Public Belt Railroad Commission for the City of New Orleans

Financial Statements as of and for the Year Ended December 31, 2011, Additional Information for the Years Ended December 31, 2011 and 2010,Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2011, and Independent Auditors' Report

PUBLIC BELT RAILROAD COMMISSION FOR THE CITY OF NEW ORLEANS

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INDEPENDENT AUDITORS' REPORT

To the President and Members of
Public Belt Railroad Commission for the City of New Orleans
New Orleans, Louisiana

We have audited the accompanying basic financial statements of the individual funds of the Public Belt Railroad Commission for the City of New Orleans (the "Commission") as of December 31, 2011 and for the year then ended, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective 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 provides a reasonable basis for our opinion.

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of the individual funds of the Public Belt Railroad Commission for the City of New Orleans at December 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Public Belt Railroad Commission for the City of New Orleans' management. We 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 we do not express an opinion on it.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2012, on our consideration of the Public Belt Railroad Commission for the City of New Orleans' internal control over financial reporting and 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.

Silva Gurtner & Abney, LLC

May 17, 2012

Management's Discussion and Analysis
(Unaudited)

This narrative discussion and analysis is intended to serve as an introduction to the basic financial statements as of and for the year ended December 31, 2011 of the individual funds of the Public Belt Railroad Commission for the City of New Orleans (the "Commission"). The information presented here should be read in conjunction with the basic financial statements, notes and additional information found in this report.

Overview of the Financial Statements

The Commission operates a railroad system in and around the City of New Orleans as well as a railroad bridge across the Mississippi River (the "Huey P. Long Bridge"). The financial statements in this report present the financial condition, results of operations and cash flows of the Commission, including its railroad system fund (the "Public Belt Railroad") and its bridge operations fund (the "Mississippi River Bridge"). See the notes to the financial statements for a summary of the Commission's significant accounting policies.

The Commission's financial statements consist of three sections – Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the basic financial statements) and additional information. This information taken collectively is designed to provide readers with an understanding of the Commission's financial condition and its operations.

The *Balance Sheets* present information on all of the Commission'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 Commission's financial position is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Assets* present information showing how the Commission's net assets changed as a result of current year operations. Changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will not affect cash until future fiscal periods.

The *Statements of Cash Flows* present information showing how the Commission's cash balance changed as a result of current year operations. The cash flow statements are prepared using the direct method and include a reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This reconciliation is provided to assist in the understanding of the difference between cash flows from operating activities and net income (loss).

In addition to the basic financial statements and accompanying notes, this report also presents *Additional Information* comprised of a Schedule of Operating Statistics for the Mississippi River Bridge for the years ended December 31, 2011 and 2010.

Financial Position

Summary of Net Assets

	2011	2010	Increase (Decrease)	Percent Increase (Decrease
ASSETS:				
Current and other assets	$21,901,388	$22,852,708	$ (951,320)	-4.2%
Net capital assets	57,723,277	56,945,842	777,435	1.4%
Total Assets	79,624,665	79,798,550	(173,885)	-0.2%
LIABILITIES:				
Current liabilities excluding reserves	3,121,845	4,667,507	(1,545,662)	-33.1%
Long-term liabilities	3,442,621	3,525,409	(82,788)	-2.3%
Casualty and other reserves	1,097,843	1,522,400	(424,557)	-27.9%
Total Liabilities	7,662,309	9,715,316	(2,053,007)	-21.1%
NET ASSETS:				
Invested in capital assets, net of debt	57,640,479	56,702,917	937,562	1.7%
Unrestricted	14,321,877	13,380,317	941,560	7.0%
Total Net Assets	$71,962,356	$70,083,234	$ 1,879,122	2.7%

