reported in governmental funds. |

*Views of Responsible Officials and Planned Corrective Action Plan* — The City will review with the external auditor and the CPA firm hired to provide accounting assistance the steps necessary to properly record the activities referred to in the finding.

*Contact Person* — Reginald Zeno, Director of Finance

**No. 05-07 — Reporting Litigation and Claims**

*Criteria* — The City should have systems of internal accounting control, which provides for proper preparation of the financial statements.

*Condition* — The City does not have adequate controls in place to ensure litigation and claims are properly recorded or disclosed in the financial statements.

*Context* — The City Attorney's Office provides a detail excel listing of its litigation and claims to support the City's accrual and disclosure. During our audit, we noted this excel listing did not provide the assessment required by Statement of Financial Accounting Standards Board Statement No. 5, *Accounting for Contingencies*, which includes a probability assessment and estimate of loss, if applicable. The City recorded the worst case amount listed in the excel file. However, the City Attorney indicated this amount did not represent the City's best estimate of the probable loss. The use of the best estimate was also supported by the City's payout history.

*Cause* — The City did not have policies and procedures to evaluate information obtained from the City Attorney's Office and properly record or disclose litigation and claims.

*Effect* — The City recorded adjustments to properly accrue the litigation and claims liability in accordance with U.S. generally accepted accounting principles.

*Recommendation* — The City should implement policies, procedures, and related internal controls to ensure the litigation and claims liability are properly presented. Specifically the Finance Department should work with the City Attorney's Office to obtain an evaluation of each case in accordance with the criteria established in FASB Statement No. 5. These results should be used to record the accrual and disclosure of the City's litigation and claims.

*Views of Responsible Officials and Planned Corrective Action Plan*

The City will modify the open case database to provide a probability assessment, which will classify each open litigation case, in which the City of New Orleans has been named as a defendant, as either "remote," "reasonably possible," or "probable" with respect to a trial court judgment against the City or a settlement of a lawsuit, which obligates the City to make payment. Additionally, the "Best Estimate" category will be restyled as "Estimate of Loss." The foregoing corrective measures will be developed and implemented in collaboration to ensure that pending litigation and claims are properly recorded and/or disclosed in the financial statements of the City.

*Contact Person*

Albert Thibodeaux, Assistant City Attorney

**No. 05-08** **Information Technology**

*Criteria*

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

*Condition*

We noted conditions that indicated weaknesses in the City's information technology general controls, including access controls, program and system change controls, and computer operation controls.

*Context*

We noted the following conditions during our audit:

- Administrator privileges are not appropriately controlled.
- Periodic user reviews are not performed for critical access.
- Evidence of approval for network and application access to the network is not available.
- User access is not terminated in a timely manner.
- Password parameters are not appropriate across applications and the network.
- Evidence does not exist to support authorization and testing of changes.
- A documented disaster recovery plan did not exist for 2005.

*Cause* The City has not developed adequate policies, procedures, and related controls for Information Technology (IT) general controls. In addition, the IT department was impacted by the storm.

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

*Recommendation* The City should develop and implement standard general IT control policies, procedures, and internal controls and ensure evidence is available to support those controls.

*Views of Responsible Officials and Planned Corrective Action Plan* The City has a system in place to ensure the appropriate signatures are obtained before anyone is given access to the mainframe as well as the network, financial, and Human Resources (HR) systems. In the immediate aftermath of the storm, some policies and procedures were lacking due to the limitation of resources and the recent change in vendors from ACS to Ciber Inc.

However, all requests for access are sent to Management Information Systems (MIS) and approved by the Director before being handled. Safeguards will be taken to make sure the paperwork is logged and filed to insure that the documentation for all requests can be located.

*Contact Person* Anthony Jones, Interim Chief Technology Officer

**No. 05-09** **Legislative Auditor Deadline**

*Criteria* Under Louisiana statute, the City is required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles and to complete the audit and file it with the Legislative Auditor of the state of Louisiana by June 30 of each year.

*Condition* The City did not meet the deadline for reporting to the state of Louisiana. The City does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements in accordance with U.S. generally accepted accounting principles.

*Context* After the storm, the City received a one-year extension from the Legislative Auditor to file its fiscal year 2005 audited financial statements. However, the City did not meet this deadline and filed its financial statements in

July 2007. Numerous adjustments were proposed by us and recorded by the City to fairly state the financial statements.

*Cause* The City does not have an appropriate infrastructure to prepare accurate and complete financial statements in a timely manner. The fiscal year 2005 financial reporting process was impacted by the storm and the layoffs of City employees.

*Effect* The City did not comply with the state statute.

*Recommendation* The City should evaluate its accounting and financial reporting policies, procedures, controls, and resources to ensure its financial statements are submitted to the Legislative Auditor in accordance with the requirements of the state statute.

*Views of Responsible Officials and Planned Corrective Action Plan* During the 2005 1st Extraordinary Session, the Louisiana State Legislature amended and reenacted R.S. 24:513(A)(5)(a) and 514(E) and (F) and enacted R.S. 24:513.4, relative to audit reports and financial statements of certain entities, and to provide for an extension of time relative to the completion of audit reports and financial statements in the event of certain disasters or emergencies. The City has had regular communication with the Louisiana State Legislative Auditor to keep them abreast of the audit progress.

*Contact Person* Reginald Zeno, Director of Finance

**KPMG LLP**
Suite 2900
909 Poydras Street
New Orleans, LA 70112

July 27, 2007

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Orleans, Louisiana (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 27, 2007. Our report was modified to include a reference to other auditors. Our report included an explanatory paragraph discussing Hurricane Katrina and the destruction it caused, which had a significant financial impact on the City in 2005 and will have continuing effects in future years. Our report also included an explanatory paragraph discussing the City's implementation, during 2005, of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* In planning and performing our audit of the financial statements of the City, we considered internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

## Accounting and Financial Reporting Backup

### *Observation*

The City is a large, complex governmental entity which disaggregates accounting and financial reporting responsibilities between various groups including the Department of Finance, other departments/agencies, Treasury, and the Board of Liquidation. We noted deficiencies in its accounting and financial reporting processes, including material weaknesses and reportable conditions. As noted in these comments, we noted improvements need to be made, including addressing current year internal control weaknesses, clearly defining financial management roles and responsibilities.

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During our audit, we noted the City lacks backup for key accounting positions. In addition, the City has not provided adequate cross training of employees. These facts, which are due in large part to the layoffs made as a result of the impact of Hurricane Katrina, have made the City's accounting and financial reporting processes inefficient and time consuming. In addition, these factors have made the audit process more demanding and time consuming.

***Recommendation***

The City should evaluate its accounting and financial reporting staff and ensure adequate backup and cross training is in place. Such cross training should focus on additional personnel in the financial statement reporting process.

***Management's Response***

We have addressed the backup issue by assigning additional staff to lead roles to meet with auditors to address their inquiries. In addition, we have contracted with an outside accounting firm to supplement the current accounting staff. We will maintain this arrangement until appropriate staffing levels are obtained.

**Financial Statement Analytical Review**

***Observation***

The City does not perform an analytical review of financial information. During the audit, we noted it was difficult for the City to explain variances between years in its fund-level financial statements. An analytical review process is helpful in detecting errors or matters requiring follow-up.

***Recommendation***

As part of the closing process, the City should perform an analytical review of the financial statements.

***Management's Response***

As part of our interim closing and year-end closing processes the City has always performed an analytical review of the financial statements prior to presenting them to the Council's Budget Committee. However, because of the shutdown of City operations due to Hurricane Katrina and the dramatic reductions in revenues and expenditures, the variances between budget and actuals between fiscal years were extremely abnormal for the months September through December of 2005.

**Capital Assets**

***Observation***

The City did not have adequate policies, procedures, and internal controls in place to ensure capital assets were fairly stated in its financial statements. During the audit, we noted the City's capital asset records were maintained in an Excel file and were difficult to follow. In addition, the records contained general asset descriptions and lacked locations, which made it time-consuming to identify the location of certain assets. We also noted a limited number of City employees who had knowledge of the City's capital asset records.

***Recommendation***

We understand the City is converting general ledger system and implementing Great Plains, which contains a capital asset module. The City should consider an inventory of its land and buildings to enhance the information input to Great Plains, including descriptions and locations. In addition, the City should ensure there are multiple employees who are familiar with the capital asset records.

***Management's Response***

Immediately prior to the storm, the City was in the process of converting the capital asset file to a new fixed assets system, which will allow us to enter general asset descriptions and locations in the future. Additionally, we disagree that there is limited City employees knowledgeable of the City's capital asset records.

**Reconciliation of Component Units**

***Observation***

The amounts reported as due to and due from component units did not reconcile to the amounts reported in the separately audited financial statements. During the audit, the City was unable to determine the nature of the differences.

***Recommendation***

As part of its closing process, the City should reconcile amounts reported in the City's financial statements to amounts reported in the component unit financial statements. In addition, the City should work during the year to improve the accounting for these transactions and ensure adequate communication of these transactions.

***Management's Response***

In the past the City reconciled component units' statements to the City's financial statements; however, due to the urgency of completing the 2005 audit, the City did not complete that task in a timely manner. A process will be developed for the City to timely receive the reports from the component units for review with the external auditor.

**Accounts Receivable and Revenue Recognition**

***Observation***

The City records accounts receivable for property, sales, and franchise tax as well as other billed and miscellaneous accounts. During our audit, we noted the following matters:

- The City did not properly accrue sales taxes. Specifically, certain 2005 taxes collected in 2006 were excluded from the accrual and certain 2006 sales taxes were included in the accrual.

- The City did not properly evaluate revenue recognition in the fund-level financial statements. The City's policy 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. We noted certain receivables, such as franchise tax, that were collected outside of the sixty days but were recorded as revenue, instead of deferred revenue.

***Recommendation***

The City should evaluate receivables at year-end to ensure proper revenue recognition.

***Management's Response***

The City has historically accrued revenue to the proper year. Due to the reduction and turnover of key staff some functions were not performed timely as in prior years.

**Principal and Interest Expense**

***Observation***

The City's principal and interest expense as reflected in the fund-level financial statements did not reconcile to the amounts presented in the long-term liabilities rollforward and amortization schedules. During the audit, the City reconciled these items and made reclassification entries to properly present principal and interest expense.

***Recommendation***

As part of its closing process, the City should reconcile principal and interest expense per the financial statements to the amortization schedules and amounts reflected in the long-term liabilities rollforward.

***Management's Response***

The City will continue to reconcile principal and interest transactions per the financial statements to the amortization schedules.

**Transfers**

***Observation***

During the audit, we noted transfers in did not equal transfers out. As a result, the City recorded adjustments to properly reconcile these balances.

***Recommendation***

As part of its closing process, the City should ensure transfers in equal transfers out.

***Management's Response***

The City will continue to reconcile transfers in and transfers out prior to completing financial statements.

**Board of Liquidation**

***Observation***

The Board of Liquidation, City Debt (Board) is included as the City's debt service fund, and is responsible for all matters relating to the bonded debt of the City. The Board prepares its financial statements on a modified cash basis. The City's financial statements are presented on both a modified accrual and full accrual basis. Therefore, the Board's financial statements must be converted for presentation in the City's financial statements. The City does not have a process in place to obtain necessary conversion information from the Board, including investment fair value, property tax receivable, deferred loss on refunding, and accrued interest, as applicable.

***Recommendation***

The City should develop a process to obtain necessary information from the Board to ensure financial statements are presented on a modified accrual basis for presentation in the governmental funds and accrual basis for the government-wide financial statements. The City should also ensure it receives applicable information to record and disclose refunding transactions in accordance with GASB Statement No. 23, *Current and Advance Refundings*.

***Management's Response***

The City will immediately discuss with the Executive Director of the Board of Liquidation to ensure the necessary conversion information is obtained.

**Component Units**

***Observation***

The City has not maintained appropriate documentation to evidence its evaluation of component units in accordance with 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.*

***Recommendation***

The City should prepare and maintain adequate documentation, including by-laws, articles of incorporation, and other documents, supporting the component unit evaluation and conclusions.

***Management's Response***

Department of Finance will meet and discuss with Council Fiscal Officer to ensure that appropriate documentation is maintained.

**On Behalf Payments**

***Observation***

The City did not record in the general fund on behalf payments for supplemental pay for police and fire personnel. GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires an employer government to recognize revenues and expenditures or expenses for on-behalf payments for fringe benefits and salaries. The employer government should recognize revenue equal to the amounts that third-party recipients of the payments received and that are receivable at year-end for the current fiscal year.

***Recommendation***

The City should obtain the necessary information at year-end to record on-behalf payments as intergovernmental revenue and public safety expense.

***Management's Response***

In the future the City will record both the revenue and expense associated with on-behalf payments. This has no effect on general fund resources.

* * * * * * *

In addition, we identified certain deficiencies in internal control that we consider to be reportable conditions or material weaknesses and communicated them in writing to management and those charged with governance on July 27, 2007.

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

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

This report is intended solely for the information and use of the Mayor, members of City Council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Very truly yours,

KPMG LLP

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APPENDIX "D"

# ANNUAL FINANCIAL STATEMENTS

# OF THE

# BOARD OF LIQUIDATION, CITY DEBT

# FOR THE YEAR ENDED

# DECEMBER 31, 2006

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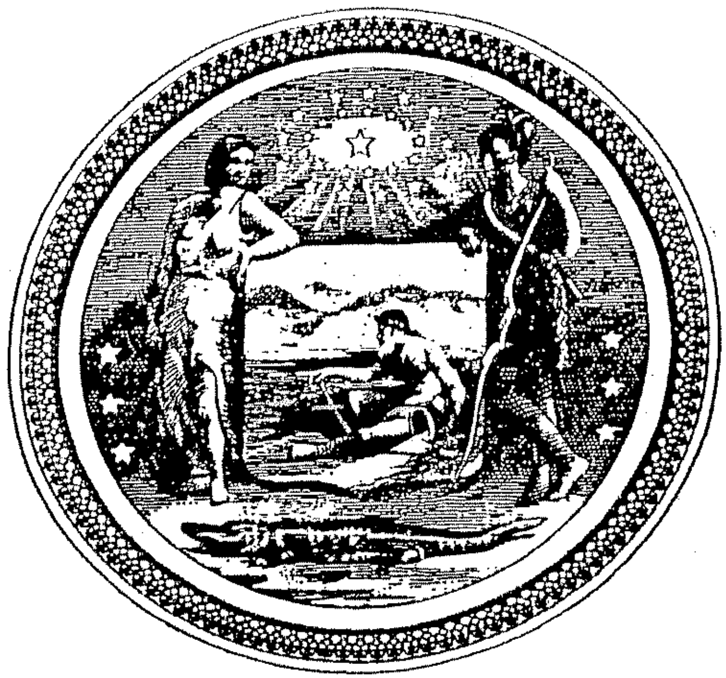

# CITY OF NEW ORLEANS
# BOARD OF LIQUIDATION
# CITY DEBT
## ANNUAL STATEMENT

## DECEMBER 31, 2006

BOARD OF LIQUIDATION, CITY DEBT
NEW ORLEANS, LOUISIANA
DECEMBER 31, 2006

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BOARD OF LIQUIDATION, CITY DEBT
NEW ORLEANS, LOUISIANA
DECEMBER 31, 2006

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

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

### OFFICERS OF THE BOARD

J. Thomas Lewis, President
Mary K. Zervigon, Vice President
David W. Gernhauser, Secretary
Tracy David Madison, Assistant Secretary

### COUNSEL

Lemle & Kelleher

### MEMBERS OF THE BOARD

Barbara Lamont
Norma E. Grace
Mary K. Zervigon
Richard P. Wolfe
J. Thomas Lewis
Sidney H. Evans, Jr.

| | |
|---|---|
| Arnie Feilkow Councilman | Ex-Officio |
| C. Ray Nagin, Mayor | Ex-Officio |
| Oliver M. Thomas Councilman | Ex-Officio |

J. THOMAS LEWIS
PRESIDENT

MARY K. ZERVIGON
VICE PRESIDENT

DAVID W. GERNHAUSER
SECRETARY

TRACY DAVID MADISON
ASST. SECRETARY

MEMBERS OF BOARD
SIDNEY H. EVANS, JR.
NORMA E. GRACE
BARBARA LAMONT
J. THOMAS LEWIS
RICHARD P. WOLFE
MARY K. ZERVIGON

ARNIE FIELKOW, EX OFFICIO
C. RAY NAGIN, EX OFFICIO
OLIVER M. THOMAS, EX OFFICIO

Board of Liquidation, City Debt
1300 PERDIDO STREET - ROOM 8E17
New Orleans, La. 70112

AREA CODE 504
658-1410
(FAX) 658-1411
www.boardofliquidation.com

March 9, 2007

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, 2006 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 Audubon Area Security District, the Garden District Security Tax District, the Huntington Park Subdivision Improvement District, the Lake Carmel Improvement District, the Lake Forest Estates Improvement District, the Lake Oaks Subdivision Improvement District, the Spring Lake Improvement District and the Upper Hurstville Security District.

Sincerely,

J. Thomas Lewis

David W. Gernhauser

BOARD OF LIQUIDATION, CITY DEBT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

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, 2006. 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, these 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:

(1) The Combining Statement of Assets, Liabilities and Custodial, Debt Service and Reserve Funds - Modified Cash Basis, (2) The Combining Statement of Cash Receipts, Disbursements and Changes in Liabilities and Custodial Debt Service and Reserve Funds - Modified Cash Basis, and (3) Notes to the financial statements.

