

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Financial Statements and Supplemental Schedules

December 31, 2016

(With Independent Auditors' Report Thereon)

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

**Table of Contents**

	<u>Pages</u>
<b>Independent Auditors' Report</b>	1 – 3
<b>Management's Discussion and Analysis</b>	4 – 16
<b>Financial Statements:</b>	
Statements of Net Position as of December 31, 2016 and 2015	17 – 18
Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2016 and 2015	19
Statements of Cash Flows for the years ended December 31, 2016 and 2015	20 – 21
<b>Notes to Financial Statements</b>	22 – 48
<b>Required Supplementary Information:</b>	
Schedule of Proportionate Share of the Net Pension Liability	49
Schedule of Contributions to Defined Benefit Plan	50
<b>Supplemental Schedules:</b>	
Schedule 1 – Supplemental Schedule of Investments for the year ended December 31, 2016	51 – 52
Schedule 2 – Supplemental Schedule of Operating Revenues and Expenses by Area of Activity for the year ended December 31, 2016	53
Schedule 3 – Supplemental Schedule of Historical Debt Service Coverage Ratio as Required Under the General Revenue Bond Trust Indenture dated February 1, 2009 for the year ended December 31, 2016	54
Schedule 4 – Schedule of Compensation, Benefits, and Other Payments to the Director of Aviation	55

## **Independent Auditors' Report**

New Orleans Aviation Board and the  
City Council of the City of New Orleans, Louisiana:

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

We have audited the accompanying financial statements of the Louis Armstrong New Orleans International Airport (the Airport), a proprietary component unit of the City of New Orleans, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louis Armstrong New Orleans International Airport as of December 31, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the schedules presented on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the Airport's basic financial statements. Supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules 1, 2, and 4 have been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, supplemental schedules 1, 2, and 4 are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Schedule 3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Airport's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Metairie, Louisiana  
June 29, 2017

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

This narrative discussion and analysis is intended to serve as an introduction to the Louis Armstrong New Orleans International Airport's basic financial statements for the fiscal years ended December 31, 2016 and 2015, with selected comparative information for the fiscal year ended December 31, 2014. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information in this report.

**Financial Highlights**

- The assets and deferred outflows of the Louis Armstrong New Orleans International Airport (the Airport) exceeded its liabilities and deferred inflows at December 31, 2016 by \$439,000,464 (net position). Of this amount, \$59,706,484 represents unrestricted net position, which may be used to meet the Airport's ongoing obligations to citizens and creditors.
- The Airport's total net position increased by \$44,374,321 or 11.2%.
- The Airport negotiated a Commercial Airline Lease effective January 1, 2016 with the Airline Transportation Companies. The Airline - Airport Use and Lease Agreement (the "2016 Airline Lease Agreement") has a residual airline rate-setting methodology and will expire on December 31, 2023 with a mid-term checkpoint on December 31, 2020. Key provisions of the agreement include signatory airline approval of the design and construction of a \$807 million passenger terminal project, a five (5) year Airfield capital improvement program, the Board's capital spending limits are \$1.5 million in any one (1) year and not to exceed \$5 million over any five (5) year period without Airline approval, and an annual general purpose account payment to the Board in the amount of \$6 million for self-directed use in years ending December 31, 2016 and 2017, decreasing to \$3 million in 2018, and \$1 million in equipment and capital outlays allowance.

**Overview of the Financial Statements**

The Louis Armstrong New Orleans International Airport (the Airport) is structured as an enterprise fund. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated, except for land and easements, over their useful lives. See the notes to the financial statements for a summary of the Airport's significant accounting policies.

Following this Management Discussion and Analysis (MD&A) are the basic financial statements and supplemental schedules of the Airport. This information taken collectively is designed to provide readers with an understanding of the Airport's finances.

The statements of net position present information on all of the Airport's assets and deferred outflows, and liabilities and deferred inflows, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Airport's financial position.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

The statements of revenues, expenses, and changes in net position present information showing how the Airport's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods.

The principal operating revenues of the Airport are from sources such as airlines, concessions, rental cars, and parking. Investment income, passenger facility charges, customer facility charges, federal grants, and other revenues not related to the operations of the Airport are non-operating revenues. Operating expenses include the cost of airport and related facilities maintenance, administrative expenses, and depreciation on capital assets. Interest expense and financing costs are non-operating expenses.

The statements of cash flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Airport's cash accounts are recorded in these statements. A reconciliation is a part of these statements to assist in the understanding of the difference between cash flows from operating activities and operating income or loss.