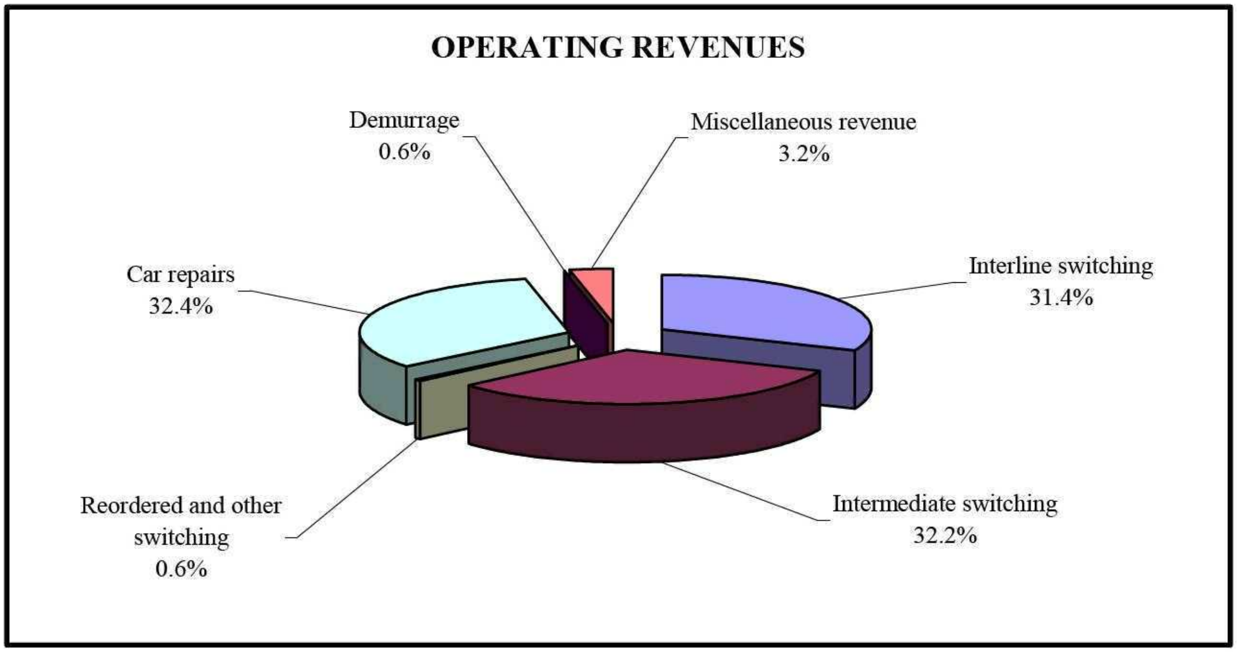
Total assets showed a net decrease of $173,885 (0.2%) in 2011 due to an increase in net capital assets of $777,435 (1.4%) combined with a decrease in current and other assets of $951,320 (4.2%). The increase in net capital assets was a result of improvements and additions to track structures and construction in progress related to the new Huey P. Long Bridge administration building. In May 2010, the Public Belt broke ground on this building which will house the Maintenance of Way and Bridge Departments. Construction delays have pushed the expected completion date into 2012. The decrease in current and other assets resulted from declines in investments, trade accounts receivable, and net intercompany receivable balances totaling approximately $1,867,000, offset by increases in cash, inventory, and accrued interest balances totaling approximately $916,000.

Total liabilities decreased 21.1% this year, due to net declines in several balance sheet liability line items. Net intercompany payables were down $662,000 from 2010. Trade accounts payable decreased approximately $805,000. The Public Belt continued to pay down its long term debt, decreasing the balance by $160,126. Finally, the Railroad saw a $424,557 (27.9%) net decrease in Casualty and other reserves. The Commission is the defendant in legal proceedings which seek compensation for personal injury and/or property damage. The Commission has established a reserve for personal injury and property damage claims that represents an estimate of its liability under these actions. At the end of 2011, the Commission determined that the Reserve for Personal Injuries should be decreased to $1,097,843. Further details may be found in Note 5 to the accompanying financial statements.

The largest portion of the Commission's net assets (80% in 2011 and 81% in 2010) represents its investment in capital assets (e.g., land, buildings, bridges, railroad tracks, locomotives and other rolling stock, and equipment), less any related outstanding debt used to acquire those assets. At December 31, 2011, the Commission had one long-term loan outstanding with Chase Equipment Leasing for the lease-purchase and refurbishment of two used locomotives. More detailed information can be found in Note 6 to the accompanying financial statements. The Commission uses its capital assets to provide service to its Class One railroad partners and to its industry customers, primarily tenants of the Port of New Orleans; consequently, these assets are not available for future spending. The Commission's unrestricted net assets, $14,321,877 for 2011, may be used to meet the Commission's ongoing obligations.

Operating Revenues

The following chart shows major sources and the percentage of operating revenues for the year ended December 31, 2011.



Operating Revenues by Major Source

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Interline switching	$ 6,933,301	$ 6,228,455	$ 704,846	11.3%
Intermediate switching	7,108,887	7,252,902	(144,015)	-2.0%
Reordered and other switching	128,158	130,313	(2,155)	-1.7%
Car repairs	7,154,272	5,845,788	1,308,484	22.4%
Demurrage	17,995	104,080	(86,085)	-82.7%
Miscellaneous revenue	709,129	592,198	116,931	19.7%
Total operating revenue	$ 22,051,742	$ 20,153,736	$ 1,898,006	9.4%