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

**Basic Financial Statements**

The Combining Statement of Assets, Liabilities and 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 and 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 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.

Other Information

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

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

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 on a whole.

*Fiduciary Funds*

The Debt Service and Reserve Funds in the Debt Administration section of the financial report have a fund balance of $63,988,204. The Custodial Liability balance of $43,996,949 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 2007. The 2007 millage levy is 31.7 mills, down from 38.2 mills in 2006. A key factor in rolling back the City millage is the positive increase in gross assessments of property values in the City of New Orleans since the assessments were lowered as a result of Hurricanes Katrina and Rita in 2005. This favorable trend along with an 80% ad valorem tax collection rate provided a Debt Service Fund balance to carry forward to 2007 and allowed the millage rate to decrease.

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

| | Debt Administration 2006 | 2005 | Changes |
|---|---|---|---|
| Total assets | $ 89,753,746 | $ 58,382,859 | $ 31,370,887 |
| Total liabilities | $ 25,765,542 | $ 492,044 | $ 25,273,498 |
| Total custodial debt service and reserve fund | $ 63,988,204 | $ 57,890,815 | $ 6,097,389 |
| Receipts | $308,516,799 | $474,480,129 | $165,963,330 |
| Disbursements | $277,145,912 | $481,703,375 | $204,557,463 |
| Excess (deficiency) of receipts over disbursements | $ 31,370,887 | $ (7,223,246) | $ 38,594,133 |





| | Custodial Accounts 2006 | 2005 | Changes |
|---|---|---|---|
| Total assets | $ 157,837,734 | $265,581,490 | $(107,743,756) |
| Total liabilities | $ 43,996,949 | $ 0 | $ 43,996,949 |
| Total custodial debt service and reserve fund | $ 113,840,785 | $265,581,490 | $(151,740,705) |
| Receipts | $ 152,827,917 | $ 67,514,097 | $ 85,313,820 |
| Disbursements | $ 260,571,673 | $107,461,351 | $ 153,110,322 |
| Excess (deficiency) of receipts over disbursements | $(107,743,756) | $(39,947,254) | $ (67,796,502) |

| | Totals 2006 | 2005 | Changes |
|---|---|---|---|
| Total assets | $247,591,480 | $323,964,349 | $ (76,372,869) |
| Total liabilities | $ 69,762,491 | $ 492,044 | $ 69,270,447 |
| Total custodial debt service and reserve fund | $177,828,989 | $ 32,347,305 | $(145,643,316) |
| Receipts | $461,344,716 | $541,994,226 | $ (80,649,510) |
| Disbursements | $537,717,585 | $589,164,726 | $ (51,447,141) |
| Excess (deficiency) of receipts over disbursements | $(76,372,869) | $(47,170,500) | $ (29,202,369) |

Key Changes in Assets and Liabilities include:

- Assets increased in debt administration due to better than expected ad valorem tax receipts coupled with the use of Gulf Opportunity Tax Credit Bond Loan Program debt proceeds to service debt.
- Assets decreased in the custodial accounts due to decreased receipts and payment of debt.
- Liabilities increased primarily due to the Gulf Opportunity Tax Credit Bond Loan Program loan proceeds drawn down and used during 2006.

Key changes in receipts include:

Debt Administration

- Ad valorem tax receipts increased $575,000.
- Bond proceeds decreased $166,644,000.
- Debt service funds decreased $69,689,000.
- Debt service from the Gulf Opportunity Tax Credit Bond Loan Program loan increased $69,407,000.

Debt Administration (Cont'd)

- Debt administered cost of issuance decreased $195,000.
- Interest on investments decreased $484,000. This was primarily due to no ad valorem taxes being collected until June 2006.
- Excess debt service and reserve increased $1,063,000.

Custodial Accounts

- Ad valorem taxes decreased $14.8 million.
- BAN proceeds increased $24 million.
- Interest on investments increased $1.7 million.
- FEMA reimbursements increased $30.3 million.

Key changes in disbursements include:

- Interest payments decreased $335,000. This follows the debt service schedule.
- Principal payments were $36.3 million less. 2005 had more debt refunding.
- Premium payments were $573,000 less due to refunding in 2005 that was not present in 2006.
- Escrow security purchases were not present in 2006 causing a $118 million decrease.
- Insurance on new bonds was not present in 2006 resulting in a $639,000 decrease.
- Debt service payments from custodial accounts increased $150 million.
- Contract services increased $207,000.
- Funds returned to Sewerage and Water Board decreased $49 million.
- Funds to APC, increased $216,000.
- Cost of issuance and discounts decreased $64,000 due to less bond sales in 2006.

*Long-term Debt Administration*

At the end of the fiscal year, the Board administers total bonded debt outstanding of $478,419,936 in General Obligation Bonds and $31,550,000 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 agency. 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 and Water Board of New Orleans.

Outstanding bonds administered by the Board at December 31, 2006 and 2005 are as follows:





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

| | 2006 | 2005 |
|---|---|---|
| City of New Orleans: | | |
| General Obligation Bonds | $478,419,936 | $493,683,176 |
| Limited Tax Bonds | $ 31,550,000 | $ 33,000,000 |
| Sewerage & Water Board of New Orleans: | | |
| Drainage System Bonds | $ 24,905,000 | $ 25,920,000 |
| Sewerage Service Revenue Funds | $189,465,000 | $198,150,000 |
| Sewerage Service Revenue Bonds Anticipation Notes | $ 24,030,000 | $137,000,000 |
| Water Revenue Bonds | $ 42,510,00 | $ 44,245,000 |
| Audubon Park Commission: | | |
| Audubon Park Improvement Bonds | $ 2,870,000 | $ 3,080,000 |
| Audubon Aquarium Bonds | $ 36,333,572 | $ 38,393,572 |
| Downtown Development District: | | |
| Downtown Development District Bonds | $ 6,525,000 | $ 6,715,000 |

*Bond Ratings*

Bond ratings for the General Obligation Bonds of the City of New Orleans was downgraded by Moody's Rating Service and Standard & Poor's Rating following the effects of Hurricanes Katrina and Rita to a non-investment grade status. The Board officials as well as the City of New Orleans administration have met with the rating agencies and are awaiting the report as to the rating status of the general obligation bonded debt.

Contacting the Board's Financial Management

This financial report is designed to provide a general overview of the Board's finances, comply 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.

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MEMBERS OF
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CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
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SIDNEY T. SPILSBURY, C.P.A.
(1905-1985)
KEITH T. HAMILTON, C.P.A.
(1932-2003)
LEROY P. LEGENDRE, C.P.A.
(Retired)

## INDEPENDENT AUDITOR'S REPORT

Mr. J. Thomas Lewis, 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, 2006 as listed in the table of contents. These financial statements are the responsibility of the management of the Board of Liquidation, City Debt. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and 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 opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, custodial, and debt service and reserve fund balances of the Board of Liquidation, City Debt, at December 31, 2006, and cash receipts, disbursements and changes in liabilities, custodial and debt service fund balances for the year then ended, on the basis of accounting described in Note B.



In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2007 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 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.

Spilsbury, Hamilton, Legendre + Paciera

March 30, 2007

SPILSBURY, HAMILTON, LEGENDRE & PACIERA
CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENTS

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BOARD OF LIQUIDATION, CITY DEBT
FIDUCIARY FUND TYPE - AGENCY FUND
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND CUSTODIAL,
DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS
DECEMBER 31, 2006

| | Debt Administration | Account of Sewerage & Water Board | Account of Downtown Development District | Account of Audubon Park Commission | Accounts of Special Taxing Districts | Total (Memorandum Only) |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash | $ 110,107 | $ 360,212 | $ 4,273 | $ 6,574 | $ 15,275 | $ 496,441 |
| Certificates of deposit | 88,948,227 | 68,285,000 | 2,880,000 | 345,000 | 0 | 160,458,227 |
| U.S. Treasury Bills-cost | 695,412 | 71,208,161 | 4,375,312 | 1,084,024 | 1,025,729 | 78,388,638 |
| U.S. Treasury Strips-cost | 0 | 8,248,174 | 0 | 0 | 0 | 8,248,174 |
| *Total Assets* | $ 89,753,746 | $ 148,101,547 | $ 7,259,585 | $ 1,435,598 | $ 1,041,004 | $ 247,591,480 |
| **LIABILITES AND CUSTODIAL, DEBT SERVICE AND RESERVE FUNDS** | | | | | | |
| Cost of issuance | $ 22,904 | $ 0 | $ 0 | $ 0 | $ 0 | $ 22,904 |
| Interest payable | 93,260 | 0 | 0 | 0 | 0 | 93,260 |
| Principal payable | 176,200 | 0 | 0 | 0 | 0 | 176,200 |
| Principal payable-Paying Agent | 60,300 | 0 | 0 | 0 | 0 | 60,300 |
| Tax Credit Bond loan payable | 25,412,878 | 40,494,073 | 367,929 | 3,134,947 | 0 | 69,409,827 |
| Reserve funds | 51,087,118 | 0 | 0 | 0 | 0 | 51,087,118 |
| Debt service funds | 12,901,086 | 0 | 0 | 0 | 0 | 12,901,086 |
| Custodial fund balance (deficit) | 0 | 107,607,474 | 6,891,656 | (1,699,349) | 1,041,004 | 113,840,785 |
| *Total Liabilities, and Custodial, Debt Service and Reserve Funds* | $ 89,753,746 | $ 148,101,547 | $ 7,259,585 | $ 1,435,598 | $ 1,041,004 | $ 247,591,480 |

BOARD OF LIQUIDATION, CITY DEBT
FIDUCIARY FUND TYPE - AGENCY FUND
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN LIABILITIES,
AND CUSTODIAL, DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2006

| | Debt Administration | Account of Sewerage & Water Board | Account of Downtown Development District | Account of Audubon Park Commission | Accounts of Special Taxing Districts | Total (Memorandum Only) |
|---|---|---|---|---|---|---|
| RECEIPTS | | | | | | |
| Ad valorem taxes-Current year | $ 54,264,746 | $ 29,573,084 | $ 4,283,983 | $ 5,730,630 | $ 568,447 | $ 94,420,890 |
| Ad valorem taxes-Prior years | 2,644,254 | 1,939,487 | 85,891 | 389,378 | 20,463 | 5,079,473 |
| Bond Proceeds- BANs | 0 | 24,030,000 | 0 | 0 | 0 | 24,030,000 |
| Revenue sharing-State of Louisiana | 0 | 723,918 | 0 | 0 | 0 | 723,918 |
| Debt service funds | 69,286,062 | 0 | 0 | 0 | 0 | 69,286,062 |
| Debt service funds- bond proceeds | 109,381,485 | 0 | 0 | 0 | 0 | 109,381,485 |
| Debt service- tax credit bond loan | 69,407,402 | 0 | 0 | 0 | 0 | 69,407,402 |
| Cost of issuance bond proceeds | 169,044 | 0 | 0 | 0 | 0 | 169,044 |
| Fee-Current year | 0 | 0 | 0 | 0 | 467,547 | 467,547 |
| Fee-Prior year | 0 | 0 | 0 | 0 | 30,860 | 30,860 |
| Interest on investments | 2,300,398 | 8,453,938 | 278,680 | 70,571 | 36,245 | 11,139,832 |
| Reimbursement from EPA | 0 | 26,713 | 0 | 0 | 0 | 26,713 |
| Reimbursement from FEMA | 0 | 31,253,680 | 0 | 0 | 0 | 31,253,680 |
| Tax Credit Bond loan proceeds | 0 | 40,494,073 | 367,930 | 3,134,946 | 0 | 43,996,949 |
| Excess reserve and debt service funds | 1,063,408 | 838,676 | 11,976 | 16,801 | 0 | 1,930,861 |
| *Total receipts* | $ 308,516,799 | $ 137,333,569 | $ 5,028,460 | $ 9,342,326 | $ 1,123,562 | $ 461,344,716 |
| DISBURSEMENTS | | | | | | |
| Interest on bonds | $ 63,589,748 | $ 0 | $ 0 | $ 0 | $ 0 | $ 63,589,748 |
| Principal on bonds | 211,629,950 | 0 | 0 | 0 | 0 | 211,629,950 |
| Warrants | 0 | 93,334,168 | 3,384,232 | 5,330,000 | 980,652 | 103,029,052 |
| Debt service | 0 | 152,066,833 | 913,787 | 4,290,344 | 0 | 157,270,964 |
| Personal services | 306,408 | 0 | 0 | 0 | 0 | 306,408 |
| Contractual services | 262,418 | 0 | 0 | 0 | 0 | 262,418 |
| Legal and office expenses | 56,833 | 0 | 0 | 0 | 0 | 56,833 |
| Funds returned to City of New Orleans, Sewerage & Water Board, and Audubon Park Commission | 1,010,690 | 0 | 0 | 0 | 0 | 1,010,690 |
| Cost of issuance-bond issue | 161,684 | 169,044 | 0 | 0 | 0 | 330,728 |
| Cost of issuance-tax credit bond loan | 118,181 | 0 | 12,500 | 0 | 0 | 130,681 |
| Cost of issuance-community disaster loan | 10,000 | 0 | 0 | 0 | 0 | 10,000 |
| Underwriters discount-bond issue | 0 | 90,113 | 0 | 0 | 0 | 90,113 |
| *Total disbursements* | $ 277,145,912 | $ 245,660,158 | $ 4,310,519 | $ 9,620,344 | $ 980,652 | $ 537,717,585 |
| Excess (Deficiency) of receipts over disbursements | $ 31,370,887 | $ (108,326,589) | $ 717,941 | $ (278,018) | $ 142,910 | $ (76,372,869) |
| Liabilities, and Custodial, Debt Service and Reserve Funds at: | | | | | | |
| December 31, 2005 | 58,382,859 | 256,428,136 | 6,541,644 | 1,713,616 | 898,094 | 323,964,349 |
| December 31, 2006 | $ 89,753,746 | $ 148,101,547 | $ 7,259,585 | $ 1,435,598 | $ 1,041,004 | $ 247,591,480 |

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 of New Orleans. Accordingly, all of the City of New Orleans general obligation bonds, and the revenue and limited tax bonds issued for the Sewerage and 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 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 of New Orleans for each year is determined by the Board of Assessors, comprised of seven elected officials, 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 of Liquidation, City Debt, and the Council of the City of New Orleans. 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 of New Orleans. 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 of New Orleans 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.





General Information (Cont'd)

The Board of Liquidation issues bonds for the Sewerage and 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 of New Orleans, these bonds may be funded by the dedicated millage or water and sewer rates. The Sewerage and Water Board, the Council of the City of New Orleans, and the Board of Liquidation, City Debt, 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 Council of the City of New Orleans each year. Ad Valorem Tax millage necessary to service the general obligation bonded debt each year is determined by the Board of Liquidation, City Debt, and is levied by the Council of the City of New Orleans annually.

In addition, the Board of Liquidation, City Debt, serves in a custodial capacity for the accounts of the Sewerage and 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 Springlake Improvement District, the Audubon Area Security District, the Lake Carmel Subdivision Improvement District, the Huntington Park Subdivision Improvement District, the Lake Oaks Subdivision Improvement District, and the Upper Hurstville Security District.

Funds collected for these agencies are deposited in special accounts or invested in Certificates of Deposit and/or full faith and credit obligations of the U.S. Government. The Board of Liquidation, City Debt, 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 and the Gulf opportunity tax credit bond loans, which are reflected as liabilities when the obligation is incurred.

C. Cash and Time Certificates of Deposit

At December 31, 2006, the Board's deposits with banks consisted of cash totaling $496,441, and time certificates of deposit of $160,458,227. These deposits were covered by Federal Deposit Insurance or by collateral held by a third party in the Board's name.

D. Funds Held in Trust

At December 31, 2006, the Board's paying agent, JPMorgan Chase Bank, was holding cash in trust of $60,300. These funds are to be used to pay matured or called bonds when they are presented for payment. This balance is included in cash at December 31, 2006. Also, the related bonds payable is included in the principal payable balance at December 31, 2006. JPMorgan Chase Bank in the Board's name holds these insured deposits.

E. Bank Balances

At December 31, 2006, the Board had bank balances of cash and certificates of deposits categorized as follows:

| | |
|---|---|
| Insured | $ 434,303 |
| Collateralized | 160,576,405 |
| Total Bank Balances | $161,010,708 |

F. Investments

Funds may be invested in (1) direct obligations of the United States government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and federally-insured banks when secured by acceptable collateral, and (3) savings accounts at savings and loan associations and banks, to the extent fully insured.

Investments are stated at cost. At December 31, 2006 the carrying amount of the Board's investment in U.S. Treasury Bills was $78,388,638 with a market value of $79,299,720. At December 31, 2006, the carrying amount of the Board's investment in U.S. Treasury Strips was $8,248,174 with a market value of $8,762,896. The Board's agents in the Board's name hold these uninsured and unregistered investments.

G. 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 his accumulated annual leave based on his current hourly rate of pay, and for his accumulated sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting his accrued sick leave to additional years of service. At December 31, 2006, this amount totaled $86,230.





H. Pension Plan

Employees of the Board are covered under a City of New Orleans Employees' Pension Plan, a single-employer, 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 the plan at:

Employee Retirement System of New Orleans
1300 Perdido Street, Room 1E08
New Orleans, Louisiana 70112

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 amounts are reduced for service retirement prior to age sixty-two. Average compensation is defined as average annual earned 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 $22,223.