**Financial Position**

Total assets and deferred outflows of resources increased by \$51,193,980 (3.62%) this year due primarily to increase in capital projects by \$201,391,501, increase in capital grants receivable by \$8,803,513 related to construction of new passenger terminal and an offsetting decrease in cash and investments by \$161,168,226 related to debt payments made in 2016. Total liabilities and deferred inflows increased by \$6,819,569 (0.67%) primarily resulting from an increase in accounts payable by \$3,108,063 and an increase in amount due to City of New Orleans by \$2,198,188 related to timing of vendor payments and increase in net position liability by \$2,719,657 related to pension plan discussed in Note 9.

The largest portion of the Airport's net position, \$167,618,709 (38.2%) at 2016 and \$130,421,511 (33.0%) at 2015, represents its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Airport uses these assets to provide services to its passengers, visitors, and tenants of the airport; consequently, these assets are not available for future spending. Although the Airport'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 from operations, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Airport's net position, \$211,675,271 (48.2%) at 2016 and \$226,008,518 (57.3%) at 2015, represents resources that are subject to restrictions from contributors, bond indentures, and state and federal regulations on how they may be used. The remaining balance of unrestricted net position, \$59,706,484 (13.6%) at 2016 and \$38,196,114 (9.7%) at 2015, may be used to meet the Airport's ongoing obligations.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

**Summary of Net Position (in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Assets:</b>			
Current assets:			
Unrestricted assets	\$ 105,968	\$ 84,794	\$ 71,165
Restricted assets	32,304	45,720	30,552
Noncurrent assets:			
Unrestricted assets	3,782	4,053	4,084
Restricted assets	545,182	702,654	127,520
Net capital assets	760,520	559,129	526,604
Total assets	<u>\$ 1,447,756</u>	<u>\$ 1,396,350</u>	<u>\$ 759,925</u>
<b>Deferred Outflows of Resources:</b>			
Deferred amounts related to pension liability	\$ 5,952	\$ 3,906	\$ 654
Deferred losses on advance refunding	13,397	15,656	17,914
Total deferred outflows	<u>\$ 19,349</u>	<u>\$ 19,562</u>	<u>\$ 18,568</u>
<b>Liabilities:</b>			
Current liabilities	\$ 96,032	\$ 67,543	\$ 51,035
Noncurrent liabilities	931,452	952,849	348,493
Total liabilities	<u>\$ 1,027,484</u>	<u>\$ 1,020,392</u>	<u>\$ 399,528</u>
<b>Deferred Inflows of Resources:</b>			
Deferred amounts related to pension liability	\$ 621	\$ 894	\$ 751
Total deferred inflows	<u>\$ 621</u>	<u>\$ 894</u>	<u>\$ 751</u>
<b>Net Position:</b>			
Net investment in capital assets	\$ 167,619	\$ 130,422	\$ 245,478
Restricted	211,675	226,008	116,324
Unrestricted	59,706	38,196	16,412
Total net position	<u>\$ 439,000</u>	<u>\$ 394,626</u>	<u>\$ 378,214</u>

**Debt Activity**

At December 31, 2016 and 2015, the Airport had total debt outstanding of \$930,344,902 and \$954,704,334, respectively. The Airport's debt represents bonds secured solely by operating, PFC and CFC revenue. As of the date of the audit all required bond and loan principal and interest payments have been made.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

**Outstanding Debt** (in thousands)

	<u>2016</u>		<u>2015</u>		<u>2014</u>
Bonds payable:					
Revenue Refunding Bonds 2007 (PFC)	\$ 65,980	\$	69,340	\$	72,540
Revenue Refunding Bonds 2009A-C	83,700		93,490		102,830
GO Zone CFC Revenue Bonds 2009A	93,100		94,845		96,515
GO Zone PFC Revenue Bonds 2010A-B	53,640		53,640		53,640
Revenue Bonds 2015A-B	565,325		565,325		-
Unamortized bond discount	(2,671)		(2,833)		(2,996)
Unamortized bond premium	57,909		60,746		611
Loans payable: GO Zone Tax Credit Bonds	13,362		20,152		30,082
	<u>\$ 930,345</u>	\$	<u>954,705</u>	\$	<u>353,222</u>

More detailed information on long-term debt can be found in Note 7 of the accompanying financial statements.

**Capital Assets**

The Airport's investment in capital assets can be noted in the following table. The total increase for this fiscal year was 20.1% before accumulated depreciation and amortization. The increase is related to construction in progress additions during the year for the following major projects:

<u>Project</u>	<u>Approximate cost during FY 2016 (not including capitalized interest)</u>
North Terminal Project Design/Construction	\$144 million
Stormwater/NAVAIDS	\$39 million
Roadways Development Program	\$34 million

These increases were offset by the completion of various projects. More detailed information on capital assets can be found in Note 6 of the accompanying financial statements.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