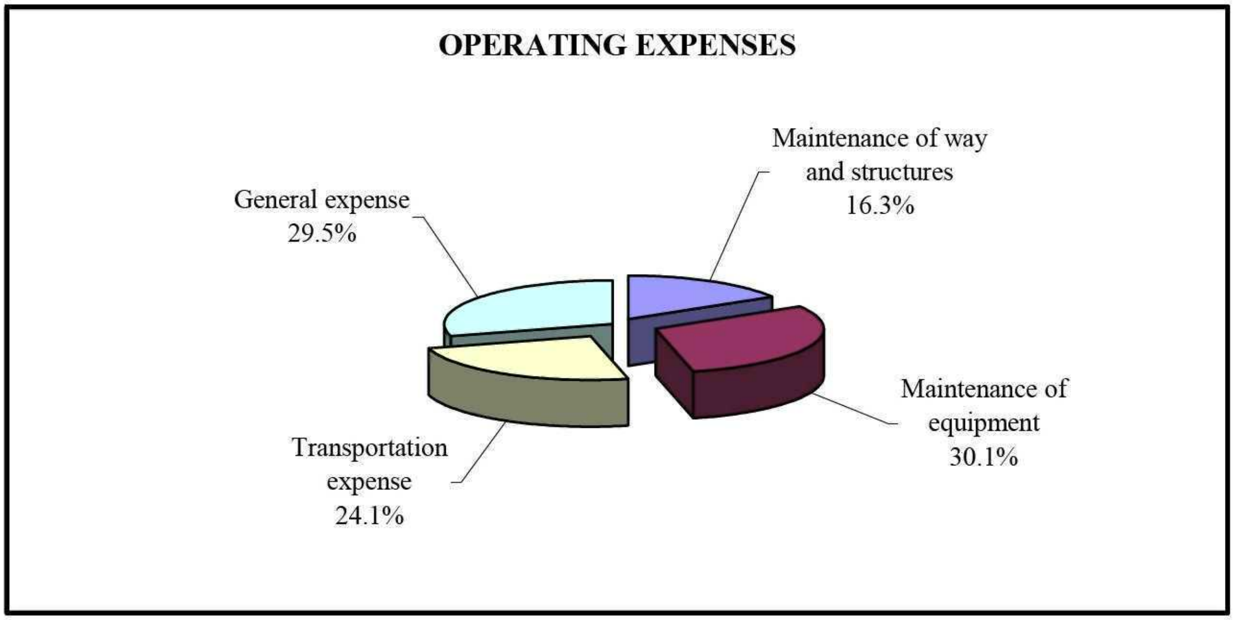
The Public Belt Railroad performs interline switching service for customers located along the wharves and industries of the Port of New Orleans and for storage customers who pay for railcar storage space on the Railroad's tracks. Additionally, the Public Belt Railroad performs intermediate switching service for the six Class One railroads that interchange in the New Orleans area, taking railcars from one railroad and delivering them to another.

In addition to providing switching service, the Public Belt operates a railcar repair shop that adheres to the Association of American Railroads' standards for inspection and repair of railcars.

There was a $1,898,006 (9.4%) net increase in the Public Belt Railroad's operating revenue for the year ended December 31, 2011. While both intermediate switching and demurrage revenue declined, these declines were more than offset by a $1,308,484 (22.4%) increase in car repair revenue, plus a $704,846 (11.3%) increase in interline switching. The rise in car repair revenue is attributed partly to new railroad industry standards implemented in 2010 for the replacement of railcar wheels.

Operating Expenses

The following chart shows major expense categories and the percentage of operating expenses for the year ended December 31, 2011.



Operating Expenses by Major Function

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Maintenance of way and structures	$ 3,838,800	$ 4,657,135	$ (818,335)	-17.6%
Maintenance of equipment	7,097,176	5,908,541	1,188,635	20.1%
Transportation expense	5,669,560	4,936,531	733,029	14.8%
General expense	6,939,725	7,359,163	(419,438)	-5.7%
Total operating expenses	$ 23,545,261	$ 22,861,370	$ 683,891	3.0%

There was a $683,891 (3%) net increase in operating expenses during the current year. This was due mainly to significant rises in maintenance of equipment and transportation expense, which were partially offset by declines in expenses related to maintenance of way and structures and general administrative expenses. Maintenance of equipment expenses were up $1,188,635 (20.1%) over 2010 mainly due to higher expenses related to the operation of the Public Belt Railroad's railcar repair facility and to repairs of the Public Belt Railroad's locomotives. The $818,335 (17.6%) decrease in maintenance of way and structures expense in 2011 was a result of lower track laying and surfacing costs and roadway maintenance costs.

Non-Operating Revenues and Expenses

Non-Operating Revenues

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Joint facility rent income (expense)	$ 37,260	$ (39,213)	$ 76,473	NM*
FEMA and other grant income	617,781	3,327,057	(2,709,276)	-81.4%
Miscellaneous rent income	44,020	31,709	12,311	38.8%
Income from non-operating property	884,835	866,849	17,986	2.1%
Income from investments	270,851	353,305	(82,454)	-23.3%
Miscellaneous income	1,992	44,868	(42,876)	-95.6%
Total non-operating revenue	$ 1,856,739	$ 4,584,575	$ (2,727,836)	-59.5%

*NM - Not Meaningful

The net decrease of $2,727,836 in Public Belt Railroad Commission's non-operating revenues results almost entirely from lesser receipts of FEMA grant money in 2011. FEMA and other grant income declined by $2,709,276 (81.4%) in 2011. This reflects less time and materials dedicated to FEMA-reimbursable flood mitigation and capital improvement projects than in the prior year.

Non-Operating Expenses

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Hire of freight cars -- per diem	$ 483,509	$ 283,316	$ 200,193	70.7%
Loss on sale of fixed assets	47,500	-	47,500	NM*
Payment of FEMA & other grant income to tenant line railroads	-	795,600	(795,600)	NM*
Interest expense	9,232	16,261	(7,029)	-43.2%
Total non-operating expenses	$ 540,241	$ 1,095,177	$ (554,936)	-50.7%

*NM - Not meaningful

The net decrease of $554,936 in the Public Belt Railroad Commission's non-operating expenses is due mainly to $795,600 in payments of FEMA grant income made to the Burlington Northern Santa Fe Railway (BNSF) and the Union Pacific Railroad (UPRR) in 2010 which were not repeated in 2011. This money represented reimbursements received from FEMA in 2010 for expenditures made in prior years. Since the Huey P. Long Bridge's tenant railroads shared in the cost of the prior years' flood mitigation projects, a portion of the FEMA reimbursement was paid to the BNSF and UPRR when it was received by the Public Belt.