I Advance Refunding

On November 20, 1998, the City of New Orleans entered into a transaction whereby it issued $106,520,000 of general obligation bonds for the purpose of refunding a portion of its outstanding general obligation bonds outstanding at December 31, 1998. Net proceeds from issuance of the refunding bonds were placed in an irrevocable escrow account and invested in U.S. Treasury obligations that, together with the interest earned thereon, will provide amounts sufficient for payment of all principal and interest on the refunding bonds. Accordingly, the escrow account and the refunded bonds are not included in these financial statements. At December 31, 2006, the outstanding balance of the refunded general obligation bonds totaled $6,505,000.

On July 6, 2005, the City of New Orleans entered into a transaction whereby it issued $105,280,000 of general obligation bonds for the purpose of refunding a portion of its outstanding general obligation bonds at December 31, 2006. Net proceeds from issuance of the refunding bonds were placed in an irrevocable escrow account along with general obligation bond debt service funds collected and invested in U.S.

**Advance Refunding** (Cont'd)

Treasury obligations that, together with the interest earned thereon, will provide amounts sufficient for payment of all principal and interest on the refunding bonds. Accordingly, the escrow account and the refunded bonds are not included in these financial statements. At December 31, 2006, the outstanding balance of the refunded general obligation bonds totaled $-0-.

On July 6, 2005, the City of New Orleans entered into a transaction whereby it deposited debt service funds of the Limited Tax Bonds, 1996 in an irrevocable escrow account and invested in U.S. Treasury obligations that, together with the interest earned thereon, will provide amounts sufficient for payment of all principal and interest on the refunded bonds. Accordingly, the escrow account and the refunded bonds are not included in these financial statements. At December 31, 2006, the outstanding balance of the refunded limited tax bonds totaled $-0-.

J. **Gulf Opportunity Tax Credit Bond Loan Program**

On July 19, 2006 the Board of Liquidation, City Debt 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 of New Orleans 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 of New Orleans, and

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

The loan proceeds will be held in escrow at Hancock Bank and distributed to the Bank of New York, the Board of Liquidation'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 debt service schedule that ends on July 15, 2026.





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

Total amounts available under these loans are:

| | | |
|---|---|---|
| Cooperative Endeavor Agreement between the State and: | | |
| Board of Liquidation: | | |
| General obligation bonds | $ 24,713,549 | |
| Limited tax bonds | 2,903,660 | |
| | | 27,617,209 |
| Downtown Development District | | 1,600,153 |
| Audubon Park Commission: | | |
| Audubon Park Commission .44 Mills | 1,091,230 | |
| Audubon Park Commission 4.11 Mills | 10,759,776 | |
| | | 11,851,006 |
| Sewerage and Water Board | | 77,465,247 |
| | | $118,533,615 |

Borrowings during the year were:

| | | |
|---|---|---|
| Cooperative Endeavor Agreement between the State and: | | |
| Board of Liquidation: | | |
| General obligation bonds | $24,713,549 | |
| Limited tax bonds | 699,329 | |
| | | 25,412,878 |
| Downtown Development District | | 367,930 |
| Audubon Park Commission: | | |
| Audubon Park Commission .44 Mills | 290,454 | |
| Audubon Park Commission 4.11 Mills | 2,844,492 | |
| | | 3,133,946 |
| Sewerage and Water Board | | 40,494,073 |
| | | $69,409,827 |

During the year, the entire $24,713,549 available for general obligation bonds was borrowed to make fiscal year 2006 debt service payments.

During the year, $699,329 of 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. Subsequent to year-end, the remaining balance of $2,204,331 was borrowed to make the March 1, 2007 debt service payment.

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

During the year, $367,930 of the $1,600,153 available for the Downtown Development District was borrowed to make the debt service payment that was due on December 1, 2006. The remaining balance of $1,232,223 will be borrowed to make debt service payments through June 1, 2009 as follows:

| | |
|---|---|
| 2007 | $ 538,318 |
| 2008 | 535,448 |
| 2009 | 158,457 |
| *Total* | $1,232,223 |

During the year, $3,134,946 of the $11,851,006 available for the Audubon Park Commission was borrowed. The remaining balance of $8,716,060 will be applied to debt service payments on Zoo Special Tax Bonds through June 1, 2009 and Aquarium Special Tax Bonds through April 1, 2009 as follows:

| | |
|---|---|
| 2007 | $3,994,334 |
| 2008 | 4,003,072 |
| 2009 | 718,654 |
| *Total* | $8,716,060 |

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.

During the year, $40,494,073 of the $77,465,247 available for the Sewerage and Water Board of New Orleans was borrowed. $8,994,073 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. $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. The remaining balance of $36,971,174 will be borrowed to make debt service payments through June 1, 2008 as follows:

| | |
|---|---|
| 2007 | $24,165,904 |
| 2008 | 12,805,271 |
| *Total* | $36,971,174 |

K. 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 C. Interfund eliminations have not been made in the aggregation of this data.



SUPPLEMENTAL INFORMATION

BOARD OF LIQUIDATION, CITY DEBT
DEBT ADMINISTRATION
COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND
DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS
DECEMBER 31, 2006

| | General Obligation Bonds | Capital Improvement Limited Tax | Drainage System Bonds 6 mill | Drainage System Bonds 9 mill | Water Revenue Bonds | Sewerage Service Revenue Bonds | Sewerage & Water Board Matured Bonds | Audubon Park Commission Bonds | Audubon Park Commission Aquarium Bonds | Downtown Develop-ment District Tax Bonds | Defeased Bonds | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| Cash (Due to other funds) | $ (56,960) | $ 0 | $ 80 | $ 23,905 | $ 7,561 | $ 6,076 | $ 37,142 | $ 710 | $ 15,300 | $ 0 | $ 76,293 | $ 110,107 |
| Certificates of deposit | 56,633,376 | 4,262,057 | 0 | 1,604,351 | 4,706,626 | 20,502,481 | 0 | 597,538 | 0 | 641,798 | 0 | 88,948,227 |
| U.S. Treasury Bills-cost | 695,412 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 695,412 |
| *Total Assets* | $ 57,271,828 | $ 4,262,057 | $ 80 | $ 1,628,256 | $ 4,714,187 | $ 20,508,557 | $ 37,142 | $ 598,248 | $ 15,300 | $ 641,798 | $ 76,293 | $ 89,753,746 |
| **LIABILITES AND DEBT SERVICE AND RESERVE FUNDS** | | | | | | | | | | | | |
| Cost of issuance | $ 10,776 | $ 0 | $ 0 | $ 0 | $ 0 | $ 12,128 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 22,904 |
| Interest payable | 40,714 | 0 | 80 | 5,755 | 2,506 | 810 | 12,142 | 710 | 0 | 0 | 30,543 | 93,260 |
| Principal payable | 82,300 | 0 | 0 | 18,150 | 5,000 | 5,000 | 25,000 | 0 | 0 | 0 | 40,750 | 176,200 |
| Principal payable-Paying Agent | 40,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15,300 | 0 | 5,000 | 60,300 |
| Tax Credit Bond loan payable | 24,713,549 | 699,329 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 25,412,878 |
| Reserve funds | 28,252,093 | 0 | 0 | 0 | 3,928,380 | 18,325,688 | 0 | 307,088 | 0 | 273,869 | 0 | 51,087,118 |
| Debt service funds | 4,132,396 | 3,562,728 | 0 | 1,604,351 | 778,301 | 2,164,931 | 0 | 290,450 | 0 | 367,929 | 0 | 12,901,086 |
| *Total Liabilities, and Debt Service and Reserve Funds* | $ 57,271,828 | $ 4,262,057 | $ 80 | $ 1,628,256 | $ 4,714,187 | $ 20,508,557 | $ 37,142 | $ 598,248 | $ 15,300 | $ 641,798 | $ 76,293 | $ 89,753,746 |

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, 2006

| | Construction & Extension Fund 2 mill | Drainage System Fund 3 mill | Drainage System Fund 6 mill | Drainage System Fund 9 mill | Drainage System Bond Proceeds | Water Revenue Bond Proceeds | Sewerage Service Revenue Bond Proceeds | Total |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Cash | $ 3,667 | $ 173,699 | $ 3,389 | $ 3,895 | $ 1,677 | $ 13,079 | $ 160,806 | $ 360,212 |
| Certificates of deposit | 810,000 | 11,600,000 | 8,330,000 | 14,240,000 | 6,405,000 | 7,600,000 | 19,300,000 | 68,285,000 |
| U.S. Treasury Bills-cost | 1,530,368 | 9,166,955 | 8,636,158 | 9,826,552 | 6,897,447 | 4,920,445 | 30,230,236 | 71,208,161 |
| U.S. Treasury Strips-cost | 0 | 0 | 0 | 0 | 0 | 0 | 8,248,174 | 8,248,174 |
| *Total Assets* | $ 2,344,035 | $ 20,940,654 | $ 16,969,547 | $ 24,070,447 | $ 13,304,124 | $ 12,533,524 | $ 57,939,216 | $ 148,101,547 |
| LIABILITES AND CUSTODIAL FUNDS | | | | | | | | |
| Tax Credit Bond Loan payable | $ 0 | $ 0 | $ 0 | $ 1,604,351 | $ 0 | $ 2,754,940 | $ 36,134,782 | $ 40,494,073 |
| Custodial fund balance | 2,344,035 | 20,940,654 | 16,969,547 | 22,466,096 | 13,304,124 | 9,778,584 | 21,804,434 | 107,607,474 |
| *Total Liabilities and Custodial Funds* | $ 2,344,035 | $ 20,940,654 | $ 16,969,547 | $ 24,070,447 | $ 13,304,124 | $ 12,533,524 | $ 57,939,216 | $ 148,101,547 |

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, 2006

| | Special Tax Fund | DDD Bond Proceeds | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ 2,764 | $ 1,509 | $ 4,273 |
| Certificates of deposit | 1,300,000 | 1,580,000 | 2,880,000 |
| U.S. Treasury Bills-cost | 2,151,426 | 2,223,886 | 4,375,312 |
| *Total Assets* | $ 3,454,190 | $ 3,805,395 | $ 7,259,585 |
| **LIABILITES AND CUSTODIAL FUNDS** | | | |
| Tax Credit Bond Loan payable | $ 367,929 | $ 0 | $ 367,929 |
| Custodial fund balance | 3,086,261 | 3,805,395 | 6,891,656 |
| *Total Liabilites And Custodial Funds* | $ 3,454,190 | $ 3,805,395 | $ 7,259,585 |

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, 2006

| | Aquarium Tax Fund | Aquarium Bond Proceeds | Special Tax Fund | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash | $ 938 | $ 5,121 | $ 515 | $ 6,574 |
| Certificates of deposit | 0 | 345,000 | 0 | 345,000 |
| U.S. Treasury Bills-cost | 5,927 | 1,068,219 | 9,878 | 1,084,024 |
| *Total Assets* | $ 6,865 | $ 1,418,340 | $ 10,393 | $ 1,435,598 |
| **LIABILITES AND CUSTODIAL FUNDS** | | | | |
| Tax Credit Bond Loan payable | $ 2,844,492 | $ 0 | $ 290,455 | $ 3,134,947 |
| Custodial fund balance (deficit) | (2,837,627) | 1,418,340 | (280,062) | (1,699,349) |
| *Total Liabilites And Custodial Funds* | $ 6,865 | $ 1,418,340 | $ 10,393 | $ 1,435,598 |

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, 2006

| | Audubon Area Security District | Garden District Security Tax District | Huntington Park Subdivision Improvement District | Lake Forest Estates Improvement District | Springlake Improvement District | Lake Carmel Subdivision Improvement District | Upper Hurstville Security District | Lake Oaks Subdivision Improvement District | Total |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| Cash | $ 4,459 | $ 1,263 | $ 3,005 | $ 2,002 | $ 874 | $ 114 | $ 1,458 | $ 2,100 | $ 15,275 |
| U.S. Treasury Bills-cost | 104,910 | 627,154 | 0 | 53,632 | 38,205 | 97,833 | 78,502 | 25,493 | 1,025,729 |
| *Total Assets* | $ 109,369 | $ 628,417 | $ 3,005 | $ 55,634 | $ 39,079 | $ 97,947 | $ 79,960 | $ 27,593 | $ 1,041,004 |
| **CUSTODIAL FUND BALANCE** | $ 109,369 | $ 628,417 | $ 3,005 | $ 55,634 | $ 39,079 | $ 97,947 | $ 79,960 | $ 27,593 | $ 1,041,004 |

BOARD OF LIQUIDATION, CITY DEBT
DEBT ADMINISTRATION
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN LIABILITIES, AND DEBT SERVICE AND RESERVE FUNDS-MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2006

| | General Obligation Bonds | Capital Improvement Limited Tax | Drainage System Bonds 6 mill | Drainage System Bonds 9 mill | Water Revenue Bonds | Severage 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **RECEIPTS** | | | | | | | | | | | | |
| Ad valorem taxes-Current year | $ 49,853,169 | $ 4,411,577 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 54,264,746 |
| Ad valorem taxes-Prior years | 2,434,873 | 209,381 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,644,254 |
| Debt service funds | 0 | 0 | 0 | 2,193,701 | 1,768,264 | 14,064,283 | 0 | 370,905 | 784,492 | 545,858 | 49,558,559 | 69,286,062 |
| Debt service funds- bond proceeds | 0 | 0 | 0 | 0 | 0 | 109,381,485 | 0 | 0 | 0 | 0 | 0 | 109,381,485 |
| Debt service funds- tax credit bond loan | 24,713,549 | 699,330 | 0 | 1,604,351 | 2,754,940 | 36,132,356 | 0 | 290,455 | 2,844,492 | 367,929 | 0 | 69,407,402 |
| Cost of issuance bond proceeds | 0 | 0 | 0 | 0 | 0 | 169,044 | 0 | 0 | 0 | 0 | 0 | 169,044 |
| Interest on investments | 2,300,398 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,300,398 |
| Excess reserve and debt service funds | 0 | 0 | 0 | 0 | 197,293 | 837,338 | 0 | 16,801 | 0 | 11,976 | 0 | 1,063,408 |
| *Total receipts* | $ 79,301,989 | $ 5,320,288 | $ 0 | $ 3,798,052 | $ 4,720,497 | $ 160,584,506 | $ 0 | $ 678,161 | $ 3,628,984 | $ 925,763 | $ 49,558,559 | $ 308,516,799 |
| **DISBURSEMENTS** | | | | | | | | | | | | |
| Interest on bonds | $ 37,607,840 | $ 1,420,410 | $ 0 | $ 1,170,701 | $ 2,039,880 | $ 13,578,606 | $ 0 | $ 160,910 | $ 1,568,984 | $ 355,858 | $ 5,678,559 | $ 63,589,748 |
| Principal on bonds | 15,263,240 | 1,450,000 | 0 | 1,015,000 | 1,735,000 | 145,685,000 | 0 | 210,000 | 2,060,000 | 190,000 | 44,021,710 | 211,629,950 |
| Personal services | 306,408 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 306,408 |
| Contractual services | 262,418 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 262,418 |
| Legal and office expenses | 56,833 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56,833 |
| Funds returned to City of New Orleans, Sewerage & Water Board, and Audubon Park Commission | 0 | 0 | 0 | 0 | 168,059 | 813,854 | 0 | 16,801 | 0 | 11,976 | 0 | 1,010,690 |
| Cost of issuance-bond issue | 5,200 | 2,400 | 0 | 0 | 0 | 154,084 | 0 | 0 | 0 | 0 | 0 | 161,684 |
| Cost of issuance-tax credit bond loan | 63,636 | 0 | 0 | 0 | 0 | 54,545 | 0 | 0 | 0 | 0 | 0 | 118,181 |
| Cost of issuance-community disaster loan | 0 | 0 | 0 | 0 | 0 | 10,000 | 0 | 0 | 0 | 0 | 0 | 10,000 |
| *Total disbursements* | 53,565,575 | 2,872,810 | 0 | 2,193,701 | 3,942,939 | 160,296,089 | 0 | 387,711 | 3,628,984 | 557,834 | 49,700,269 | 277,145,912 |
| Excess (Deficiency) of receipts over disbursements | 25,736,414 | 2,447,478 | 0 | 1,604,351 | 777,558 | 288,417 | 0 | 290,450 | 0 | 367,929 | (141,710) | 31,370,887 |
| Liabilities, and Debt Service and Reserve funds at: | | | | | | | | | | | | |
| December 31, 2005 | 31,535,414 | 1,814,579 | 80 | 23,905 | 3,936,629 | 20,220,140 | 37,142 | 307,798 | 15,300 | 273,869 | 218,003 | 58,382,859 |
| December 31, 2006 | $ 57,271,828 | $ 4,262,057 | $ 80 | $ 1,628,256 | $ 4,714,187 | $ 20,508,557 | $ 37,142 | $ 598,248 | $ 15,300 | $ 641,798 | $ 76,293 | $ 89,753,746 |