**Net Capital Assets** (in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 77,980	\$ 81,292	\$ 82,772
Air rights	22,283	22,283	22,283
Land improvements	505,321	506,383	504,258
Buildings and furnishings	420,118	419,907	419,709
Equipment	9,474	9,230	9,005
Computers	1,190	972	853
Utilities	53,413	42,336	14,075
Heliport	3,073	3,074	3,074
Construction in progress	344,287	111,090	67,532
Total capital assets	<u>1,437,139</u>	<u>1,196,567</u>	<u>1,123,561</u>
Less accumulated depreciation	<u>676,619</u>	<u>637,438</u>	<u>596,957</u>
Net capital assets	<u>\$ 760,520</u>	<u>\$ 559,129</u>	<u>\$ 526,604</u>

**Airlines Rates and Charges**

As previously discussed, an Airline Airport Use and Lease Agreement became effective January 1, 2009. The rates for 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Terminal building rental rates (per sq. ft.)	\$ 82.99	\$ 77.78
Landing fee rate (per 1,000 lbs.)	1.86	1.65
Apron use fee rate (per sq. ft.)	1.23	1.20
Loading bridge use fee (per bridge)	12,044	11,725
Enplaned passenger use fee (per passenger)	6.74	7.09

Under the terms of the agreement, these rates are subject to a year-end settlement. The Airport is required to use its best efforts such that within the later of (i) one hundred twenty (120) days following the close of each fiscal year or (ii) within sixty (60) days of receipt of audited financial statements, rates for rentals, fees, and charges for the preceding fiscal year shall be recalculated using available financial data and the methods set forth in the agreement.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

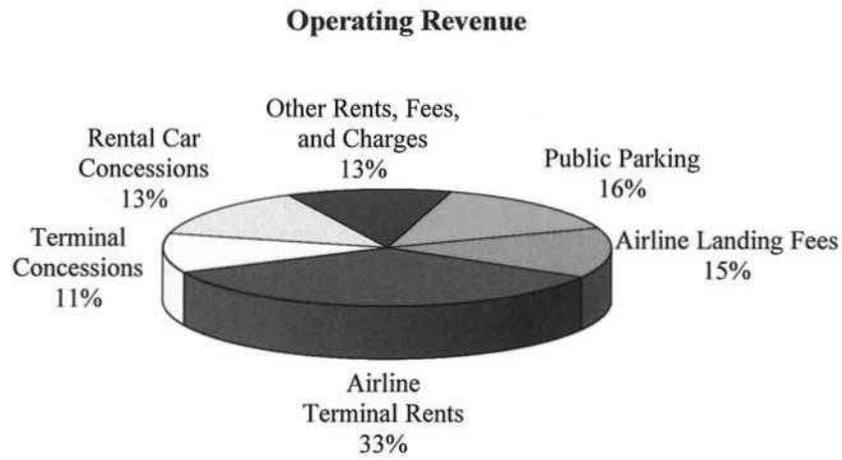
Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

**Revenues**

The following chart shows major sources and the percentage of operating revenues for the year ended December 31, 2016.



**Operating Revenues (in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Passenger and cargo airlines:			
Airline landing fees	\$ 11,911	\$ 10,561	\$ 11,086
Airline terminal rents	26,317	25,627	24,236
Land rents	100	100	100
Other rents	<u>3,031</u>	<u>2,906</u>	<u>3,299</u>
Total passenger and cargo airlines	<u>41,359</u>	<u>39,194</u>	<u>38,721</u>
Non airline rentals:			
Terminal concessions	8,569	7,961	7,333
Car rental concessions	9,953	9,999	9,894
Public parking	12,578	10,738	11,420
Other rents	<u>6,957</u>	<u>5,681</u>	<u>5,488</u>
Total nonairline revenues	<u>38,057</u>	<u>34,379</u>	<u>34,135</u>
Total operating revenues	<u>\$ 79,416</u>	<u>\$ 73,573</u>	<u>\$ 72,856</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

**2016 vs. 2015**

The 2016 Airline Lease Agreement was executed on January 1, 2016. Total air carrier revenue for 2016 increased by \$2.2 million (5.5%) compared to 2015 due to increases in service by new and existing airlines and a 4.4% increase in passengers. Non-airline revenues increased by \$3.7 million (10.7%) due primarily to an increase in parking rates and ground transportation revenue relative to the increase in passengers.

**2015 vs. 2014**

The 2015 Airline Lease Agreement was executed on January 1, 2015. Total air carrier revenue for 2015 increased by \$473,000 (1.2%) compared to 2014 due to increases in service by new and existing airlines. Non-airline revenues increased by \$244,000 (0.7%), due primarily to a 9.1% increase in passengers.