The Public Belt Railroad also experienced a $200,193 increase in the hire of freight cars (car hire expense). Car hire is paid to railcar owners for the time the railcars spend on the Public Belt Railroad's line. The more time spent in active transportation, the more profitable the railcar is to its owner. Car hire represents compensation to railcar owners for time the cars are kept from active transportation and is standard throughout the railroad industry. Interest expense of $9,232 in 2011 is related solely to the Commission's long-term loan outstanding with Chase Equipment Leasing for the lease-purchase and refurbishment of two used locomotives.

Summary of Changes in Net Assets

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Operating revenues	$ 22,051,742	$ 20,153,736	$ 1,898,006	9.4%
Operating expenses	23,545,261	22,861,370	683,891	3.0%
Income (loss) before payroll tax accruals and reimbursement	(1,493,519)	(2,707,634)	(1,214,115)	-44.8%
Payroll tax accruals	(1,294,633)	(1,454,236)	(159,603)	-11.0%
Reimbursement from joint tenant lines and State of Louisiana	3,350,776	3,859,546	(508,770)	-13.2%
Railway operating income (loss)	562,624	(302,324)	(864,948)	-286.1%
Railway rental income (expenses)	(446,249)	(322,529)	123,720	38.4%
Other income (expenses)	1,762,746	3,811,927	(2,049,181)	-53.8%
Net income (loss)	$ 1,879,121	$ 3,187,074	$ (1,307,953)	-41.0%

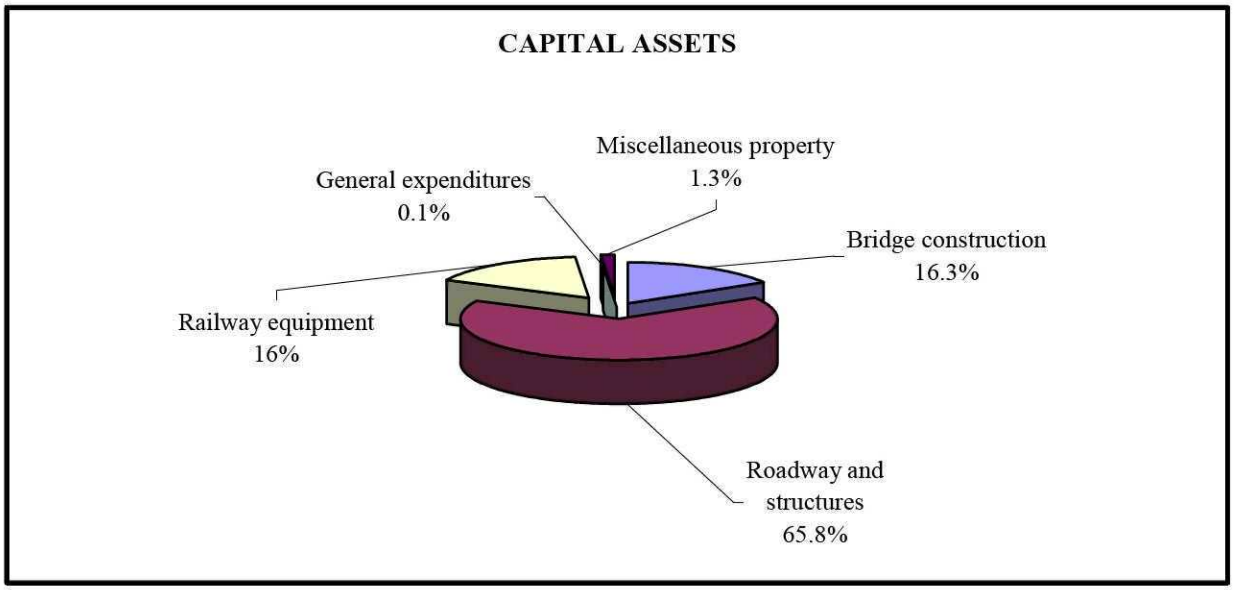
The combined Public Belt Railroad and Huey P. Long Bridge funds showed operating income of $562,624 for the year ended December 31, 2011, as compared to an operating loss of $302,324 for the year ended December 31, 2010, an improvement of 286.1%. This resulted from operating revenues that increased by $1,898,006 (9.4%), offset by an increase of only $683,891 (3%) in operating expenses.

The most significant factor contributing to the upswing in operating revenue was car repair revenue which rose by $1,308,484 in 2011 partly due to new railroad industry standards implemented in 2010 for the replacement of railcar wheels. A $704,846 increase in interline switching revenue also contributed to the net rise in operating revenue. The increases in car repair and interline switching revenues were offset by declines in both intermediate switching and demurrage revenue, producing a net increase in operating revenue of $1,898,006.