ACCOUNT OF SEWERAGE & WATER BOARD OF NEW ORLEANS
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CUSTODIAL FUNDS-MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2006

| | Construction & Extension Fund 2 mill | Drainage System Fund 3 mill | Drainage System Fund 6 mill | Drainage System Fund 9 mill | Drainage System Bond Proceeds | Water Revenue Bond Proceeds | Sewerage Service Revenue Bond Proceeds | Total |
|---|---|---|---|---|---|---|---|---|
| **RECEIPTS** | | | | | | | | |
| Ad valorem taxes-Current year | $ 0 | $ 8,378,585 | $ 8,486,024 | $ 12,708,475 | $ 0 | $ 0 | $ 0 | $ 29,573,084 |
| Ad valorem taxes-Prior years | 3,699 | 548,479 | 555,330 | 831,979 | 0 | 0 | 0 | 1,939,487 |
| Bond Proceeds- BANs | 0 | 0 | 0 | 0 | 0 | 0 | 24,030,000 | 24,030,000 |
| Revenue sharing-State of Louisiana | 0 | 723,918 | 0 | 0 | 0 | 0 | 0 | 723,918 |
| Interest on investments | 88,372 | 1,171,630 | 1,001,017 | 565,260 | 624,510 | 671,840 | 4,331,309 | 8,453,938 |
| Reimbursement from EPA | 0 | 0 | 0 | 0 | 0 | 0 | 26,713 | 26,713 |
| Reimbursement from FEMA | 0 | 0 | 12,269,782 | 0 | 0 | 7,824,599 | 11,159,299 | 31,253,680 |
| Tax Credit Bond loan proceeds | 0 | 0 | 0 | 1,604,351 | 0 | 2,754,940 | 36,134,782 | 40,494,073 |
| Excess reserve and debt service funds | 0 | 0 | 0 | 0 | 0 | 110,789 | 727,887 | 838,676 |
| *Total receipts* | 92,071 | 10,822,612 | 22,312,153 | 15,710,065 | 624,510 | 11,362,168 | 76,409,990 | 137,333,569 |
| **DISBURSEMENTS** | | | | | | | | |
| Warrants | 0 | 20,446,248 | 28,676,959 | 0 | 4,136,691 | 13,009,239 | 27,065,031 | 93,334,168 |
| Cost of issuance-bond issue | 0 | 0 | 0 | 0 | 0 | 0 | 169,044 | 169,044 |
| Underwriters discount-bond issue | 0 | 0 | 0 | 0 | 0 | 0 | 90,113 | 90,113 |
| Debt service | 0 | 0 | 0 | 3,798,052 | 0 | 2,754,940 | 145,513,841 | 152,066,833 |
| *Total disbursements* | 0 | 20,446,248 | 28,676,959 | 3,798,052 | 4,136,691 | 15,764,179 | 172,838,029 | 245,660,158 |
| Excess (Deficiency) of receipts over disbursements | 92,071 | (9,623,636) | (6,364,806) | 11,912,013 | (3,512,181) | (4,402,011) | (96,428,039) | (108,326,589) |
| Custodial Fund Balance at: | | | | | | | | |
| December 31, 2005 | 2,251,964 | 30,564,290 | 23,334,353 | 12,158,434 | 16,816,305 | 16,935,535 | 154,367,255 | 256,428,136 |
| December 31, 2006 | $ 2,344,035 | $ 20,940,654 | $ 16,969,547 | $ 24,070,447 | $ 13,304,124 | $ 12,533,524 | $ 57,939,216 | $ 148,101,547 |

BOARD OF LIQUIDATION, CITY DEBT
ACCOUNT OF DOWNTOWN DEVELOPMENT DISTRICT OF NEW ORLEANS
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CUSTODIAL FUNDS-MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2006

| | Special Tax Fund | DDD Bond Proceeds | Total |
|---|---|---|---|
| RECEIPTS | | | |
| Ad valorem taxes-Current year | $ 4,283,983 | $ 0 | $ 4,283,983 |
| Ad valorem taxes-Prior years | 85,891 | 0 | 85,891 |
| Interest on investments | 105,490 | 173,190 | 278,680 |
| Tax Credit Bond loan proceeds | 367,930 | 0 | 367,930 |
| Excess reserve and debt service funds | 0 | 11,976 | 11,976 |
| *Total receipts* | 4,843,294 | 185,166 | 5,028,460 |
| DISBURSEMENTS | | | |
| Warrants | 3,359,832 | 24,400 | 3,384,232 |
| Cost of issuance -tax credit bond loan | 12,500 | 0 | 12,500 |
| Debt service | 913,787 | 0 | 913,787 |
| *Total disbursements* | 4,286,119 | 24,400 | 4,310,519 |
| Excess of receipts over disbursements | 557,175 | 160,766 | 717,941 |
| Custodial Fund Balance at: | | | |
| December 31, 2005 | 2,897,015 | 3,644,629 | 6,541,644 |
| December 31, 2006 | $ 3,454,190 | $ 3,805,395 | $ 7,259,585 |

BOARD OF LIQUIDATION, CITY DEBT
ACCOUNT OF AUDUBON PARK COMMISSION OF NEW ORLEANS
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CUSTODIAL FUNDS-MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2006

| | Aquarium Tax Fund | Aquarium Bond Proceeds | Special Tax Fund | Total |
|---|---|---|---|---|
| **RECEIPTS** | | | | |
| Ad valorem taxes-Current year | $ 5,169,424 | $ 0 | $ 561,206 | $ 5,730,630 |
| Ad valorem taxes-Prior years | 351,679 | 0 | 37,699 | 389,378 |
| Interest on investments | 14,847 | 54,956 | 768 | 70,571 |
| Tax Credit Bond loan proceeds | 2,844,492 | 0 | 290,454 | 3,134,946 |
| Excess reserve and debt service funds | 0 | 0 | 16,801 | 16,801 |
| *Total receipts* | 8,380,442 | 54,956 | 906,928 | 9,342,326 |
| **DISBURSEMENTS** | | | | |
| Warrants | 5,055,000 | 0 | 275,000 | 5,330,000 |
| Debt service | 3,628,984 | 0 | 661,360 | 4,290,344 |
| *Total disbursements* | 8,683,984 | 0 | 936,360 | 9,620,344 |
| Excess (Deficiency) of receipts over disbursements | (303,542) | 54,956 | (29,432) | (278,018) |
| Custodial Fund Balance at: | | | | |
| December 31, 2005 | 310,407 | 1,363,384 | 39,825 | 1,713,616 |
| December 31, 2006 | $ 6,865 | $ 1,418,340 | $ 10,393 | $ 1,435,598 |

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, 2006

| | Audubon Area Security District | Garden District Security Tax District | Huntington Park Improvement District | Lake Forest Estates Improvement District | Springlake Improvement District | Lake Carmel Subdivision Improvement District | Upper Hurstville Security District | Lake Oaks Subdivision Improvement District | Total |
|---|---|---|---|---|---|---|---|---|---|
| **RECEIPTS** | | | | | | | | | |
| Ad valorem taxes-Current year | $ 0 | $ 568,447 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 568,447 |
| Ad valorem taxes-Prior years | 0 | 20,463 | 0 | 0 | 0 | 0 | 0 | 0 | 20,463 |
| Fee-Current year | 111,925 | 0 | 0 | 0 | 33,581 | 57,752 | 168,628 | 95,661 | 467,547 |
| Fee-Prior year | 1,931 | 0 | 1,832 | 9,505 | 3,400 | 7,257 | 4,291 | 2,644 | 30,860 |
| Interest on investments | 3,448 | 23,402 | 243 | 1,583 | 1,154 | 2,632 | 2,348 | 1,435 | 36,245 |
| *Total receipts* | 117,304 | 612,312 | 2,075 | 11,088 | 38,135 | 67,641 | 175,267 | 99,740 | 1,123,562 |
| **DISBURSEMENTS** | | | | | | | | | |
| Warrants | 107,000 | 595,000 | 8,652 | 0 | 25,000 | 25,000 | 123,000 | 97,000 | 980,652 |
| *Total disbursements* | 107,000 | 595,000 | 8,652 | 0 | 25,000 | 25,000 | 123,000 | 97,000 | 980,652 |
| Excess (Deficiency) of receipts over disbursements | 10,304 | 17,312 | (6,577) | 11,088 | 13,135 | 42,641 | 52,267 | 2,740 | 142,910 |
| Custodial Fund Balance at: | | | | | | | | | |
| December 31, 2005 | 99,065 | 611,105 | 9,582 | 44,546 | 25,944 | 55,306 | 27,693 | 24,853 | 898,094 |
| December 31, 2006 | $ 109,369 | $ 628,417 | $ 3,005 | $ 55,634 | $ 39,079 | $ 97,947 | $ 79,960 | $ 27,593 | $1,041,004 |

BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF BONDED DEBT ADMINISTERED BY BOARD OF LIQUIDATION, CITY DEBT
DECEMBER 31, 2006

| | Date of Bonds | Final Serial Maturity | Average Annual Interest Cost | Principal due 2007 | Interest due 2007 | Debt Service due 2007 | Amount Outstanding (Note A.) |
|---|---|---|---|---|---|---|---|
| GENERAL OBLIGATION BONDS (Note C.) | | | | | | | |
| General Obligation Refunding Bonds, Series 1991 (Notes E. and F.) | Sep. 1, 1991 | Sep. 1, 2021 | 7.071% | $ 8,575,475 | $ 16,869,526 | $ 25,445,001 | $ 70,929,936 |
| Public Improvement Bonds, Issue of 1998A (Notes D. and F.) | Feb. 1, 1998 | Dec. 1, 2027 | 5.196% | 895,000 | 53,700 | 948,700 | 895,000 |
| General Obligation Refunding Bonds, Series 1998 | Dec. 1, 1998 | Dec. 1, 2026 | 4.948% | 1,955,000 | 5,209,308 | 7,164,308 | 98,955,000 |
| Public Improvement Bonds, Issue of 1999 (Note D.) | Nov. 1, 1999 | Nov. 1, 2029 | 5.843% | 620,000 | 139,755 | 759,755 | 1,990,000 |
| Public Improvement Bonds, Issue of 2001 | Apr. 1, 2001 | Dec. 1, 2030 | 5.225% | 470,000 | 1,167,513 | 1,637,513 | 22,225,000 |
| Public Improvement Bonds, Issue of 2002 | Apr. 1, 2002 | Dec. 1, 2031 | 5.307% | 635,000 | 1,659,293 | 2,294,293 | 31,280,000 |
| General Obligation Refunding Bonds, Series 2002 | Apr. 1, 2002 | Sep. 1, 2021 | 5.384% | 0 | 3,018,769 | 3,018,769 | 58,415,000 |
| Public Improvement Bonds, Issue of 2003 | Oct. 1, 2003 | Oct. 1, 2033 | 5.021% | 875,000 | 2,016,100 | 2,891,100 | 39,990,000 |
| Public Improvement Bonds, Issue of 2004 | July 13, 2004 | Dec. 1, 2033 | 5.096% | 580,000 | 1,632,488 | 2,212,488 | 32,450,000 |
| Public Improvement Bonds, Issue of 2005A | May 24, 2005 | Dec. 1, 2034 | 4.347% | 300,000 | 732,700 | 1,032,700 | 16,010,000 |
| General Obligation Refunding Bonds, Series 2005 | July 6, 2005 | Dec. 1, 2029 | 5.180% | 0 | 5,444,950 | 5,444,950 | 105,280,000 |
| | | | | $ 14,905,475 | $ 37,944,102 | $ 52,849,577 | $478,419,936 |
| LIMITED TAX BONDS (Note G.) Series 2005 | July 6, 2005 | Mar. 1, 2021 | 4.045% | $ 1,505,000 | $ 1,376,085 | $ 2,881,085 | $ 31,550,000 |
| DRAINAGE SYSTEM SPECIAL TAX BONDS (Note H.) | | | | | | | |
| Drainage System Bonds, Series 1998 (9 mill) | Dec. 1, 1998 | Dec. 1, 2018 | 4.838% | $ 450,000 | $ 333,560 | $ 783,560 | $ 7,100,000 |
| Series 2002 (9 mill) | Oct. 1, 2002 | Dec. 1, 2022 | 4.457% | 620,000 | 792,316 | 1,412,316 | 17,805,000 |
| | | | | $ 1,070,000 | $ 1,125,876 | $ 2,195,876 | $ 24,905,000 |

BOARD OF LIQUIDATION, CITY DEBT

SCHEDULE OF BONDED DEBT ADMINISTERED BY BOARD OF LIQUIDATION, CITY DEBT (CONTINUED)

DECEMBER 31, 2006

| | Date of Bonds | Final Serial Maturity | Average Annual Interest Cost | Principal due 2007 | Interest due 2007 | Debt Service due 2007 | Amount Outstanding (Note A.) |
|---|---|---|---|---|---|---|---|
| SEWERAGE SERVICE REVENUE BONDS (Note I) | | | | | | | |
| Bond Series 1997 | June 1, 1997 | June 1, 2017 | 5.359% | $ 1,415,000 | $ 1,056,889 | $ 2,471,889 | $ 20,590,000 |
| Bond Series 1998 | Dec. 1, 1998 | June 1, 2018 | 4.817% | 1,135,000 | 813,969 | 1,948,969 | 17,960,000 |
| Bond Series 2000 | May 1, 2000 | June 1, 2020 | 5.478% | 1,035,000 | 1,165,450 | 2,200,450 | 21,715,000 |
| Bond Series 2000B | Nov. 1, 2000 | June 1, 2020 | 5.424% | 800,000 | 855,468 | 1,655,468 | 16,555,000 |
| Bond Series 2001 | Dec. 1, 2001 | June 1, 2021 | 5.018% | 1,305,000 | 1,317,293 | 2,622,293 | 27,100,000 |
| Bond Series 2002 | Dec. 1, 2002 | June 1, 2022 | 4.362% | 2,025,000 | 2,366,550 | 4,391,550 | 49,900,000 |
| Bond Series 2003 | Dec. 3, 2003 | June 1, 2023 | 3.939% | 220,000 | 184,046 | 404,046 | 4,935,000 |
| Bond Series 2004 | Dec. 16, 2004 | June 1, 2024 | 4.262% | 1,195,000 | 1,275,444 | 2,470,444 | 30,710,000 |
| | | | | $ 9,130,000 | $ 9,035,109 | $ 18,165,109 | $ 189,465,000 |
| BOND ANTICIPATION NOTES (Note J.) | | | | | | | |
| Sewer Service Revenue Refunding 2006 | July 26, 2006 | July 15, 2009 | 5.020% | $ 0 | $ 1,176,148 | $ 1,176,148 | $ 24,030,000 |
| WATER REVENUE BONDS (Note K.) | | | | | | | |
| Series 1998 | Dec. 1, 1998 | Dec. 1, 2018 | 4.817% | $ 725,000 | $ 534,155 | $ 1,259,155 | $ 11,495,000 |
| Series 2002 | Oct. 1, 2002 | Dec. 1, 2022 | 4.567% | 1,095,000 | 1,445,913 | 2,540,913 | 31,015,000 |
| | | | | $ 1,820,000 | $ 1,980,068 | $ 3,800,068 | $ 42,510,000 |
| AUDUBON PARK COMMISSION BONDS .4 MILL (Note L.) | | | | | | | |
| Refunding & Improvement Bonds, Series 1997 | Jan. 1, 1997 | Dec. 1, 2016 | 5.422% | $ 220,000 | $ 147,260 | $ 367,260 | $ 2,870,000 |
| AUDUBON PARK COMMISSION AQUARIUM BONDS 3.8 MILL (Note M.) | | | | | | | |
| Refunding Bonds, Series 2001A | Nov. 1, 2001 | Oct. 1, 2017 | 4.731% | $ 15,000 | $ 692,504 | $ 707,504 | $ 13,435,000 |
| Bond Series 2001B | Nov. 1, 2001 | Oct. 1, 2021 | 5.586% | 60,000 | 34,670 | 94,670 | 6,408,572 |
| Refunding Bonds, Series 2003A | July 9, 2003 | Oct. 1, 2013 | 3.726% | 2,065,000 | 759,900 | 2,824,900 | 16,490,000 |
| | | | | $ 2,140,000 | $ 1,487,074 | $ 3,627,074 | $ 36,333,572 |
| DOWNTOWN DEVELOPMENT DISTRICT TAX BONDS 22.97 MILL (Note N.) | | | | | | | |
| Limited Tax Bonds Series 2001 | July 1, 2001 | Dec. 1, 2026 | 5.193% | $ 195,000 | $ 343,318 | $ 538,318 | $ 6,525,000 |

BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF BONDED DEBT ADMINISTERED BY BOARD OF LIQUIDATION, CITY DEBT (CONTINUED)
DECEMBER 31, 2006

| | Date of Bonds | Date of Defeasance | Date of Calls or Final Maturity | Principal due 2007 | Interest & Premium due 2007 | Debt Service due 2007 | Amount Outstanding (Note A.) |
|---|---|---|---|---|---|---|---|
| DEFEASED BONDS-DEBT SERVICE GUARANTEED BY ESCROW AGREEMENTS (Note B.) | | | | | | | |
| General Obligation Bonds | | | | | | | |
| Public Improvement Bonds, Issue of 1997A (Note O.) | Jan. 1, 1997 | Nov. 20, 1998 | Dec. 1, 2007 | $ 6,505,000 | $ 325,250 | $ 6,830,250 | $ 6,505,000 |
| | | | | $ 6,505,000 | $ 325,250 | $ 6,830,250 | $ 6,505,000 |
| Public Improvement Bonds, Issue of 1998A (Note P.) | Dec. 1, 1997 | July 6, 2005 | Dec. 1, 2007 | $ 26,385,000 | $ 1,350,606 | $ 27,735,606 | $ 26,385,000 |
| Public Improvement Bonds, Issue of 1999 (Note P.) | Dec. 1, 1997 | July 6, 2005 | Nov. 1, 2009 | 0 | 1,549,947 | 1,549,947 | 27,005,000 |
| | | | | $ 26,385,000 | $ 2,900,553 | $ 29,285,553 | $ 53,390,000 |

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO SCHEDULE OF BONDED DEBT ADMINISTERED
BY BOARD OF LIQUIDATION, CITY DEBT
DECEMBER 31, 2006

Note A. Amount Outstanding - Amount excludes balances recorded as liabilites in the Combining Statement of Assets, Liabilities, and Custodial, Debt Service and Reserve Funds-Modified Cash Basis

Note B. Defeased Bonds - Defeased bonds are not obligations of the City of New Orleans, the Sewerage & Water Board or the Audubon Park Commission.