Cost per enplaned passenger (CPE) is a measure used by the airline industry to reflect the costs an airline pays to operate at an airport based upon the number of enplaned passengers for that airport. The cost per enplaned passenger decreased from \$8.35 in 2014 to \$7.12 in 2015 and increased to \$7.21 in 2016.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cost per enplaned passenger:			
Airline revenues	\$ 40,177	\$ 38,008	\$ 40,765
Enplaned passengers	5,572	5,336	4,880
Cost per enplaned passenger	<u>\$ 7.21</u>	<u>\$ 7.12</u>	<u>\$ 8.35</u>

**Non-Operating Revenues and Capital Contributions (in thousands)**

The following chart shows major sources of non-operating revenues for the years ended December 31, 2016, 2015, and 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Interest income	\$ 149	\$ 41	\$ 20
Passenger facility charges	22,137	21,162	19,214
Customer facility charges	15,276	13,148	12,260
Capital contributions	32,422	10,406	12,302
Gain (loss) on disposal of assets	(1,425)	28	(3,474)
Other	1,947	3,264	1,973
	<u>\$ 70,506</u>	<u>\$ 48,049</u>	<u>\$ 42,295</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

**2016 vs. 2015**

Non-operating revenues for 2016 increased by approximately \$22.5 million compared to 2015, due primarily to amounts received from the federal government to finance the cost of construction of airport facilities.

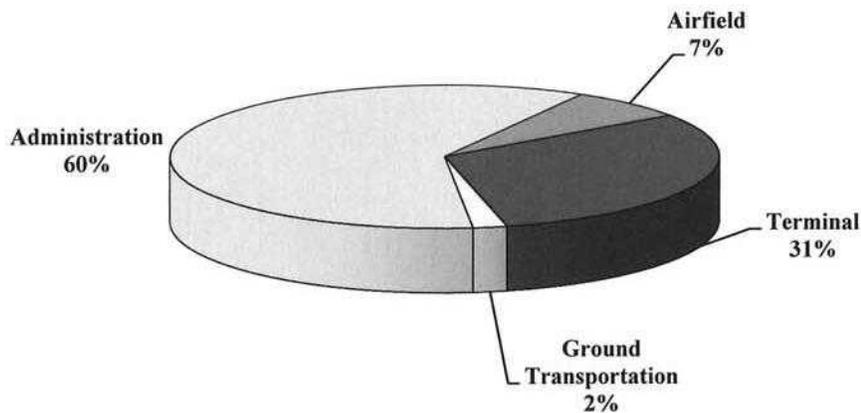
**2015 vs. 2014**

Non-operating revenues for 2015 increased by approximately \$5.8 million compared to 2014, due primarily to a loss on disposal of assets in 2014 of approximately \$3.5 million on the sale of land.

**Expenses**

The following chart shows major expense categories and the percentage of operating expenses for the year ended December 31, 2016.

**Operating Expenses (Excluding Depreciation)**



**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

	<b>Operating Expenses before Depreciation</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Direct			
Airfield	\$ 2,904	\$ 2,345	\$ 2,185
Terminal	13,382	11,090	11,926
Ground transportation	928	1,164	2,337
Administration	26,176	26,185	23,439
	<u>\$ 43,390</u>	<u>\$ 40,784</u>	<u>\$ 39,887</u>

**2016 vs. 2015**

The operating expenses, before depreciation and amortization, increased by approximately \$2.6 million compared to the prior year, due primarily to an increase in terminal related expenses of \$2.3 million in 2016.

**2015 vs. 2014**

The operating expenses before depreciation and amortization increased by approximately \$896,000 compared to the prior year, due primarily to an increase in net pension expenses of \$539,000 in 2015.

**Non-Operating Expenses**

The following chart shows major expense categories of non-operating expenses for the years ended December 31, 2016, 2015, and 2014 (in thousands).

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Interest expense	\$ 17,528	\$ 18,230	\$ 21,104
Other	5,448	5,715	347
	<u>\$ 22,976</u>	<u>\$ 23,945</u>	<u>\$ 21,451</u>

**2016 vs. 2015**

Non-operating expenses decreased by \$969,000 in 2016 compared to 2015, due primarily to a decrease in interest expense.

**2015 vs. 2014**

Non-operating expenses increased by \$2.5 million in 2015 compared to 2014, due primarily to an increase in interest expense and cost of issuance attributable to the issuance of long-term debt.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

**Total Revenues and Expenses** (in thousands)

The following table reflects the total revenues and expenses for the Airport (in thousands):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total operating revenues	\$ 79,417	\$ 73,573	\$ 72,856
Total non-operating revenues	<u>70,506</u>	<u>44,757</u>	<u>43,874</u>
Total revenues	<u>\$ 149,923</u>	<u>\$ 118,330</u>	<u>\$ 116,730</u>
Total operating expenses	\$ 82,572	\$ 81,266	\$ 82,735
Total non-operating expenses	<u>22,976</u>	<u>20,652</u>	<u>23,029</u>
Total expenses	<u>\$ 105,548</u>	<u>\$ 101,918</u>	<u>\$ 105,764</u>