There was a $683,891 (3%) net increase in operating expenses during the current year. This was due mainly to significant rises in maintenance of equipment and transportation expense, which were partially offset by declines in expenses related to maintenance of way and structures and general administrative expenses. Maintenance of equipment expenses were up $1,188,635 (20.1%) over 2010 mainly due to higher expenses related to the operation of the Public Belt Railroad's railcar repair facility and to repairs of the Public Belt Railroad's locomotives. A decrease of $818,335 (17.6%) in maintenance of way and structures expense in 2011 was a result of lower track laying and surfacing costs and roadway maintenance costs.

The main cause of the $2,049,181 (53.8%) net decrease in other income was a decline in FEMA and other grant revenue in 2011, reflecting less time and materials dedicated to FEMA-reimbursable flood mitigation and capital improvement projects than in the prior year.

Capital Asset Activity



Capital Assets at Cost

	2011	2010	Increase (Decrease)	Percent Increase (Decrease)
Bridge construction	$ 12,506,231	$ 12,506,230	$ 1	0.0%
Roadway and structures	50,362,327	48,329,108	2,033,219	4.2%
Railway equipment	12,566,315	12,830,151	(263,836)	-2.1%
General expenditures	108,697	108,697	-	0.0%
Miscellaneous property	972,513	972,502	11	0.0%
Total Capital Assets at Cost	76,516,083	74,746,688	1,769,395	2.4%
Less Accumulated Depreciation	18,792,806	17,800,846	991,960	5.6%
Net Capital Assets	$ 57,723,277	$ 56,945,842	$ 777,435	1.4%

The Commission's investment in capital assets is summarized in the preceding table. The total increase in capital assets this fiscal year was $777,435 or 1.4%. More detailed information can be found in Note 4 to the accompanying financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances. Questions concerning any of the information should be addressed to the Chief Financial Officer, New Orleans Public Belt Railroad, 4822 Tchoupitoulas Street, New Orleans, Louisiana 70115.

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

BALANCE SHEETS
AS OF DECEMBER 31, 2011

	Public Belt Railroad	Mississippi River Bridge	Combined
ASSETS			
CURRENT ASSETS:			
Cash	$ 2,971,191	$ 513,565	$ 3,484,756
Investments	3,230,228	-	3,230,228
Accounts receivable — net	4,795,576	456,272	5,251,848
Advances to the Mississippi River Bridge Fund for maintenance requisitions	557,027	-	557,027
Materials and supplies	1,797,772	-	1,797,772
Accrued interest and other current assets	173,818	-	173,818
Total current assets	13,525,612	969,837	14,495,449
CAPITAL ASSETS — At cost:			
Bridge construction	-	12,506,231	12,506,231
Roadway and structures	50,002,495	359,832	50,362,327
Railway equipment	12,566,315	-	12,566,315
General expenditures	108,697	-	108,697
Miscellaneous property	238,022	734,491	972,513
Total capital assets	62,915,529	13,600,554	76,516,083
Less accumulated depreciation	(10,902,075)	(7,890,731)	(18,792,806)
Net capital assets	52,013,454	5,709,823	57,723,277
OTHER:			
Investments — designated	4,000,000	-	4,000,000
Advances to the Mississippi River Bridge Fund for additions and betterments	2,025,630	-	2,025,630
Advances to the Public Belt Railroad Fund	-	1,380,309	1,380,309
Total other	6,025,630	1,380,309	7,405,939
TOTAL	$ 71,564,696	$ 8,059,969	$ 79,624,665

(Continued)

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

BALANCE SHEETS
AS OF DECEMBER 31, 2011

	Public Belt Railroad	Mississippi River Bridge	Combined
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Advances from the Public Belt Railroad Fund for maintenance requisitions	$ -	$ 557,027	$ 557,027
Accounts payable and accrued expenses	2,403,543	78,476	2,482,019
Current portion of capital lease obligation	82,799	-	82,799
Casualty and other reserves	1,097,843	-	1,097,843
Total current liabilities	3,584,185	635,503	4,219,688
OTHER LIABILITIES AND DEFERRED CREDITS:			
Advances from the Mississippi River Bridge Fund	1,380,309	-	1,380,309
Advances from the Public Belt Railroad Fund for additions and betterments	-	2,025,630	2,025,630
Deferred credit - LA TIMED lease	36,682	-	36,682
Total other liabilities and deferred credits	1,416,991	2,025,630	3,442,621
NET ASSETS:			
Invested in capital assets-net of related debt	51,930,656	5,709,823	57,640,479
Unrestricted	14,632,864	(310,987)	14,321,877
Total net assets	66,563,520	5,398,836	71,962,356
TOTAL	$ 71,564,696	$ 8,059,969	$ 79,624,665

See independent auditors' report and notes to financial statements. (Concluded)