Note C. General Obligation Bonds - Legal Debt Limit: $928,677,084; 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 D. Refunded General Obligation Bonds (2005) - A portion of these Issues Refunded in 2005. Debt Service guaranteed by Escrow Agreement.

Note E. Refunded General Obligation Bonds (2002) - A portion of these Issues Refunded in 2002. Debt Service guaranteed by Escrow Agreement.

Note F. Refunded General Obligation Bonds (1998) - A portion of these Issues Refunded in 1998. Debt Service guaranteed by Escrow Agreement.

Note G. Limited Tax Bonds - Debt Service Coverage: 2006 Tax Yield 153% of Debt Service due

Note H. Drainage System Bonds - Legal Debt Limit: 9 mill $68,000,000; Debt Service Coverage: 2006 Tax Yield 579% of Debt Service Due- 9 mill

Note I. 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: High year's principal and interest due.

Note J. Bond Anticipation Notes - Bond Debt Service Coverage: Interest on BANs deposited in equal monthly installments from the Sewerage Service Revenue Account at the Sewerage Service Revenue Account at the Sewerage & Water Board of New Orleans to the Board of Liquidation, City Debt. Reserve Fund; None



BOARD OF LIQUIDATION, CITY DEBT
NOTES TO SCHEDULE OF BONDED DEBT ADMINISTERED
BY BOARD OF LIQUIDATION, CITY DEBT (CONTINUED)
DECEMBER 31, 2006

Note K. 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: High year's principal and interest due.

Note L. Audubon Park Commission .4 Mill Bonds - Debt Service Coverage: 2006 Tax Yield 153% of Debt Service due.

Note M. Audubon Park Commission 3.8 Mill Bonds - Debt Service Coverage: 2006 Tax Yield 143% of Debt Service due. Reserve Fund: Sufficient to cover 1/2 of the high year's Principal and Interest due.

Note N. Downtown Development District Bonds - Debt Service Coverage: 2006 Tax Yield 796% of Debt Service due. Reserve Fund: Sufficient to cover 1/2 of the high year's Principal and Interest due.

Note O. Refunded Defeased Public Improvement Bond (1998) - Only a portion of the issue was refunded in 1998.

Note P. Refunded Defeased Public Improvement Bond (2005) - Only a portion of the issue was refunded in 2005.

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BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF BOND SALES
FOR THE YEAR ENDED DECEMBER 31, 2006

Sewerage Service Refunding Bond Anticipation Notes, 2006
Sold: July 6, 2006 Delivered: July 24, 2006
Notes Dated: July 24, 2006 and due July 15, 2009

Average life of issue: 2.975 years
Net Interest Cost: 5.146055%
True Interest Cost: 5.15813%

Sold to: Merrill Lynch & Co.

| | |
|---|---|
| Sources: | |
| Principal sum | $ 24,030,000 |
| Total | $ 24,030,000 |
| Uses: | |
| Refunding BANs 2005 Redemption | $ 23,777,167 |
| Cost of Issuance | 162,720 |
| Underwriters discount | 90,113 |
| Total | $ 24,030,000 |

BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF DEDICATED AD VALOREM TAX MILLAGE AVAILABLE FOR SERVICING OF BONDED DEBT
DECEMBER 31, 2006

| | Millage (Note A.) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 & 1991 | 1992 | 1993 through 2002 | 2003 through 2005 | 2006 |
| DEBT SERVICE | 27.60 | 32.30 | 30.70 | 34.20 | 37.90 | 35.30 | 26.90 | 26.90 | 28.40 | 38.20 |
| CAPITAL IMPROVEMENT LIMITED TAX (Note B.) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 2.50 | 2.50 | 2.50 |
| SEWERAGE & WATER BOARD: | | | | | | | | | | |
| Construction & Extension of Sewerage, Water & Drainage System (Tax expired 12/31/91) | 3.94 | 3.94 | 3.94 | 4.00 | 4.00 | 4.00 | N/A | N/A | N/A | N/A |
| Operation, Maintenance and Construction & Extension of Drainage System | 5.92 | 5.92 | 5.92 | 6.01 | 6.01 | 6.01 | 6.40 | 6.40 | 6.40 | 6.40 |
| Operation, Maintenance and Construction of Drainage System | 6.00 | 6.00 | 6.00 | 6.09 | 6.09 | 6.09 | 6.48 | 6.48 | 6.48 | 6.48 |
| Operation, Maintenance and Construction of Drainage System | 9.00 | 9.00 | 9.00 | 9.13 | 9.13 | 9.13 | 9.71 | 9.71 | 9.71 | 9.71 |
| AUDUBON PARK COMMISSION: | | | | | | | | | | |
| Audubon Park Zoo | .40 | .40 | .40 | .41 | .41 | .41 | .44 | .44 | .44 | .44 |
| Audubon Park Aquarium (Note C.) | N/A | N/A | N/A | 3.86 | 3.86 | 3.86 | 4.11 | 4.11 | 4.11 | 4.11 |
| DOWNTOWN DEVELOPMENT DISTRICT | 18.25 | 18.25 | 12.50 | 12.50 | 13.24 | 13.24 | 15.68 | 15.90 | 15.90 | 15.90 |

BOARD OF LIQUIDATION, CITY DEBT
NOTES TO SCHEDULE OF DEDICATED AD VALOREM TAX MILLAGE
AVAILABLE FOR SERVICING OF BONDED DEBT
DECEMBER 31, 2006

Note A. Millage is approved in December of each year by the City Council of New Orleans for the new tax year.

Note B. The 2.5 mills for Capital Improvement Limited Tax is in effect for the first time in 1996.

Note C. The 3.8 mills for Audubon Park Aquarium was in effect for the first time in 1987.



BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF SEWERAGE & WATER BOARD MATURED BONDS-DEBT ADMINISTRATION
DECEMBER 31, 2006

| | Sewerage, Water & Drainage Bonds 2 mill * | Drainage System Bonds 3 mill 6.40 | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ 30,243 | $ 6,899 | $ 37,142 |
| *Total Assets* | $ 30,243 | $ 6,899 | $ 37,142 |
| **LIABILITIES** | | | |
| Interest Payable | $ 10,243 | $ 1,899 | $ 12,142 |
| Principal Payable | 20,000 | 5,000 | 25,000 |
| *Total Liabilities* | $ 30,243 | $ 6,899 | $ 37,142 |

* Tax expired December 31, 1991.

BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF DEFEASED BONDS-DEBT ADMINISTRATION
AT AND FOR THE YEAR ENDED DECEMBER 31, 2006

| | General Obligation Bonds | Sewerage Service Revenue Bonds | Water Revenue Bonds | Audubon Park Commission Aquarium Bonds | Audubon Park Commission Bonds | Limited Tax Bonds 2.5 Mills | Total |
|---|---|---|---|---|---|---|---|
| **RECEIPTS** | | | | | | | |
| Debt service funds-Escrow Accounts | | | | | | | |
| Interest | $ 5,631,279 | $ 0 | $ 0 | $ 0 | $ 0 | $ 47,280 | $ 5,678,559 |
| Principal | 41,910,000 | 0 | 0 | 0 | 0 | 1,970,000 | 43,880,000 |
| Premium | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Total Receipts* | 47,541,279 | 0 | 0 | 0 | 0 | 2,017,280 | 49,558,559 |
| **DISBURSEMENTS** | | | | | | | |
| Interest on refunded bonds | 5,631,279 | 0 | 0 | 0 | 0 | 47,280 | 5,678,559 |
| Principal on refunded bonds | 42,051,710 | 0 | 0 | 0 | 0 | 1,970,000 | 44,021,710 |
| Premium on bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Total disbursements* | 47,682,989 | 0 | 0 | 0 | 0 | 2,017,280 | 49,700,269 |
| (Deficiency) of receipts over disbursements | (141,710) | 0 | 0 | 0 | 0 | 0 | (141,710) |
| Fund Balances at: | | | | | | | |
| December 31, 2005 | 185,388 | 14,320 | 16,076 | 2,219 | 0 | 0 | 218,003 |
| December 31, 2006 | $ 43,678 | $ 14,320 | $ 16,076 | $ 2,219 | $ 0 | $ 0 | $ 76,293 |
| **ASSETS** | | | | | | | |
| Cash | $ 43,678 | $ 14,320 | $ 16,076 | $ 2,219 | $ 0 | $ 0 | $ 76,293 |
| *Total Assets* | $ 43,678 | $ 14,320 | $ 16,076 | $ 2,219 | $ 0 | $ 0 | $ 76,293 |
| **LIABILITIES** | | | | | | | |
| Interest payable | $ 15,463 | $ 1,785 | $ 11,076 | $ 2,219 | $ 0 | $ 0 | $ 30,543 |
| Principal payable | 23,215 | 12,535 | 5,000 | 0 | 0 | 0 | 40,750 |
| Principal payable-Paying Agent | 5,000 | 0 | 0 | 0 | 0 | 0 | 5,000 |
| *Total Liabilities* | $ 43,678 | $ 14,320 | $ 16,076 | $ 2,219 | $ 0 | $ 0 | $ 76,293 |

BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF ITEMIZED DISBURSEMENTS-INTEREST AND PRINCIPAL PAID
FOR THE YEAR ENDED DECEMBER 31, 2006

| | Interest Paid | | | Principal Paid | | | |
|---|---|---|---|---|---|---|---|
| | Debt Service Fund | Tax Credit Bond Loan | Total Interest | Debt Service Fund | Tax Credit Bond Loan | Total Principal | Total Interest and Principal |
| GENERAL OBLIGATION BONDS | | | | | | | |
| Public Improvement Bonds, Issue of 1997A | $ 30,516 | $ 30,515 | $ 61,031 | $ 0 | $ 1,085,000 | $ 1,085,000 | $ 1,146,031 |
| Public Improvement Bonds, Issue of 1998A | 52,200 | 52,200 | 104,400 | 0 | 845,000 | 845,000 | 949,400 |
| Public Improvement Bonds, Issue of 1999 | 90,938 | 90,937 | 181,875 | 0 | 585,000 | 585,000 | 766,875 |
| Public Improvement Bonds, Issue of 2001 | 599,331 | 599,331 | 1,198,662 | 0 | 445,000 | 445,000 | 1,643,662 |
| Public Improvement Bonds, Issue of 2002 | 847,646 | 847,646 | 1,695,292 | 0 | 600,000 | 600,000 | 2,295,292 |
| Public Improvement Bonds, Issue of 2003 | 1,030,625 | 1,030,625 | 2,061,250 | 0 | 860,000 | 860,000 | 2,921,250 |
| Public Improvement Bonds, Issue of 2004 | 827,244 | 827,244 | 1,654,488 | 0 | 550,000 | 550,000 | 2,204,488 |
| Public Improvement Bonds, Issue of 2005A | 375,050 | 375,050 | 750,100 | 0 | 290,000 | 290,000 | 1,040,100 |
| General Obligation Refunding Bonds, Series 1991 | 9,845,000 | 6,351,760 | 16,196,760 | 0 | 9,248,240 | 9,248,240 | 25,445,000 |
| General Obligation Refunding Bonds, Series 1998 | 5,240,263 | 0 | 5,240,263 | 755,000 | 0 | 755,000 | 5,995,263 |
| General Obligation Refunding Bonds, Series 2002 | 3,018,769 | 0 | 3,018,769 | 0 | 0 | 0 | 3,018,769 |
| General Obligation Refunding Bonds, Series 2005 | 5,444,950 | 0 | 5,444,950 | 0 | 0 | 0 | 5,444,950 |
| *Total General Obligation Bonds* | 27,402,532 | 10,205,308 | 37,607,840 | 755,000 | 14,508,240.00 | 15,263,240 | 52,871,080 |
| SPECIAL TAX BONDS | | | | | | | |
| Limited Tax Bonds, Series 2005 | 721,080 | 699,330 | 1,420,410 | 1,450,000 | 0 | 1,450,000 | 2,870,410 |
| Total Limited Tax Bonds | 721,080 | 699,330 | 1,420,410 | 1,450,000 | 0 | 1,450,000 | 2,870,410 |
| Drainage System Bonds, Series 1998 | 175,493 | 175,492 | 350,985 | 0 | 425,000 | 425,000 | 775,985 |
| Drainage System Bonds, Series 2002 | 413,858 | 413,858 | 827,716 | 0 | 590,000 | 590,000 | 1,417,716 |
| Total Drainage System 9 mill bonds | 589,351 | 589,350 | 1,178,701 | 0 | 1,015,000 | 1,015,000 | 2,193,701 |
| Sewerage Service Revenue Bonds, Series 1997 | 592,116 | 550,552 | 1,142,668 | 1,330,000 | 0 | 1,330,000 | 2,472,668 |
| Sewerage Service Revenue Bonds, Series 1998 | 441,074 | 418,902 | 859,976 | 1,075,000 | 0 | 1,075,000 | 1,934,976 |
| Sewerage Service Revenue Bonds, Series 2000 | 625,138 | 599,544 | 1,224,682 | 975,000 | 0 | 975,000 | 2,199,682 |
| Sewerage Service Revenue Bonds, Series 2000B | 464,334 | 437,734 | 902,068 | 760,000 | 0 | 760,000 | 1,662,068 |
| Sewerage Service Revenue Bonds, Series 2001 | 705,276 | 675,754 | 1,381,030 | 1,250,000 | 0 | 1,250,000 | 2,631,030 |
| Sewerage Service Revenue Bonds, Series 2002 | 1,241,925 | 1,203,525 | 2,445,450 | 1,920,000 | 0 | 1,920,000 | 4,365,450 |
| Sewerage Service Revenue Bonds, Series 2003 | 96,348 | 93,123 | 189,471 | 215,000 | 0 | 215,000 | 404,471 |
| Sewerage Service Revenue Bonds, Series 2004 | 690,447 | 655,647 | 1,346,094 | 1,160,000 | 0 | 1,160,000 | 2,506,094 |
| Sewerage Service Revenue Refunding Bond Anticipation Notes, 2005 | 4,087,167 | 0 | 4,087,167 | 105,500,000 | 31,500,000 | 137,000,000 | 141,087,167 |
| Total Sewerage Service Revenue Bonds and Bond Anticipation Notes | $ 8,943,825 | $ 4,634,781 | $ 13,578,606 | $ 114,185,000 | $ 31,500,000 | $ 145,685,000 | $ 159,263,606 |

BOARD OF LIQUIDATION, CITY DEBT
SCHEDULE OF ITEMIZED DISBURSEMENTS-INTEREST AND PRINCIPAL PAID (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2006

| | Interest Paid | | | Principal Paid | | | |
|---|---|---|---|---|---|---|---|
| | Debt Service Fund | Tax Credit Bond Loan | Total Interest | Debt Service Fund | Tax Credit Bond Loan | Total Principal | Total Interest and Principal |
| **SPECIAL TAX BONDS (CONTINUED)** | | | | | | | |
| Water Revenue Bonds, Series 1998 | $ 281,309 | $ 281,309 | $ 562,618 | $ 0 | $ 690,000 | $ 690,000 | $ 1,252,618 |
| Water Revenue Bonds, Series 2002 | 738,631 | 738,631 | 1,477,262 | 0 | 1,045,000 | 1,045,000 | 2,522,262 |
| Total Water Revenue Bonds | 1,019,940 | 1,019,940 | 2,039,880 | 0 | 1,735,000 | 1,735,000 | 3,774,880 |
| Audubon Park Commission Improvement Bonds, Series 1997 | 80,455 | 80,455 | 160,910 | 0 | 210,000 | 210,000 | 370,910 |
| Audubon Park Commission Aquarium Bonds, Series 2001A | 346,499 | 346,499 | 692,998 | 0 | 15,000 | 15,000 | 707,998 |
| Audubon Park Commission Aquarium Bonds, Series 2001B | 18,243 | 18,243 | 36,486 | 0 | 55,000 | 55,000 | 91,486 |
| Audubon Park Commission Aquarium Bonds, Series 2003A | 419,750 | 419,750 | 839,500 | 0 | 1,990,000 | 1,990,000 | 2,829,500 |
| Total Audubon Park Commission Aquarium Bonds | 784,492 | 784,492 | 1,568,984 | 0 | 2,060,000 | 2,060,000 | 3,628,984 |
| Downtown Development District Special Tax Bonds, Series 2001 | 177,929 | 177,929 | 355,858 | | 190,000 | 190,000 | 545,858 |
| *Total Special Tax Bonds* | 12,317,072 | 7,986,277 | 20,303,349 | 115,635,000 | 36,710,000 | 152,345,000 | 172,648,349 |
| **DEFEASED BONDS** | | | | | | | |
| Public Improvement Bonds, Issue of 1997A | 2,405,476 | 0 | 2,405,476 | 41,910,000 | 0 | 41,910,000 | 44,315,476 |
| Public Improvement Bonds, Issue of 1998A | 1,675,856 | 0 | 1,675,856 | 0 | 0 | 0 | 1,675,856 |
| Public Improvement Bonds, Issue of 1999 | 1,549,947 | 0 | 1,549,947 | 0 | 0 | 0 | 1,549,947 |
| General Obligaion Bonds, Series 1986 | 0 | 0 | 0 | 5,000 | 0 | 5,000 | 5,000 |
| General Obligaion Bonds, Series 1991 | 0 | 0 | 0 | 136,710 | 0 | 136,710 | 136,710 |
| Total General Obligation Defeased Bonds | 5,631,279 | 0 | 5,631,279 | 42,051,710 | 0 | 42,051,710 | 47,682,989 |
| Limited Tax Bonds, Series 1996 | 47,280 | 0 | 47,280 | 1,970,000 | 0 | 1,970,000 | 2,017,280 |
| Total Limited Tax Bonds | 47,280 | 0 | 47,280 | 1,970,000 | 0 | 1,970,000 | 2,017,280 |
| *Total Defeased Bonds* | 5,678,559 | 0 | 5,678,559 | 44,021,710 | 0 | 44,021,710 | 49,700,269 |
| *Total Itemized Disbursements-Interest, Principal and Premium Paid* | $ 45,398,163 | $ 18,191,585 | $ 63,589,748 | $ 160,411,710 | $ 51,218,240 | $ 211,629,950 | $ 275,219,698 |

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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*

Mr. J. Thomas Lewis, Prèsident, and Members
Board of Liquidation, City Debt
New Orleans, Louisiana

We have audited the financial statements of Board of Liquidation, City Debt as of and for the year ended December 31, 2006, and have issued our report thereon dated March 30, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.





Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 grants, 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 for the information and use of the members of the Board, management, 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.

Spilsbury, Hamilton, Legendre & Paciera

March 30, 2007

APPENDIX “E”

# CAPITAL BUDGET AND PROGRAM

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**CITY OF NEW ORLEANS**
**2007 CAPITAL FUND**
**BY REVENUE SOURCE**
**AS OF AUGUST 31, 2007**

| | | Budget |
|---|---|---|
| Miscellaneous Capital | $ | 3,811,031 |
| Katrina Insurance Receipts | | 28,242,851 |
| Katrina FEMA Funds | | 36,406,253 |
| General Fund Transfers | | 462,181 |
| Federal Roadway Participation | | 37,500,000 |
| Sewerage and Water Board Participation | | 16,500,000 |
| DDD Participation | | 15,309 |
| Infrastructure Fund | | 4,754,066 |
| Total 2007 Capital Budget | $ | 127,691,691 |

Source: City of New Orleans Finance Department.

| | PI 2007 Bond Proceeds Purposes |
|---|---|
| **NORD** | |
| A.L. Davis Playground | 200,000 |
| Annunciation Playground | 100,000 |
| Behrman Pool | 300,000 |
| Bleachers | 300,000 |
| Citywide Fencing | 282,500 |
| Citywide Field Lighting | 1,250,000 |
| Citywide Play Equipment | 550,000 |
| Citywide Roofing and Sheltr | 762,500 |
| Comiskey Playground | 200,000 |
| Easton Playground | 200,000 |
| Golden Age Center | 500,000 |
| Hunter's Field | 400,000 |
| Lyons Center Playground | 200,000 |
| Lyons Center | 1,300,000 |
| Norman Playground | 200,000 |
| Pratt Playground | 200,000 |
| Rosenwald | 200,000 |
| Rosenwald Pool | 700,000 |
| Sam Bonart Playground | 200,000 |
| Samuel Square Playground | 300,000 |
| Sanchez Pool | 350,000 |
| St. Bernard Center | 1,000,000 |
| Stadium Field Lighting | 850,000 |
| Stallings St. Claude | 200,000 |
| Stallings/Gentilly Playground | 200,000 |
| Taylor Playground | 500,000 |
| Treme Center | 1,800,000 |
| Village de L'est Playground | 500,000 |
| ***Total*** | **13,745,000** |
| | |
| **Parks and Parkways** | |
| Armstrong Park | 2,000,000 |
| Brechtel Park | 2,300,000 |
| Support Facilities | 825,000 |
| Various Parks | 1,000,000 |
| ***Total*** | **6,125,000** |
| | |
| **Nord/Human Services** | |
| Milne Campus | 1,775,000 |
| | |
| **NORD/Parkways** | |
| Pontchartrain Park | 2,500,000 |
| Joe Brown Improvements | 1,500,000 |
| ***Total*** | **4,000,000** |
| | |
| **Property Management** | |
| Carrollton Hollygrove | 100,000 |
| Algiers Courthouse | 350,000 |

| | PI 2007 Bond Proceeds Purposes |
|---|---|
| Mahalia Jackson Theater | 675,000 |
| Mahalia Jackson Theater | 175,000 |
| Arthur Monday | 1,150,000 |
| ***Total*** | **2,450,000** |
| | |
| **Library** | |
| Nix Branch | |
| Smith Branch | 600,000 |
| Latter Library | 500,000 |
| Latter Library | 500,000 |
| Main Library | 2,100,000 |
| Algiers Branch | 1,000,000 |
| ***Total*** | **4,700,000** |
| | |
| **NOMA** | |
| Nix Branch | 1,800,000 |
| | |
| **Health Department** | |
| Child Care Center | 1,325,000 |
| | |
| **Mayor/CAO/EMD** | |
| Facility Repairs | 1,705,000 |
| Energy Management Payment | |
| Sanitation Facilities | 1,000,000 |
| Criminal Justice Building Fund | 1,000,000 |
| Property Management General | 2,000,000 |
| NOPD - General Improvements | 1,000,000 |
| NORD - General Improvements | 1,300,000 |
| ***Total*** | **8,005,000** |
| | |
| **Police** | |
| Headquarters Plaza and Elevator, 7th District | 975,000 |
| | |
| **Fire** | |
| Engine House and Fire Station | 1,600,000 |
| | |
| **Council** | |
| Council Chambers | 1,500,000 |
| | |
| **Criminal Courts** | |
| 2nd Floor Hallway | 1,750,000 |
| | |
| **Sanitation** | |
| Elysian Fields Facility | 250,000 |
| | |
| ***Total Facilities*** | ***50,000,000*** |

| | PI 2007 Bond Proceeds Purposes |
|---|---|
| **Public Works** | |
| **Public Works** | |
| **EXHIBIT A (Dept of Public Works)** | |
| **Other Streets** | |
| Woodland (Tullis-Gen DeGaulle) | 3,045,900 |
| Downman Rd. (Chef Menteur-Morrison Road) | 4,400,000 |
| Wisner Overlay (Esplanade-Robert E. Lee) | 2,800,000 |
| ***Subtotal Other Streets*** | ***10,245,900*** |
| | |
| **EXHIBIT B (Dept of Public Works)** | |
| **Per Public Works Dept. 7/26/2007** | |
| Engineering adjusted | 10,654,100 |
| Pre-Survey-CCTV - Geotechnical | 4,100,000 |
| ***Total Streets*** | ***25,000,000*** |
| ***Grand Total*** | ***75,000,000*** |

APPENDIX “F”

# DEBT STATEMENT

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## STATEMENT OF DIRECT AND UNDERLYING BONDED DEBT
## AS OF OCTOBER 2, 2007
**(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) | **Direct Bonded Debt of the City of New Orleans** | | | | | |
| (2) | General Obligation Refunding Bonds, Series 1991 | 6.966-7.128 | 9/15/91 | 9/01/18 | $62,354,462* | $7,943,929* |
| (2) | General Obligation Refunding Bonds, Series 1998 | 4.3-5.5 | 12/01/98 | 12/01/26 | 97,000,000 | 2,970,000 |
| (2) | General Obligation Refunding Bonds, Series 2002 | 5.125-5.375 | 4/01/02 | 9/01/21 | 58,415,000 | 0 |
| (2) | General Obligation Refunding Bonds, Series 2005 | 3.0-5.25 | 7/06/05 | 12/01/29 | 105,280,000 | 0 |
| (2) | Public Improvement Bonds, Issue of 1998-A | 6.0 | 2/01/98 | 12/01/07 | 895,000 | 895,000 |
| (2) | Public Improvement Bonds, Issue of 1999 | 6.7-7.2 | 11/01/99 | 11/01/09 | 1,990,000 | 620,000 |
| (2) | Public Improvement Bonds, Issue of 2001 | 5.0-7.0 | 4/01/01 | 12/01/30 | 22,225,000 | 470,000 |
| (2) | Public Improvement Bonds, Issue of 2002 | 5.125-6.0 | 4/01/02 | 12/01/31 | 31,280,000 | 635,000 |
| (2) | Public Improvement Bonds, Issue of 2003 | 5.0-5.25 | 10/02/03 | 12/01/33 | 39,990,000 | 875,000 |
| (2) | Public Improvement Bonds, Issue of 2004 | 4.0-6.0 | 7/13/04 | 12/01/33 | 32,450,000 | 580,000 |
| (2) | Public Improvement Bonds, Issue of 2005A | 4.0-6.0 | 5/24/05 | 12/01/34 | 16,010,000 | 300,000 |
| (3) | Refunding Certificates of Indebtedness, Series 1998B | 4.75-5.1 | 4/01/98 | 12/01/12 | 35,015,000 | 0 |
| (3) | Certificates of Indebtedness, Series 2000 | 5.5 | 12/01/00 | 12/01/10 | 11,400,000 | 0 |
| (3) | Certificates of Indebtedness, Series 2005 | 3.87 | 7/07/05 | 12/01/14 | 1,230,000 | 0 |
| (4) | Taxable Pension Revenue Bonds, Series 2000 | 6.95 | 12/19/00 | 9/01/30 | 139,760,000 | 5,600,000 |
| (5) | Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds (City of New Orleans) Series 2001C | 4.0-4.25 | 12/01/01 | 8/01/11 | 3,565,000 | 0 |
| (6) | Limited Tax Certificates of Indebtedness, Series 2003 | 3.4 | 3/01/03 | 3/01/10 | 5,995,000 | 0 |
| (6) | Limited Tax Certificates of Indebtedness, Series 2004 | 3.25-3.5 | 4/01/04 | 3/01/11 | 1,515,000 | 0 |
| (6) | Taxable Limited Tax Certificates of Indebtedness, Series 2004B | 3.7-4.75 | 12/23/04 | 3/01/14 | 38,650,000 | 385,000 |
| (7) | Sales Tax Increment Revenue Bonds (St. Thomas Economic Development District) Series 2003 | 8.125 | 11/03/03 | 4/01/50 | 19,875,000 | 60,000 |
| (8) | Variable Rate Revenue Bonds (Canal Street Improvements Project), Series 2004 | variable | 9/29/04 | 4/01/24 | 9,970,000 | 0 |
| (9) | Limited Tax Bonds, Series 2005 (Capital Improvements) | 3.0-5.0 | 7/06/05 | 3/01/21 | 30,045,000 | 0 |
| (10) | Promissory Note (CDL Federal Program) | 2.75 | 11/15/05 | 11/14/10 | 120,000,000 | -- |
| (10) | Promissory Note (CDL Federal Program) | -- | 8/23/06 | 8/22/11 | 17,610,000 | -- |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana (Certificates of Indebtedness, Capital leases, LCDA Bonds) | 4.64 | 6/19/06 | 7/15/26 | 52,268,594 | 0 |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana (General Obligation Bonds) | 4.64 | 6/19/06 | 7/15/26 | 24,713,549 | 0 |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana (Capital Improvement Bonds) | 4.64 | 6/19/06 | 7/15/26 | 2,903,660 | 0 |
| * | *Original principal amount of compound interest bonds.* | | | | | |
| (11) | **Underlying Bonded Debt of the Downtown Development District** | | | | | |
| (12) | Downtown Development District Limited Tax Bonds, Series 2001 | 4.6-6.6 | 7/01/01 | 12/01/26 | 6,125,000 | 0 |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana | 4.64 | 6/19/06 | 7/15/26 | 1,600,153 | 0 |

| Notes | Name of Issuer & Issue | Interest Rates (%) | Dated Date | Final Maturity Date | Principal Outstanding | Principal Amount Due Within One Year |
|---|---|---|---|---|---|---|
| (13) | **Underlying Bonded Debt of the Sewerage and Water Board** | | | | | |
| (14) | Drainage System Bonds, Series 1998 | 4.25-5.0 | 12/01/98 | 12/01/18 | $6,650,000 | $ 0 |
| (14) | Drainage System Bonds, Series 2002 | 3.45-6.0 | 10/01/02 | 12/01/22 | 17,185,000 | 0 |
| (15) | Water Revenue Bonds, Series 1998 | 4.2-4.9 | 12/01/98 | 12/01/18 | 10,770,000 | 0 |
| (15) | Water Revenue Bonds, Series 2002 | 3.125-5.0 | 10/01/02 | 12/01/22 | 29,920,000 | 0 |
| (16) | Sewerage Service Revenue Bonds, Series 1997 | 5.1-5.4 | 6/01/97 | 6/01/17 | 17,685,000 | 0 |
| (16) | Sewerage Service Revenue Bonds, Series 1998 | 4.375-5.0 | 12/01/98 | 6/01/18 | 15,625,000 | 0 |
| (16) | Sewerage Service Revenue Bonds, Series 2000 | 5.25-6.5 | 5/01/00 | 6/01/20 | 20,680,000 | 1,095,000 |
| (16) | Sewerage Service Revenue Bonds, Series 2000B | 5.0-5.5 | 11/01/00 | 6/01/20 | 14,905,000 | 0 |
| (16) | Sewerage Service Revenue Bonds, Series 2001 | 4.4-5.2 | 12/01/01 | 6/01/21 | 24,435,000 | 0 |
| (16) | Sewerage Service Revenue Bonds, Series 2002 | 4.0-5.0 | 12/01/02 | 6/01/22 | 45,740,000 | 0 |
| (16) | Sewerage Service Revenue Bonds, Series 2003 | 2.2-5.0 | 12/03/03 | 6/01/23 | 4,715,000 | 225,000 |
| (16) | Sewerage Service Revenue Bonds, Series 2004 | 3.25-5.0 | 12/16/04 | 6/01/24 | 28,280,000 | 0 |
| (17) | Sewerage Service Refunding Bond Anticipation Notes, Series 2006 | 5.02 | 7/24/06 | 7/15/09 | 24,030,000 | 0 |
| (10) | Promissory Note (CDL Federal Program) | 2.67 | 1/03/06 | 1/02/11 | 31,855,270 | -- |
| (10) | Promissory Note (CDL Federal Program) | 2.66 | 1/24/06 | 1/23/11 | 22,298,689 | -- |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana | 4.64 | 6/19/06 | 7/15/26 | 77,465,247 | 0 |
| (18) | **Underlying Bonded Debt of Audubon Commission** | | | | | |
| (19) | Audubon Commission Improvement and Refunding Bonds, Series 1997 | 5.1-5.2 | 1/01/97 | 12/01/16 | 2,415,000 | 0 |
| (20) | Audubon Commission Aquarium Refunding Bonds, Series 2001A | 3.9-5.375 | 11/01/01 | 10/01/17 | 13,405,000 | 0 |
| (20) | Audubon Commission Aquarium Bonds, Series 2001B | 3.9-4.7 | 11/01/01 | 10/01/17 | 705,000 | 0 |
| (20) | Audubon Commission Aquarium Bonds, Series 2001B | 0.0 | 11/29/01 | 10/01/21 | 5,583,572* | 0 |
| (20) | Audubon Commission Aquarium Refunding Bonds, Series 2003A | 4.0-5.0 | 7/09/03 | 10/01/13 | 12,270,000 | 0 |
| (21) | Audubon Park Commission Aquarium Revenue Refunding Bonds, Series 1997 | 5.0 | 11/01/97 | 4/01/12 | 4,380,000 | 0 |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana (Revenue Bonds) | 4.64 | 6/19/06 | 7/15/26 | 4,907,500 | 0 |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana (4.11 Mill Tax Bonds) | 4.64 | 6/19/06 | 7/15/26 | 10,759,776 | 0 |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana (.44 Mill Tax Bonds) | 4.64 | 6/19/06 | 7/15/26 | 1,091,230 | 0 |