**Summary of Changes in Net Position** (in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Summary of changes in net position:			
Operating revenues	\$ 79,417	\$ 73,573	\$ 72,856
Operating expenses before depreciation	<u>43,391</u>	<u>40,784</u>	<u>39,888</u>
Operating income before depreciation	<u>36,026</u>	<u>32,789</u>	<u>32,968</u>
Depreciation	<u>39,181</u>	<u>40,481</u>	<u>42,847</u>
Operating loss	<u>(3,155)</u>	<u>(7,692)</u>	<u>(9,879)</u>
Non-operating revenues, net	<u>15,108</u>	<u>13,698</u>	<u>8,542</u>
Income (loss) before capital contributions and transfers	11,953	6,006	(1,337)
Capital contributions	<u>32,422</u>	<u>10,406</u>	<u>12,302</u>
Change in net position	<u>\$ 44,375</u>	<u>\$ 16,412</u>	<u>\$ 10,965</u>

Operating income before depreciation and amortization increase \$3.2 million (9.9%) in 2016 compared to 2015. Depreciation and amortization expense decreased \$1.3 million (3.2%) due to there being fully depreciated assets in 2016. Capital contributions increased by \$22.0 million (211.6%) due primarily to an increase in the capital contributions received from the federal government.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

**Debt Service Coverage**

Airport revenue bond covenants require that net revenues together with the sum on deposit in the rollover coverage account on the last day of the immediately preceding fiscal year will at least equal 125% of the bond debt service requirement with respect to the bonds for such fiscal year. The bond resolution for the Revenue Refunding Bonds Series 2007A, 2007B-1, and 2007B-2, PFC Projects had a remaining ratio requirement of 105.0% or greater obtained by dividing the available amount by the cumulative debt amount. Coverage ratios for the past three years are shown in the following table.

The Board approved the Rollover Coverage for fiscal years 2011-2016 in the amounts of, \$3,720,107, \$3,719,960, \$3,720,332, \$3,719,082, \$3,721,446 and \$3,729,060 respectively. The funds are transferred monthly, in ratable portions of the total, to the NOAB Rollover Coverage Account held by the City of New Orleans, and then transferred to the Airport Operating Account, held by the City of New Orleans. The Airport's calculation of the historical debt service coverage ratio, as presented in Supplemental Schedule 3 to the financial statements is 279.0% for the year ended December 31, 2016 and 259.0% for the year ended December 31, 2015.

The Airport is current on all debt service payments as required by the bonds, and there has been no documented correspondence from the bond insurers or bond holders regarding noncompliance with the debt service coverage covenant.

<u>Revenue Refunding Bonds</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GARB 2009 Series Bonds	279.0%	259.0%	254.0%
PFC 2007 Series Bonds	226.4%	215.6%	195.6%

**Airport Activities and Highlights**

Passenger totals for 2016 increased by 446,120 (4.4%), from 10,673,301 passengers in 2015 to 11,139,421 passengers in 2016, due to an increase in passenger activity. Aircraft operations increased from 102,637 operations in 2015 to 108,697 in 2016 (5.9%). Aircraft landed weights increased from 6,499,788 in 2015 to 6,771,515 in 2016 (4.2%). As of December 2016, the Airport had 147 daily departures to 59 destinations with 19,200 average daily seats. As of December 2015, the Airport had 140 daily departures to 49 destinations with 18,400 average daily seats.

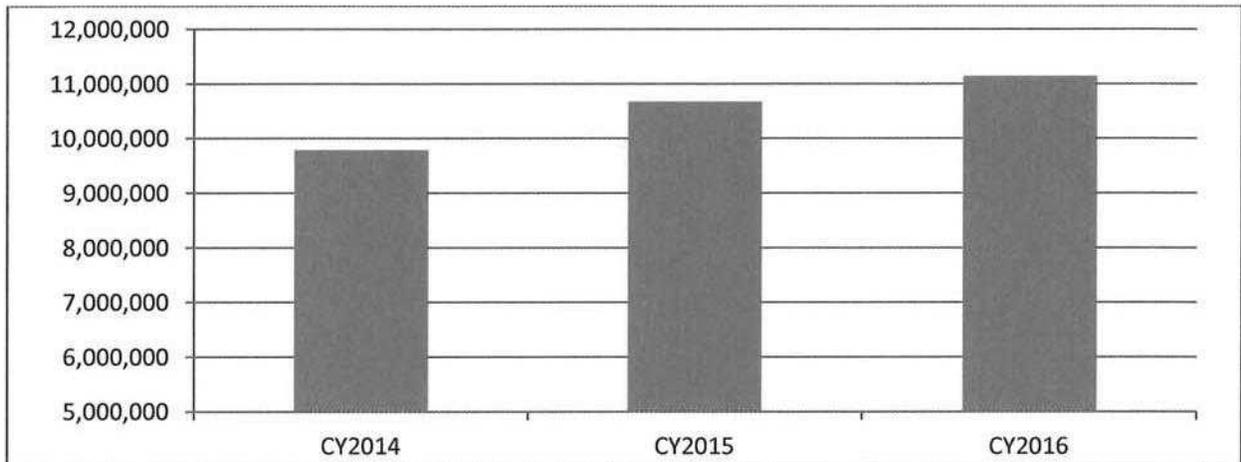
**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