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Public Belt Railroad	Mississippi River Bridge	Combined
OPERATING REVENUES:			
Switching:			
Interline	$ 6,933,301	$ -	$ 6,933,301
Intermediate	7,108,887	-	7,108,887
Reordered and other	128,158	-	128,158
Total switching	14,170,346	-	14,170,346
Incidentals:			
Car repairs	7,154,272	-	7,154,272
Demurrage	17,995	-	17,995
Miscellaneous revenue	690,262	18,867	709,129
Total incidentals	7,862,529	18,867	7,881,396
Total operating revenues	22,032,875	18,867	22,051,742
OPERATING EXPENSES:			
Maintenance of way and structures	1,552,396	2,286,404	3,838,800
Maintenance of equipment	6,957,565	139,611	7,097,176
Transportation expense	5,228,175	441,385	5,669,560
General expense	6,158,181	781,544	6,939,725
Total operating expenses	19,896,317	3,648,944	23,545,261
INCOME (LOSS) BEFORE PAYROLL TAX ACCRUALS AND REIMBURSEMENT	2,136,558	(3,630,077)	(1,493,519)
PAYROLL TAX ACCRUALS	(1,247,012)	(47,621)	(1,294,633)
REIMBURSEMENT FROM JOINT TENANT LINES AND STATE OF LOUISIANA	-	3,350,776	3,350,776
RAILWAY OPERATING INCOME (LOSS)	889,546	(326,922)	562,624

(Continued)

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Public Belt Railroad	Mississippi River Bridge	Combined
RAILWAY RENTAL INCOME (EXPENSE):			
Hire of freight cars — per diem	(483,509)	-	(483,509)
Joint facility rent	765	36,495	37,260
Total railway rental income (expense)	(482,744)	36,495	(446,249)
OTHER INCOME (EXPENSE):			
Loss on sale of fixed assets	(47,500)	-	(47,500)
FEMA grants	617,781	-	617,781
Miscellaneous rent income	44,020	-	44,020
Interest expense	(9,232)	-	(9,232)
Income from nonoperating property	884,835	-	884,835
Income from investments	269,950	901	270,851
Miscellaneous income	1,984	8	1,992
Net other income	1,761,838	909	1,762,747
NET INCOME (LOSS)	2,168,640	(289,518)	1,879,122
NET ASSETS—Beginning of year	64,394,880	5,688,354	70,083,234
NET ASSETS—End of year	$ 66,563,520	$ 5,398,836	$ 71,962,356

See independent auditors' report and notes to financial statements.

(Concluded)

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Public Belt Railroad	Mississippi River Bridge	Combined
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 23,529,459	$ 3,569,060	$ 27,098,519
Cash paid for materials and services	(22,584,637)	(3,262,542)	(25,847,179)
Net cash provided by operating activities	944,822	306,518	1,251,340
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Property additions — net	(1,960,149)	(11)	(1,960,160)
Payments under capital lease	(160,126)	-	(160,126)
Net advances to Mississippi River Bridge Fund for additions and betterments	(11)	11	-
Net cash used in capital and related financing activities	(2,120,286)	-	(2,120,286)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from investments—net	1,094,635	-	1,094,635
Cash received for interest	269,948	900	270,848
Net cash provided by investing activities	1,364,583	900	1,365,483
NET INCREASE IN CASH	189,119	307,418	496,537
CASH — Beginning of year	2,782,072	206,147	2,988,219
CASH — End of year	$ 2,971,191	$ 513,565	$ 3,484,756

(Continued)

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Public Belt Railroad	Mississippi River Bridge	Combined
RECONCILIATION OF NET INCOME (LOSS) TO CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income (loss)	$ 2,168,640	$ (289,518)	$ 1,879,122
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Income from investments	(269,950)	(901)	(270,851)
Depreciation	992,390	190,335	1,182,725
Increase (decrease) in accounts receivable	(52,800)	162,915	110,115
Change in current amount of inter-fund receivables and payables	(960,811)	960,811	-
Increase in materials and supplies	(387,948)	-	(387,948)
Increase in accrued interest and other current assets	(31,720)	-	(31,720)
Decrease in accounts payable and accrued expenses	(88,422)	(717,124)	(805,546)
Decrease in casualty and other reserves	(424,557)	-	(424,557)
Cash provided by operating activities	$ 944,822	$ 306,518	$ 1,251,340

See independent auditors' report and notes to financial statements. (Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements in this report present the financial condition, results of operations and cash flows of the Public Belt Railroad Commission for the City of New Orleans (the "Commission") including its railroad system fund (the "Public Belt Railroad") and its bridge operations fund (the "Mississippi River Bridge"). The Commission operates a railroad system in and around the City of New Orleans as well as a railroad bridge across the Mississippi River (the "Huey P. Long Bridge").

The accompanying policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to proprietary component units of governmental entities. A summary of the Commission's significant accounting policies follows:

Basis of Presentation–Fund Accounting—The proprietary funds are used to account for the Commission's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the balance sheets. The operating statements present increases (revenues) and decreases (expenses) in total net assets. The Commission maintains two separate proprietary funds—the Public Belt Railroad and the Mississippi River Bridge.

Basis of Accounting—The Commission prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Commission has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB"), excluding those issued after November 30, 1989.

Basis of Reporting—The Commission has adopted GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and also the required portions of GASB Statement No. 37, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*, which modified the disclosure requirements of GASB No. 34. GASB No. 34 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net assets into three components—invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets—Net of Related Debt—This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted—This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted—This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Investments—Investments are recorded at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pool* (the "Statement"). Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses and changes in net assets. These mark to market adjustments were not significant in 2011. The Commission applies the provisions of the Statement to all of its investments.