* *Original principal amount of compound interest bonds.*

| Notes | Name of Issuer & Issue | Interest Rates (%) | Dated Date | Final Maturity Date | Principal Outstanding | Principal Amount Due Within One Year |
|---|---|---|---|---|---|---|
| (22) | **Underlying Bonded Debt of Parishwide School District of the Parish of Orleans** | | | | | |
| (2) | General Obligation School Bonds, Series 1995 | 5.25-5.375 | 10/01/95 | 9/01/18 | 24,585,000 | 0 |
| (2) | General Obligation School Bonds, Series 1996 | 4.8-5.0 | 3/01/96 | 9/01/20 | 23,425,000 | 0 |
| (2) | General Obligation School Bonds, Series 1997 | 5.0-5.375 | 3/01/97 | 9/01/21 | 24,780,000 | 0 |
| (2) | General Obligation School Bonds, Series 1997A | 5.0-5.125 | 12/01/97 | 9/01/21 | 24,780,000 | 0 |
| (2) | General Obligation School Bonds, Series 1998A | 4.75-5.125 | 3/01/98 | 9/01/22 | 26,185,000 | 0 |
| (2) | General Obligation School Refunding Bonds, Series 1998B | 4.6-5.5 | 3/01/98 | 9/01/20 | 7,805,000 | 0 |

| Notes | Name of Issuer & Issue | Interest Rates (%) | Dated Date | Final Maturity Date | Principal Outstanding | Principal Amount Due Within One Year |
|---|---|---|---|---|---|---|
| (23) | **Underlying Bonded Debt of the Orleans Parish School Board** | | | | | |
| (24) | Public School Refunding Bonds, Series 1991 | -- | 12/19/91 | 2/01/15 | $16,523,731* | $ 0 |
| (24) | Public School Capital Refunding Bonds, Series 1995 | 6.0 | 10/01/95 | 6/01/09 | 1,555,000 | 0 |
| (25) | Public School Refunding Bonds, Series 1995A (Taxable) | 6.6-6.65 | 12/01/95 | 2/01/09 | 18,970,000 | 5,870,000 |
| (25) | Public School Refunding Bonds, Series 1995B (Tax Exempt) | 5.2 | 12/01/95 | 2/01/14 | 22,815,000 | 0 |
| (3) | Certificates of Indebtedness, Series 1999 | 4.25 | 2/01/99 | 3/01/09 | 1,790,000 | 0 |
| (11) | Promissory Note (CDL Federal Program) | 2.94 | 5/16/06 | 5/15/11 | 5,001,093 | -- |
| (11) | Promissory Note (CDL Federal Program) | 2.94 | 9/26/06 | 9/25/11 | 1,429,721 | -- |
| (11) | Promissory Note (CDL Federal Program) | 2.94 | 9/29/06 | 9/28/11 | 33,045,240 | -- |

The Louisiana Public Facilities Authority ("LPFA") has issued $7,375,000 of its Lease Revenue Refunding Bonds (Orleans Parish School Board Energy Retrofit Project) Series 2003, which are payable from payments to be made pursuant to a Lease Agreement dated as of June 1, 2003, by and between the LPFA and the Orleans Parish School Board (the "School Board"). The School Board's obligation is subject to an annual good faith effort to appropriate funds sufficient to pay all of the School Board's obligations under said Lease Agreement. The School Board's obligation to the LPFA is not included in the above debt statement. Also excluded is a loan from the EPA with a final maturity of 5/31/13 and an outstanding principal amount as of 6/30/06 of $4,809,000.

| Notes | Name of Issuer & Issue | Interest Rates (%) | Dated Date | Final Maturity Date | Principal Outstanding | Principal Amount Due Within One Year |
|---|---|---|---|---|---|---|
| (A) | Cooperative Endeavor Agreement with the State of Louisiana | 4.64 | 6/19/06 | 7/15/26 | 76,152,754 | 0 |

* *Original principal amount of compound interest bonds.*

| Notes | Name of Issuer & Issue | Interest Rates (%) | Dated Date | Final Maturity Date | Principal Outstanding | Principal Amount Due Within One Year |
|---|---|---|---|---|---|---|
| (26) | **Underlying Bonded Debt of the Regional Transit Authority** | | | | | |
| (27) | Sales Tax Revenue Bonds, Series 1991 | 6.5-7.1 | 12/01/91 | 12/01/21 | 3,180,806* | 0 |
| (27) | Sales Tax Revenue Refunding Bonds, Series 1998A | 7.95-8.0 | 12/01/98 | 12/01/13 | 14,055,000 | 0 |
| (28) | LCDA Revenue Bonds (Canal Streetcar Project), Series 2000 | variable | 9/12/00 | 3/01/25 | 26,110,100 | 0 |
| (28) | LCDA Revenue Bonds (Desire Streetcar Project), Series 2000A | variable | 9/12/00 | 1/01/30 | 27,294,956 | 0 |
| (29) | Certificates of Participation | 5.0 | 7/16/02 | 5/01/10 | 12,520,000 | 0 |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana | 4.64 | 6/19/06 | 7/15/26 | 35,867,738 | 0 |

* *Original principal amount of compound interest bonds.*

| Notes | Name of Issuer & Issue | Interest Rates (%) | Dated Date | Final Maturity Date | Principal Outstanding | Principal Amount Due Within One Year |
|---|---|---|---|---|---|---|
| (30) | **Underlying Bonded Debt of Law Enforcement District of the Parish of Orleans** | | | | | |
| (2) | General Obligation Refunding Bonds, Series 1997 | 4.95 | 11/01/97 | 5/01/10 | 2,995,000 | 0 |
| (2) | General Obligation Bonds, Series 2001 | 4.2-5.0 | 3/01/01 | 3/01/16 | 8,830,000 | 0 |
| (3) | Certificates of Indebtedness, Series 2002 | 5.05-5.15 | 1/07/02 | 1/01/12 | 2,115,000 | 0 |
| (11) | Promissory Note (CDL Federal Program) | 2.69 | 11/18/05 | 11/17/10 | 18,029,067 | -- |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana | 4.64 | 6/19/06 | 7/15/26 | 17,256,120 | 0 |
| (31) | **Underlying Bonded Debt of New Orleans Municipal Yacht Harbor Management Corporation** | | | | | |
| (32) | Revenue Bonds, 1981 Series | 6.0 | 2/08/82 | 2/08/12 | 867,634 | 177,500 |

| Notes | Name of Issuer & Issue | Interest Rates (%) | Dated Date | Final Maturity Date | Principal Outstanding | Principal Amount Due Within One Year |
|---|---|---|---|---|---|---|
| (33) | **Underlying Bonded Debt of New Orleans Aviation Board (c)** | | | | | |
| (34) | Refunding Bonds, Series 1993B | variable | 2/17/93 | 8/01/16 | $81,095,000 | $7,970,000 |
| (34) | Refunding Bonds, Series 1993C | variable | 6/17/93 | 8/01/11 | 1,295,000 | 280,000 |
| (34) | Refunding Bonds, Series 1995A | variable | 6/06/95 | 8/01/15 | 12,700000 | 1,310,000 |
| (34) | Refunding Bonds, Series 1997A | variable | 6/18/97 | 8/01/15 | 17,670,000 | 1,170,000 |
| (34) | Revenue Bonds, Series 1997B-1 | 5.45 | 9/15/97 | 10/01/27 | 2,555,000 | 0 |
| (34) | Revenue Bonds, Series 1997B-2 (Taxable) | 6.55-7.1 | 9/15/97 | 10/01/27 | 9,265,000 | 285,000 |
| (35) | Revenue Refunding Bonds (Passenger Facility Charge Projects) Series 1999A-1 | 5.4-6.0 | 10/15/99 | 9/01/18 | 21,175,000(a) | 1,555,000 |
| (35) | Revenue Refunding Bonds (Passenger Facility Charge Projects) Series 1999A-2 | 6.0 | 10/15/99 | 9/01/19 | 4,565,000(b) | 0 |
| (11) | Promissory Note (CDL Federal Program) | 2.93 | 6/14/06 | 6/13/11 | 8,112,103 | -- |
| (11) | Promissory Note (CDL Federal Program) | 3.06 | 8/23/06 | 8/22/11 | 2,187,816 | -- |
| (11) | Promissory Note (CDL Federal Program) | 2.93 | 10/3/06 | 10/02/11 | 582,722 | -- |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana | 4.64 | 6/19/06 | 7/15/26 | 35,371,990 | 0 |

(a) Scheduled to be refunded by Series 2007 B-2 (AMT) Revenue Refunding Bonds (Passenger Facility Charge Projects).
(b) Scheduled to be refunded by Series 2007 B-1 (Non-AMT) Revenue Refunding Bonds (Passenger Facility Charge Projects).
(c) An issue of Revenue Bonds (Passenger Facility Charge Projects) Series 2007 A (AMT) is scheduled to be issued to provide permanent financing for the eligible costs of the rehabilitation of runway 10/28, and to pay costs of acquiring, equipping and installing approximately 17 aircraft loading bridges.

| Notes | Name of Issuer & Issue | Interest Rates (%) | Dated Date | Final Maturity Date | Principal Outstanding | Principal Amount Due Within One Year |
|---|---|---|---|---|---|---|
| (36) | **Underlying Bonded Debt of the Orleans Levee District** | | | | | |
| (37) | Public Improvement Bonds, Series 1986 | 5.95 | 8/29/86 | 11/01/15 | 17,645,000 | 0 |
| (38) | Public Improvement Refunding Bonds, Series 1996 | 6.4 | 10/29/96 | 11/01/15 | 1,350,000 | 0 |
| (38) | Levee Improvement Bonds, Series 1986 | 5.95 | 8/28/86 | 11/01/14 | 26,690,000 | 0 |
| (38) | Levee Improvement Refunding Bonds, Series 1996 | 6.25 | 10/29/96 | 11/01/14 | 2,980,000 | 0 |
| (A) | Cooperative Endeavor Agreement with the State of Louisiana | 4.64 | 6/19/06 | 7/15/26 | 26,125,671 | 0 |
| (39) | **Underlying Bonded Debt of the Orleans Parish Communications District** | | | | | |
| (40) | Revenue Bonds, Series 2004 | 3.35-4.35 | 9/24/04 | 9/01/19 | 8,505,000 | 535,000 |
| (11) | Promissory Note (CDL Federal Program) | 2.93 | 8/28/06 | 8/27/11 | 799,416 | -- |
| (11) | Promissory Note (CDL Federal Program) | 2.68 | 1/18/06 | 1/17/11 | 799,416 | -- |
| (41) | **Underlying Debt of the French Market Corporation** | | | | | |
| (42) | Taxable Revenue Bonds, Series 2005A | 6.15 | 8/03/06 | 5/01/25 | 3,115,294 | 0 |

## 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 taxable 2008 assessed valuation for City purposes is approximately $2,545,206,005. Certain taxes are levied on the total assessed value of the City which is approximately $2,834,424,660 for 2008.

(2) Secured by and payable from unlimited *ad valorem* taxation.

(3) Payable from excess annual revenues of the issuer above statutory, necessary and usual charges in each of the fiscal years during which the certificates are outstanding.

(4) Secured by and payable solely from moneys of the City that are available after payment of contractual and statutory obligations and other required expenses, including the payment of outstanding Certificates of Indebtedness of the City, in each of the fiscal years during which the bonds are outstanding, any Issuer Derivative Payments are due or any amounts are owed under the Bond Facility, as provided in the resolutions adopted, as amended, by the City Council on August 3, 2000, September 21, 2000, November 16, 2000, and December 1, 2000.

(5) Payable from the income, revenues and receipts derived from payments made pursuant to a Loan Agreement dated as of December 1, 2001, between the Louisiana Local Government Environmental Facilities and Community Development Authority and the City.

(6) Secured by and payable rom an irrevocable pledge and dedication of the funds to be derived by the issuer from the levy and collection of a special tax of fourteen and ninety-one hundredths (14.91) mills (such rate being 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 pursuant to the provisions of Article VI, Section 26 of the Louisiana Constitution of 1974, as amended, and is authorized to be levied for general purposes.

(7) Secured by and payable solely from an irrevocable pledge and dedication of the City's 2.5 cent share of the 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.

(8) Payable from (i) money received from a draw on a Letter of Credit issued by Hibernia Bank, (ii) payments made from 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.

(9) Payable from a pledge and dedication of the net avails or proceeds of a special two and one-half (2½) mills tax, approved in an election held in the City on July 15, 1995.

(10) Secured by a pledge of the issuer's revenues for each fiscal year after payment of outstanding bonded indebtedness.

(11) The Downtown Development District had a 2007 taxable assessed valuation of approximately $365,999,140.

(12) Secured by and payable from an irrevocable pledge and dedication of the funds to be derived from the levy and collection of a special *ad valorem* tax not exceeding Twenty-Two and Ninety-Seven Hundredths (22.97) mills (subject to adjustment from time to time due to reassessment) upon all the taxable real property located in The Downtown Development District of the City of New Orleans, authorized in elections held on December 8, 1979 and April 7, 2001. The Tax is currently being levied at a rate of fifteen and ninety-hundredths (15.90) mills.

(13) The Sewerage and Water Board is the agency responsible for the sewerage, water and drainage systems of the City.

(14) Secured by and payable solely from the proceeds of a nine and seventy-one hundredths (9.71) mills *ad valorem* tax.

(15) Secured by and payable solely from net revenues received from the imposition of water rates.

(16) Secured by and payable solely from revenues of the system, including revenues received from the imposition of sewerage rates.
(17) Payable from the proceeds to be derived from the sale and issuance of the Authorized Additional Bonds or from the sale of the Authorized Additional BANs or refunding bond anticipation notes which may be hereafter issued to refund the BANs and the Revenues of the Sewerage System, provided that the pledge of the Revenues is in all respects subordinate to the provisions of the Resolution and to the pledge of Revenues.
(18) The Audubon Commission is a related entity of the City established by state act and the City Charter.
(19) secured by and payable solely from the tax revenues derived from the levy and collection of a forty-four hundredths (.44) mill tax upon all taxable property in the City.
(20) Secured by and payable solely from an irrevocable pledge and dedication of the funds to be derived from the levy and collection of a four and eleven hundredths (4.11) 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.
(21) Payable solely from and secured by a pledge of the revenues, subject to the payment of all necessary operation and maintenance expenses of the Aquarium.
(22) The total 2008 assessed valuation of Parishwide School District of the Parish of Orleans is approximately $2,834,424,660, of which approximately $2,545,206,005 is taxable.
(23) The Orleans Parish School Board is parishwide.
(24) The Series 1995 Bonds are payable from (i) a constitutional millage (27.65 mills) and (ii) Millage Tax Revenues from Proposition D (3.19 mills) approved by the voters in an election held on April 16, 1988.
(25) The Series 1995A Bonds and the Series 1995B Bonds are payable from (i) a constitutional millage (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.
(26) The Regional Transit Authority ("RTA") is primarily located in the City of New Orleans (Orleans Parish) and is parishwide.
(27) 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, authorized in an election held on January 19, 1985, and a pledge upon moneys held in the funds and accounts held under the Indenture.
(28) 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.
(29) The proceeds of these certificates were used to refinance the costs of acquiring 175 buses and other costs of issuance, and are payable from rental payments to be made pursuant to a Lease-Purchase Agreement between the Regional Transit Authority and Willow Leasing, L.L.C.
(30) The Law Enforcement District of the Parish of Orleans is parishwide and has a 2008 taxable assessed valuation of approximately $2,545,206,005.
(31) The New Orleans Municipal Yacht Harbor Management Corporation is a related utility of the City.
(32) Secured solely from the income and revenues derived from the operation of the Municipal Yacht Harbor.
(33) 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.
(34) Secured by and payable solely from revenues derived from the operation of the airport.
(35) These bonds are special, limited obligations of the Aviation Board, payable from and secured by Net PFC Revenues generated from a passenger facility charge 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. The general revenues of the Aviation Board, and the proceeds of any future passenger facility charge imposed and collected by the Aviation Board other than the Approved PFC, are not available or pledged as security for the payment of the Bonds, nor are the approved projects or any other airport properties or Aviation Board revenues, other than the Net PFC revenues, pledged as part of the security for the Bonds.
(36) The Orleans Levee District is parishwide and has a 2007 taxable assessed valuation of approximately $1,906,137,883.
(37) Payable from the Orleans Levee District's 5.46 mills constitutional *ad valorem* tax.
(38) Payable from the Orleans Levee District's 6.55 mills special levee improvement *ad valorem* tax.
(39) The Orleans Parish Communications District is parishwide.
(40) 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.
(41) The French Market Corporation is a non-profit corporation owned by the City of New Orleans.
(42) Payable from the revenues of the French Market.