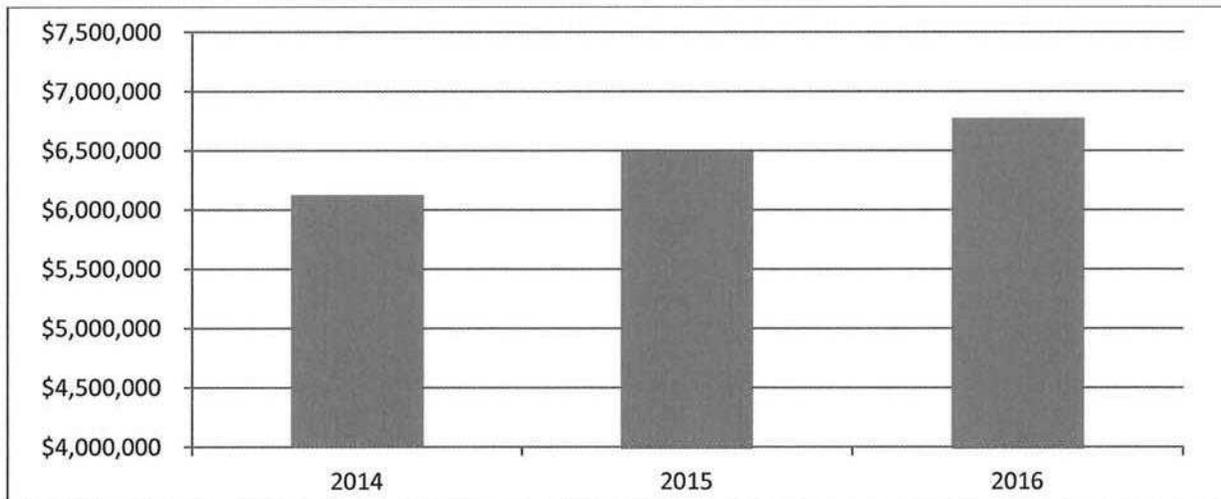
December 31, 2016 and 2015

(Unaudited)

**Total Passengers for the Year**



**Landed Weight per 1,000 pounds**



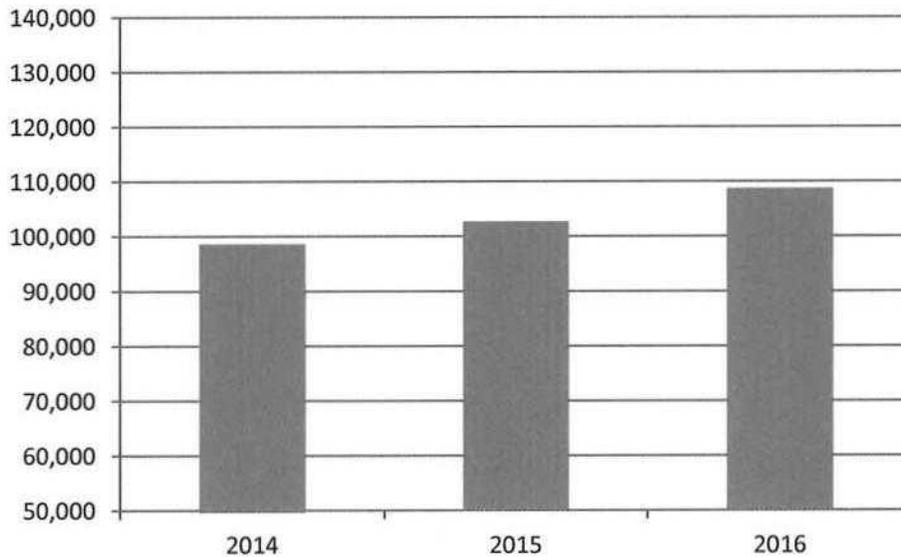
**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
 (A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2016 and 2015

(Unaudited)

**Number of Passenger Flight Operations**



Selected statistical information about total passengers, aircraft landed weight, and air carrier operations for the past three years are presented in the table below.