Accounts Receivable—Accounts receivable are carried in the financial statements net of an allowance for doubtful accounts, which has been determined based on an analysis of outstanding accounts at December 31. No allowance was recorded at December 31, 2011, since all accounts were deemed collectible.

Materials and Supplies—Materials and supplies are valued at the lower of cost or market on the first-in, first-out ("FIFO") method.

Capital Assets—Capital assets are recorded at cost. The current cost of repairs is charged to operating expense. Property additions are generally capitalized and depreciated on the straight-line basis over their estimated service lives; however, certain railroad track structures are not depreciated, but are accounted for under the Retirement-Replacement-Betterment accounting method. Annual depreciation rates range from 1.75% to 10%. When assets or equipment are retired or sold, the cost, net of accumulated depreciation, is removed from the respective capital asset accounts.

Income Tax Provisions—Income tax provisions for federal and state income taxes have not been provided as the Commission is a tax exempt entity. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustment to or disclosure in the financial statements.

Revenues and Reimbursements—Revenues and reimbursements are recorded as services are performed. Customers of the Public Belt Railroad Fund providing over 10% of its revenues were as follows:

Customer	2011	2010
A	19.6%	19.9%
B	13.5%	13.1%
C	40.6%	42.7%
D	14.8%	15.1%

All of the reimbursements recorded by the Mississippi River Bridge Fund are derived from the State of Louisiana and two other customers under long-term contracts.

Statements of Cash Flows—The statements of cash flows reflect all amounts included on the balance sheet caption "cash" as cash equivalents.

Combined Columns—Combined columns on the financial statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in accordance with accounting principles generally accepted in the United States of America. Such data is not comparable to a consolidation.

2. INVESTMENTS

At December 31, 2011, investments consist of the following (at fair value):

Certificates of deposit	$ 7,044,063
GNMA and FNMA securities	186,165
Total investments	7,230,228
Less designated portion (Note 3)	4,000,000
Net investments	$ 3,230,228

In compliance with state laws, those deposits not covered by depository insurance are secured by bank owned securities specifically pledged to the Commission and held in joint custody by an independent custodian bank. The Commission recognizes all purchases of investments with a maturity of three months or less, except for short term repurchase agreements, as cash equivalents.

Credit Risk

Statutes authorize the Commission to invest in the following types of investment securities:

1. Fully-collateralized certificates of deposit issued by qualified commercial banks, federal credit unions and savings and loan associations located within the State of Louisiana.

2. Direct obligations of the U.S. Government, including such instruments as treasury bills, treasury notes and treasury bonds, and obligations of U.S. Government agencies that are deliverable on the Federal Reserve System.

3. Repurchase agreements in government securities in (2) above made with the various primary dealers that report to and are regulated by the Federal Reserve Bank of New York.

4. Guaranteed Investment Contracts with companies with good credit ratings.

The Commission has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State of Louisiana. At December 31, 2011, the Commission's investments in GNMA and FNMA are rated at least AAA by Standard and Poor's or Aaa by Moody's Investors Services. The Commission has no limit on the amount it may invest in any one issuer so long as the State's restrictions are followed.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Commission does not make investments with long maturities. By using this method, the Commission believes that it will mitigate its interest rate risk.

The Commission had investments in certificates of deposit with a weighted average maturity of approximately 10 months and GNMA and FNMA investments with a weighted average maturity of approximately 13 years.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2011, the Commission was not exposed to custodial credit risk with respect to its investments because all investments are either insured by federal depository insurance, registered in the name of the Commission, or collateralized by other investments pledged in the name of the Commission.

Cash and certificates of deposit are fully collateralized by securities held for the Commission's benefit at the Federal Reserve Bank in New Orleans, Louisiana. The book balances of cash approximated the bank balances at December 31, 2011.

3. INVESTMENTS—DESIGNATED

The Commission established an Insurance Cash Reserve Fund in a prior year and authorized increasing the fund monthly. Disbursements from the Insurance Cash Reserve Fund can be made only for payment of personal injury and property damage claims upon approval by the Board of Commissioners. Interest earned on this fund is deposited in the general fund to be used for current operations. The balance of the Insurance Cash Reserve Fund was $4,000,000 at December 31, 2011. The Insurance Cash Reserve Fund is considered a component of unrestricted net assets since it represents an internally imposed designation rather than an externally imposed restriction.

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Cost:				
Bridge construction	$ 12,506,230	$ 1	$ -	$ 12,506,231
Roadway and structures	48,329,108	2,033,219	-	50,362,327
Railway equipment	12,830,151	77,322	(341,158)	12,566,315
General expenditures	108,697	-	-	108,697
Miscellaneous property	972,502	11	-	972,513
Total	74,746,688	2,110,553	(341,158)	76,516,083
Less accumulated depreciation and amortization:	(17,800,846)	(1,182,725)	190,765	(18,792,806)
Property and equipment—net	$ 56,945,842	$ 927,828	$ (150,393)	$ 57,723,277

5. CASUALTY RESERVES

The Commission is the defendant in legal proceedings which seek compensation for personal injury and/or property damage. The Commission has established a reserve for personal injury and property damage claims that represents an estimate of its liability under these actions.