*(NOTE: The above statement excludes certain outstanding indebtedness of non-related entities such as the New Orleans Home Mortgage Authority; New Orleans Exhibition Hall Authority; New Orleans Industrial Development Board, Inc.; New Orleans Housing Development Corporation; Transportation Center Authority; New Orleans Regional Loan Corporation; Upper Pontalba Building Restoration Corp.; Board of Commissioners of the Port of New Orleans, and certain capital leases.)*

APPENDIX "G"

# ANNUAL DEBT SERVICE REQUIREMENTS

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**ANNUAL DEBT SERVICE REQUIREMENTS ON OUTSTANDING DEBT
AND CITY OF NEW ORLEANS, LOUISIANA, OF
PUBLIC IMPROVEMENT BONDS ISSUE OF 2007A**

| CALENDAR | OUTSTANDING BONDS (a) | | | ISSUE OF 2007A BONDS | | | TOTAL REQUIREMENTS | | |
|---|---|---|---|---|---|---|---|---|---|
| YEAR | PRINCIPAL | INTEREST | TOTAL | (12/1) PRINCIPAL | (6/1; 12/1) INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL |
| 2007 | 6,329,998.90 | 9,027,902.50 | 15,357,901.40 | -- | -- | -- | 6,329,998.90 | 9,027,902.50 | 15,357,901.40 |
| 2008 | 14,558,929.00 | 38,237,057.25 | 52,795,986.25 | -- | 3,673,211.87 | 3,673,211.87 | 14,558,929.00 | 41,910,269.12 | 56,469,198.12 |
| 2009 | 14,546,823.85 | 38,491,209.90 | 53,038,033.75 | 1,390,000.00 | 3,810,825.00 | 5,200,825.00 | 15,936,823.85 | 42,302,034.90 | 58,238,858.75 |
| 2010 | 17,349,717.55 | 38,574,743.70 | 55,924,461.25 | 1,450,000.00 | 3,741,325.00 | 5,191,325.00 | 18,799,717.55 | 42,316,068.70 | 61,115,786.25 |
| 2011 | 17,445,435.30 | 38,471,275.95 | 55,916,711.25 | 1,515,000.00 | 3,668,825.00 | 5,183,825.00 | 18,960,435.30 | 42,140,100.95 | 61,100,536.25 |
| 2012 | 17,606,941.50 | 38,323,319.75 | 55,930,261.25 | 1,580,000.00 | 3,593,075.00 | 5,173,075.00 | 19,186,941.50 | 41,916,394.75 | 61,103,336.25 |
| 2013 | 17,763,422.60 | 38,183,651.15 | 55,947,073.75 | 1,645,000.00 | 3,514,075.00 | 5,159,075.00 | 19,408,422.60 | 41,697,726.15 | 61,106,148.75 |
| 2014 | 18,036,925.60 | 37,925,248.15 | 55,962,173.75 | 1,715,000.00 | 3,431,825.00 | 5,146,825.00 | 19,751,925.60 | 41,357,073.15 | 61,108,998.75 |
| 2015 | 18,680,364.70 | 37,601,490.30 | 56,281,855.00 | 1,790,000.00 | 3,346,075.00 | 5,136,075.00 | 20,470,364.70 | 40,947,565.30 | 61,417,930.00 |
| 2016 | 19,113,778.70 | 37,261,495.05 | 56,375,273.75 | 1,865,000.00 | 3,256,575.00 | 5,121,575.00 | 20,978,778.70 | 40,518,070.05 | 61,496,848.75 |
| 2017 | 19,593,227.20 | 36,797,327.80 | 56,390,555.00 | 1,945,000.00 | 3,163,325.00 | 5,108,325.00 | 21,538,227.20 | 39,960,652.80 | 61,498,880.00 |
| 2018 | 20,148,896.00 | 36,275,227.75 | 56,424,123.75 | 2,025,000.00 | 3,066,075.00 | 5,091,075.00 | 22,173,896.00 | 39,341,302.75 | 61,515,198.75 |
| 2019 | 42,630,000.00 | 13,823,883.75 | 56,453,883.75 | 2,115,000.00 | 2,964,825.00 | 5,079,825.00 | 44,745,000.00 | 16,788,708.75 | 61,533,708.75 |
| 2020 | 44,885,000.00 | 11,593,943.75 | 56,478,943.75 | 2,210,000.00 | 2,859,075.00 | 5,069,075.00 | 47,095,000.00 | 14,453,018.75 | 61,548,018.75 |
| 2021 | 47,255,000.00 | 9,244,562.50 | 56,499,562.50 | 2,310,000.00 | 2,748,575.00 | 5,058,575.00 | 49,565,000.00 | 11,993,137.50 | 61,558,137.50 |
| 2022 | 13,760,000.00 | 6,745,931.25 | 20,505,931.25 | 2,415,000.00 | 2,633,075.00 | 5,048,075.00 | 16,175,000.00 | 9,379,006.25 | 25,554,006.25 |
| 2023 | 14,470,000.00 | 6,059,880.00 | 20,529,880.00 | 2,525,000.00 | 2,512,325.00 | 5,037,325.00 | 16,995,000.00 | 8,572,205.00 | 25,567,205.00 |
| 2024 | 15,225,000.00 | 5,337,600.00 | 20,562,600.00 | 2,635,000.00 | 2,386,075.00 | 5,021,075.00 | 17,860,000.00 | 7,723,675.00 | 25,583,675.00 |
| 2025 | 16,005,000.00 | 4,577,570.00 | 20,582,570.00 | 2,755,000.00 | 2,254,325.00 | 5,009,325.00 | 18,760,000.00 | 6,831,895.00 | 25,591,895.00 |
| 2026 | 14,820,000.00 | 3,777,700.00 | 18,597,700.00 | 2,895,000.00 | 2,116,575.00 | 5,011,575.00 | 17,715,000.00 | 5,894,275.00 | 23,609,275.00 |
| 2027 | 11,925,000.00 | 3,039,231.25 | 14,964,231.25 | 3,040,000.00 | 1,971,825.00 | 5,011,825.00 | 14,965,000.00 | 5,011,056.25 | 19,976,056.25 |
| 2028 | 9,800,000.00 | 2,435,595.00 | 12,235,595.00 | 3,190,000.00 | 1,819,825.00 | 5,009,825.00 | 12,990,000.00 | 4,255,420.00 | 17,245,420.00 |
| 2029 | 10,295,000.00 | 1,936,902.50 | 12,231,902.50 | 3,350,000.00 | 1,656,337.50 | 5,006,337.50 | 13,645,000.00 | 3,593,240.00 | 17,238,240.00 |
| 2030 | 8,475,000.00 | 1,413,027.50 | 9,888,027.50 | 3,515,000.00 | 1,484,650.00 | 4,999,650.00 | 11,990,000.00 | 2,897,677.50 | 14,887,677.50 |
| 2031 | 7,220,000.00 | 975,085.00 | 8,195,085.00 | 3,695,000.00 | 1,304,506.25 | 4,999,506.25 | 10,915,000.00 | 2,279,591.25 | 13,194,591.25 |
| 2032 | 5,305,000.00 | 601,300.00 | 5,906,300.00 | 3,880,000.00 | 1,115,137.50 | 4,995,137.50 | 9,185,000.00 | 1,716,437.50 | 10,901,437.50 |
| 2033 | 5,575,000.00 | 309,866.67 | 5,884,866.67 | 4,070,000.00 | 916,287.50 | 4,986,287.50 | 9,645,000.00 | 1,226,154.17 | 10,871,154.17 |
| 2034 | 1,025,000.00 | 46,125.00 | 1,071,125.00 | 4,275,000.00 | 707,700.00 | 4,982,700.00 | 5,300,000.00 | 753,825.00 | 6,053,825.00 |
| 2035 | -- | -- | -- | 4,490,000.00 | 483,262.50 | 4,973,262.50 | 4,490,000.00 | 483,262.50 | 4,973,262.50 |
| 2036 | -- | -- | -- | 4,715,000.00 | 247,537.50 | 4,962,537.50 | 4,715,000.00 | 247,537.50 | 4,962,537.50 |
| TOTALS | 469,844,460.90 | 497,088,153.42 | 966,932,614.32 | 75,000,000.00 | 70,447,130.62 | 145,447,130.62 | 544,844,460.90 | 567,535,284.04 | 1,112,379,744.94 |

(a) Outstanding: Issue 1998-A, dated 2/1/98; Issue 1999, dated 11/1/99; Issue 2001, dated 4/1/01; Issue 2002, dated 4/1/02; Issue 2003, dated 10/2/03 Issue 2004, dated 7/13/04, Issue 2005A, dated 5/24/05, General Obligation Refunding Series 1991, dated 9/15/91, Refunding Series 1998, dated 12/1/98, Refunding Series 2002, dated 4/1/02 and Refunding Series 2005, dated 7/6/05.

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APPENDIX “H”

# PROPOSED FORM

# OF

# LEGAL OPINION

# OF

# CO-BOND COUNSEL

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**THE CANTRELL LAW FIRM**
309 Baronne Street
Suite 300
New Orleans, Louisiana 70112
Tel: (504) 585-7347
Fax: (504) 585-7340

**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 GODFREY FIRM, P.L.C.**
Energy Centre, Suite 2500
1100 Poydras Street
New Orleans, Louisiana 70163
Tel: (504) 585-7538
Fax: (504) 585-7535

Co-Bond Counsel
to the
Board of Liquidation, City Debt

**(FORM OF LEGAL OPINION)**

Board of Liquidation, City Debt
City of New Orleans, Louisiana
New Orleans, Louisiana

**$75,000,000**
**CITY OF NEW ORLEANS, LOUISIANA**
**PUBLIC IMPROVEMENT BONDS, ISSUE OF 2007A**

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 October 17, 2007 (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 first emission of $260,000,000 of bonds that were specially authorized at an election held on November 2, 2004, the results of which election having been duly promulgated in accordance with law.

The Bonds contain a statement of insurance to the effect that Radian Asset Assurance Inc. has issued a financial guaranty insurance policy for the Bonds with respect to payments due for principal of and interest on the Bonds, as more fully described therein and in said policy.

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 excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings.

4. Under the Act, the Bonds are exempt from taxation for state, parish, municipal, or other purposes in the State of Louisiana.

In rendering the opinion expressed in 3 above, we have relied on representations of the Issuer with respect to questions of fact material to our opinion without undertaking to verify same by independent investigation, and have assumed continuing compliance with covenants in the Bond Resolution pertaining to those sections of the Internal Revenue Code of 1986, as amended, which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the City fails to comply with the foregoing covenants in the Bond Resolution, interest on the Bonds could become included in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds 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,

APPENDIX “I”

# FORM OF

# CONTINUING DISCLOSURE CERTIFICATE

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## FORM OF CONTINUING DISCLOSURE CERTIFICATE

**$75,000,000**
**PUBLIC IMPROVEMENT BONDS, ISSUE OF 2007A**
**CITY OF NEW ORLEANS, LOUISIANA**

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 $75,000,000 of City of New Orleans, Louisiana, Public Improvement Bonds, Issue of 2007A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board on October 30, 2007 (the "Resolution"), and are described in that certain Official Statement dated October 30, 2007 (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.

**"National Repository"** shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

(i) Bloomberg Municipal Repository, Skillman, New Jersey;
(ii) Interactive Data Pricing and Reference Data, Inc., of New York City;
(iii) Standard & Poor's Securities Evaluations, Inc., of New York City;
(iv) DPC Data Inc., of Fort Lee, New Jersey

The current addresses of the National Repositories are attached hereto as **Exhibit A.**

**"Official Statement"** shall mean the Official Statement with respect to the Bonds, the City and the Board dated October 30, 2007.

**"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 each National Repository and the State Information Depository, if any.

**"Bond Resolution"** shall mean the Bond Resolution as adopted by the Board on October 30, 2007, 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 first fiscal year ending after issuance of the Bonds, with the first such report to be due not later than August 31, 2008, provide to the Repositories and to the Bond Insurer, if any, 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, the Commission 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 B.

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 Municipal Securities Rulemaking Board. 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;
(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 or events affecting the tax-exempt status of the Bonds;
(vii) Modifications to rights of Bondholders;
(viii) Bond calls;
(ix) Defeasance;
(x) Release, substitution, or sale of property securing repayment of the Bonds; or
(xi) Rating changes.

Whenever the City or the Board obtains knowledge of the occurrence of a Listed Event, the City, acting through the Board shall as soon as possible determine if such event would constitute material information for owners of Bonds, *provided*, that any event under (i), (viii), (ix) or (xi) will always be deemed to be material.

(b) After the City or the Board determines that knowledge of the occurrence of a Listed Event is material, the Dissemination Agent shall file a notice of such occurrence with each of the Repositories *or* the Municipal Securities Rulemaking Board, and with any State Information Depository. Notwithstanding the foregoing, notice of Listed Events described above in (viii) and (ix) need not be given under this paragraph (b) any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Bond Resolution.

SECTION 6. *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 7. *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 8. *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 t he 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 9. *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 10. *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 11. *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 12. *Central Filing*. Any filing under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

IN FAITH WHEREOF, the undersigned have executed this Continuing Disclosure Certificate on this, the ________ of ____________, 2007.

CITY OF NEW ORLEANS, LOUISIANA

By: ________________________________________
Mayor

BOARD OF LIQUIDATION, CITY DEBT

ATTEST:

By: ________________________________________
President

By: ________________________________________
Secretary

**EXHIBIT A**
**to Continuing Disclosure Certificate**

**ADDRESSES OF NATIONAL REPOSITORIES**

1. *Bloomberg Municipal Repository*
   100 Business Park Drive
   Skillman, NJ 08558-3629
   Phone: (609) 279-3225
   Fax: (609) 279-5962
   http://www.bloomberg.com
   E-mail: munis@bloomberg.com

2. *Interactive Data Pricing and Reference Data, Inc.*
   Attn: NRMSIR
   100 William Street, 15th Floor
   New York, NY 10038
   Phone: (212) 771-6999
   Fax: (212) 771-7390
   Website: http://www.interactivedata-prd.com
   E-mail: nrmsir@interactivedata.com

3. *Standard & Poor's Securities Evaluations, Inc.*
   55 Water Street, 45th Floor
   New York, NY 10041
   Phone: (212) 438-4595
   Fax: (212) 438-3975
   E-mail: nrmsir_repository@sandp.com
   Website: www.disclosuredirectory.standardandpoors.com

4. *DPC Data, Inc.*
   One Executive Drive
   Fort Lee, New Jersey 07024
   Phone: (201) 346-0701
   Fax: (201) 947-0107
   E-mail: nrmsir@dpcdata.com
   Website: http://www.dpcdata.com

**EXHIBIT B**
**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: $75,000,000 Public Improvement Bonds, Issue of 2007A

Date of Issuance: ____________________

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 October 30, 2007, 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”

# SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

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# FINANCIAL GUARANTY INSURANCE POLICY

**Obligor:**

**Bonds:**

**Bond Trustee:**

**Insurance Trustee:**

**Policy Number:**

**Premium:**

SPECIMEN

**Radian Asset Assurance Inc.** ("Insurer"), a corporation organized under the laws of the State of New York, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees the payment of the Obligation (hereinafter defined) to the Insurance Trustee for the benefit of the Holders (hereinafter defined) from time to time of the Bonds. This Policy does not insure against any risk other than nonpayment of the Obligation by or on behalf of the Obligor or any other obligor to the Bond Trustee. Nonpayment includes recovery from a Holder of Bonds or the Bond Trustee of any portion of the Obligation pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

Upon receipt by the Insurer of telephonic or telegraphic notice, such notice subsequently confirmed to the Insurer in writing by registered or certified mail, from the Insurance Trustee that the Obligor (or other obligor responsible for payment of the Obligation) has failed to provide the Bond Trustee with sufficient funds for payment of the Obligation on the Due Date (hereinafter defined), the Insurer shall, not later than such Due Date or the first business day after receipt of such notice, whichever is later, pay to the Insurance Trustee for the benefit of the Holders of the Bonds an amount which shall be sufficient to pay the Obligation, but only upon receipt by the Insurer, in a form reasonably satisfactory to it, of (a) evidence of the Holder's right to receive such payment and (b) evidence, including any appropriate instruments of assignment, that all the Holder's rights with respect to such payment shall thereupon vest in the Insurer. "Due Date" means, when referring to the principal of the Obligation, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund prepayment and does not refer to any earlier date on which payment is due by reason of any other call for redemption, acceleration or other advancement of maturity unless the Insurer shall elect, in its sole discretion, to pay such principal due upon such redemption, acceleration or other advancement of maturity together with any accrued interest to the date of redemption, acceleration or other advancement of maturity. Tendering of payment, to the Bond Trustee, of such principal due upon such redemption, acceleration or other advancement of maturity, together with any accrued interest to the date of such redemption, acceleration or other advancement of maturity, shall satisfy the Insurer's obligations under this Policy, in full. When referring to interest on the Obligation, "Due Date" means the stated date for payment of interest.

The Insurer shall, to the extent of any payment made by it pursuant to this Policy, be deemed to have acquired and become the Holder of the Bonds or portions thereof or interest thereon paid from such payment and shall be fully subrogated to all rights to payment thereof.

As used herein, the term "Holder" or "Holders" means the registered owners of the Bonds as indicated in the registration books maintained by the Bond Trustee for such purpose at the time of nonpayment of the Obligation. The terms "Holder" or "Holders" shall not include the Obligor or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligation. As used herein, the term "Bond Trustee" means the Bond Trustee above named and any successor trustee duly appointed. As used herein, the term "Insurance Trustee" means the Insurance Trustee above named and any successor insurance trustee duly appointed. As used herein, the term "Obligation" means the payment of principal and interest regularly scheduled to be paid on the Bonds, which shall have become due for payment but shall be unpaid on the Due Date, but does not include any premium payable with respect to the Bonds, nor any redemption (except mandatory sinking fund redemption), acceleration or other advancement of maturity.

This Policy is non-cancelable for any reason. Premiums paid on this Policy are not refundable for any reason including without limitation the payment prior to maturity of the Bonds.

IN WITNESS WHEREOF, the Insurer has caused this Policy to be issued to the Insurance Trustee for the benefit of the Holders from time to time of the Bonds and to be executed and delivered by its duly authorized officer to become effective and binding upon the Insurer by virtue of the execution and delivery thereof on this [DATE].

RADIAN ASSET ASSSURANCE INC.

By: ____________________
Name: [ANALYST]
Title: [TITLE]

SPECIMEN

| INSURANCE GUARANTY FUND NOTICES | |
|---|---|
| Connecticut | In the event the Company becomes insolvent, any claims arising under this Policy are excluded from coverage by the Connecticut Insurance Guaranty Association. |
| Florida | The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association created under part II of chapter 631 of the Florida Insurance Code. |
| New York | This Policy is not covered by the Property/Casualty Insurance Security Fund established by Article 76 of the New York Insurance Law. |
| Texas | In the event the insurer is unable to fulfill its contractual obligation under this Policy, the policyholder is not protected by the Texas Property and Casualty Insurance Guaranty Act. |