<u>Fiscal year</u>	<u>Total passengers</u>	<u>Landed weight (1,000 pound units)</u>	<u>Air carrier operations</u>
2014	9,785,394	6,122,519	98,602
2015	10,673,301	6,499,788	102,637
2016	11,139,421	6,771,515	108,697

**Requests for Information**

This financial report is designed to provide a general overview of the Airport's finances. Questions concerning any of the information should be addressed to the Chief Financial Officer, Louis Armstrong New Orleans International Airport, Post Office Box 20007, New Orleans, Louisiana 70141.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**

(A Proprietary Component Unit of the City of New Orleans)

Statements of Net Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Unrestricted assets:		
Cash (note 2)	\$ 11,012,279	\$ 10,522,829
Accounts receivable, less allowance for doubtful accounts of \$62,136 in 2016; \$43,926 in 2015	6,855,067	5,943,757
Due from the City of New Orleans	394,338	242,408
Investments (note 2)	86,049,773	67,663,480
Interest receivable	1,192,472	-
Prepaid expenses and deposits	463,636	421,995
Total current unrestricted assets	<u>105,967,565</u>	<u>84,794,469</u>
Restricted assets (notes 2, 5, and 7):		
Cash	1,960,413	60,310
Investments (note 2)	14,033,797	38,506,438
Passenger facility charges receivable	2,227,994	2,055,519
Customer facility charges receivable	1,266,557	1,086,494
Capital grant receivable	12,815,088	4,011,575
Total current restricted assets	<u>32,303,849</u>	<u>45,720,336</u>
Total current assets	<u>138,271,414</u>	<u>130,514,805</u>
Noncurrent assets:		
Unrestricted assets:		
Capital assets (note 6):		
Capital assets not being depreciated	444,549,043	214,664,613
Capital assets being depreciated	992,591,354	981,902,890
Less accumulated depreciation	(676,619,520)	(637,438,127)
Total capital assets, net	<u>760,520,877</u>	<u>559,129,376</u>
Prepaid insurance on revenue bonds, less accumulated amortization of \$2,161,630 in 2016; \$1,891,418 in 2015	2,907,854	3,178,066
Advances to related facility management company	874,359	874,359
Total noncurrent unrestricted assets	<u>764,303,090</u>	<u>563,181,801</u>
Restricted assets (note 2):		
Cash	14,071,175	-
Investment	531,111,315	702,653,921
Total noncurrent restricted assets	<u>545,182,490</u>	<u>702,653,921</u>
Total noncurrent assets	<u>1,309,485,580</u>	<u>1,265,835,722</u>
Total assets	<u>1,447,756,994</u>	<u>1,396,350,527</u>
Deferred outflows of resources		
Deferred amounts related to net pension liability	5,952,149	3,905,813
Deferred losses on advance refunding	13,396,988	15,655,811
Total deferred outflows of resources	<u>19,349,137</u>	<u>19,561,624</u>
Total assets and deferred outflows of resources	<u>\$ 1,467,106,131</u>	<u>\$ 1,415,912,151</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)  
Statements of Net Position  
December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>Liabilities and Deferred Inflows of Resources</b>		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	\$ 14,689,058	\$ 11,580,995
Due to City of New Orleans	3,796,473	1,598,285
Due to federal government	1,080,000	1,080,000
Due to State of Louisiana	-	281,778
Accrued salaries and other compensation	1,781,141	1,750,899
Capital projects payable	28,310,532	5,530,877
Total unrestricted current liabilities	49,657,204	21,822,834
Payable from restricted assets:		
Capital projects payable	6,645,055	5,351,823
Bonds payable, current portion (note 7)	15,590,000	14,895,000
Accrued bond interest payable	22,453,339	22,801,239
Loans payable, current portion (note 7)	1,080,350	2,019,150
Loan interest payable	606,280	653,124
Total restricted current liabilities	46,375,024	45,720,336
Total current liabilities	96,032,228	67,543,170
Noncurrent liabilities:		
Bonds payable, less current portion and unamortized discount/premium (note 7)	901,392,535	919,657,433
Loans payable (note 7)	12,282,017	18,132,751
Net pension liability	17,778,160	15,058,503
Total noncurrent liabilities	931,452,712	952,848,687
Total liabilities	1,027,484,940	1,020,391,857
Deferred inflows of resources		
Deferred amounts related to net pension liability	620,727	894,151
Total liabilities and deferred inflows of resources	1,028,105,667	1,021,286,008
<b>Net Position</b>		
Net investment in capital assets	167,618,709	130,421,511
Restricted for:		
Debt service	98,050,305	83,430,007
Capital acquisition	101,759,549	130,720,708
Operating reserve	11,865,417	11,857,803
Unrestricted	59,706,484	38,196,114
Total net position	439,000,464	394,626,143
Total liabilities, deferred inflows of resources, and net position	\$ 1,467,106,131	\$ 1,415,912,151