During the year ended December 31, 2011, the Commission added approximately $154,000 to the reserve and paid out approximately $578,570. In addition, the Commission incurred approximately $285,000 in related legal fees during the year ended December 31, 2011.

6. CAPITAL LEASE OBLIGATION

During the year ended December 31, 2007, the Public Belt Railroad entered into an agreement to purchase certain railroad equipment and finance it under arrangements with a local bank. The agreement requires 10 semi-annual payments of $84,679 including interest at 4.54% through 2012. The loan may be repaid in full after June 29, 2010, with no prepayment penalty. This debt relates to the purchase and refurbishment of two locomotives. The original balance of the debt was $750,000 and the remaining balance was approximately $82,799 at December 31, 2011. Annual principal and interest payments are approximately $84,679 through June of 2012.

7. RETIREMENT PLAN

The Commission made contributions totaling $80,000 in 2011 to an employer-funded 401(a) pension plan for nonunion employees. Benefits to the participants will be paid based on the ratio of the eligible participants' units to the total units of all eligible participants. One unit is allocated for each half-year of service to the Public Belt Railroad and one unit for each $1,000 of salary in each eligible year.

8. INTERFUND TRANSACTIONS

The Public Belt Railroad provides funds for additions and betterments to the Mississippi River Bridge but is not reimbursed until retirement of the related asset occurs. Advances to the Mississippi River Bridge for additions and betterments were $2,025,630 at December 31, 2011. The Commission also provides material, labor and other miscellaneous expenditures related to maintenance of the Mississippi River Bridge to the Mississippi River Bridge Fund. This is billed monthly and generally collected from the Mississippi River Bridge Fund within a three-month period. The balance payable at December 31, 2011, was $557,027. The Public Belt Railroad Fund also had a liability to the Mississippi River Bridge Fund for $1,380,309 at December 31, 2011. None of these interfund transactions were interest-bearing.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 17, 2012, and has determined that no events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in the financial statements.

ADDITIONAL INFORMATION

Silva Gurtner & Abney

Certified Public Accountants & Consultants

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Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
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*Limited Liability Company

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the President and Members of
Public Belt Railroad Commission for the City of New Orleans
New Orleans, Louisiana

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information included on page 24 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Public Belt Railroad Commission for the City of New Orleans' management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Silva Gurtner & Abney, LLC

May 17, 2012

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PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS
MISSISSIPPI RIVER BRIDGE

SCHEDULE OF OPERATING STATISTICS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Number of railway cars crossing the Bridge during the year	442,685	443,903
Number of Bridge employees at year end	21	25

See independent auditors' report on additional information.

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

To the President and Members of
Public Belt Railroad Commission for the City of New Orleans
New Orleans, Louisiana

We have audited the basic financial statements of the individual funds of the Public Belt Railroad Commission for the City of New Orleans (the "Commission") as of and for the year ended December 31, 2011, and have issued our report thereon dated May 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Commission's internal control over financial reporting 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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined below.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

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Compliance and Other Matters

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

This report is intended solely for the information and use of the Commission, management, federal awarding agencies, and the State of Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

May 17, 2012

Silva Gurtner & Abney

Certified Public Accountants & Consultants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the President and Members of
Public Belt Railroad Commission for the City of New Orleans
New Orleans, Louisiana

Compliance

We have audited the compliance of Public Belt Railroad Commission for the City of New Orleans (the "Commission") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct material effect on each of the Commission's major federal programs for the year ended December 31, 2011. The Commission's major federal program is identified in the summary of auditors' results section in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *deficiency in an internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material deficiency over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the individual funds of the Commission as of and for the year ended December 31, 2011, and have issued our report thereon dated May 17, 2012, which contained an unqualified opinion on these financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of the Commission and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Commission, management, federal awarding agencies, and the State of Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

May 17, 2012

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Description	CFDA Number	Federal Expenditure
Department of Homeland Security:		
Public Assistance Grants	97.036	$ 617,781
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 617,781

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Commission and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Commission has met the qualifications for the respective grants.

Payments to Subrecipients —There were no payments to subrecipients for the year ended December 31, 2011.

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

Part I — Summary of Auditors' Results

1. The independent auditors' report on the financial statements expressed an unqualified opinion.

2. No significant deficiencies in internal control were disclosed by the audit of the financial statements.

3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.

4. No significant deficiencies in internal control over compliance with the requirements applicable to major federal award programs were identified by the audit.

5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.

6. The audit disclosed no findings required to be reported by OMB Circular A-133.

7. The Commission's major program for the fiscal year ended December 31, 2011 was:

CFDA Number	Name of Federal Program
97.036	Department of Homeland Security— Public Assistance Grants

8. A threshold of $300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

9. The Organization did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II — Financial Statement Findings Section

No matters are reportable.

Part III — Federal Award Findings and Questioned Costs Section

No matters are reportable.

Part IV — Other Reports

No matters are reportable.

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2011

Part I — Financial Statement Findings Section

2010-1 LOUISIANA LEGISLATIVE AUDITOR COMPLIANCE AUDIT

Auditors' Recommendation: The Commission should comply with and implement the recommendations included in the Louisiana Legislative Auditor's report.

Current Status: Resolved.