See accompanying notes to financial statements.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**

(A Proprietary Component Unit of the City of New Orleans)  
 Statements of Revenues, Expenses, and Changes in Net Position  
 Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Airfield	\$ 15,279,443	\$ 13,883,993
Terminal	60,461,012	56,463,903
Ground transportation	3,676,170	3,225,162
Total operating revenues	<u>79,416,625</u>	<u>73,573,058</u>
Operating expenses:		
Direct:		
Airfield	2,903,811	2,344,571
Terminal	13,382,150	11,090,107
Ground Transportation	928,297	1,164,503
Depreciation and impairment write-down	39,181,389	40,481,377
Administrative	26,176,349	26,185,212
Total operating expenses	<u>82,571,996</u>	<u>81,265,770</u>
Operating loss	<u>(3,155,371)</u>	<u>(7,692,712)</u>
Nonoperating revenues (expenses):		
Investment income	148,865	40,792
Interest expense	(17,528,355)	(18,229,599)
Passenger facility charges	22,137,323	21,161,870
Customer facility charges	15,275,732	13,147,640
Gain/(loss) on disposal of assets	(1,424,800)	28,279
Other, net	(3,500,575)	(2,450,666)
Total nonoperating revenues, net	<u>15,108,190</u>	<u>13,698,316</u>
Revenue before capital contributions	11,952,819	6,005,604
Capital contributions (note 8)	32,421,502	10,406,245
Change in net position	44,374,321	16,411,849
Net position, beginning of year	394,626,143	378,214,294
Total net position, end of year	\$ <u>439,000,464</u>	\$ <u>394,626,143</u>

See accompanying notes to financial statements.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**

(A Proprietary Component Unit of the City of New Orleans)

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	<u>2016</u>		<u>2015</u>
Cash flows from operating activities:			
Cash received from customers	\$ 78,505,315	\$	72,468,510
Cash paid to suppliers for goods and services	(27,548,835)		(23,265,648)
Cash paid to employees and on behalf of employees for services	(10,298,953)		(10,558,023)
Net cash provided by operating activities	<u>40,657,527</u>		<u>38,644,839</u>
Cash flow from noncapital financing activities:			
Sales tax receipts	1,123,387		1,241,182
Operating grants and reimbursements from other governments	527,162		1,448,574
Other payments	(5,162,686)		(4,552,474)
Net cash used in noncapital financing activities	<u>(3,512,137)</u>		<u>(1,862,718)</u>
Cash flows from capital and related financing activities:			
Passenger facility charges collected	21,964,848		20,926,140
Customer facility charges collected	15,095,669		13,172,031
Gain/(Loss) from disposition of property	(1,424,800)		28,279
Acquisition and construction of capital assets	(189,790,615)		(76,927,011)
Capital grants received	23,617,989		10,327,246
Issuance of revenue bonds	-		627,632,716
Principal paid on loan and revenue bond maturities	(21,684,534)		(24,139,616)
Interest paid on bonds and loans	(45,048,566)		(5,047,239)
Cost of bond issuance and insurance	-		(632,049)
Net cash provided by (used in) capital and related financing activities	<u>(197,270,009)</u>		<u>565,340,497</u>
Cash flows from investing activities:			
Sales of investments	988,527,188		1,033,487,653
Purchases of investments	(824,969,409)		(1,633,344,451)
Interest and dividends on investments	(1,043,607)		115,890
Net cash (used in) provided by investing activities	<u>162,514,172</u>		<u>(599,740,908)</u>
Net increase in cash and cash equivalents	2,389,553		2,381,710
Cash and cash equivalents at beginning of year	10,583,139		8,201,429
Cash and cash equivalents at end of year (note 2)	<u>\$ 12,972,692</u>	\$	<u>10,583,139</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)  
Statements of Cash Flows  
Years ended December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ <u>(3,155,371)</u>	\$ <u>(7,692,712)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and impairment write-down	39,181,389	40,481,377
Change in allowance for doubtful accounts	18,210	(54,136)
Changes in assets and liabilities:		
Accounts receivable	(929,520)	(1,050,412)
Prepaid expenses and deposits	(41,641)	(99,212)
Due from City of New Orleans	(151,930)	(198,843)
Deferred outflows of resources related to net pension liability	(2,046,336)	(3,251,348)
Accounts payable	3,108,063	6,586,217
Accrued salaries and other compensation	30,242	169,358
Net pension liability	2,719,657	3,647,788
Due to City of New Orleans	2,198,188	(36,164)
Deferred inflows of resources related to net pension liability	<u>(273,424)</u>	<u>142,926</u>
Total adjustments	<u>43,812,898</u>	<u>46,337,551</u>
Net cash provided by operating activities	<u>\$ 40,657,527</u>	<u>\$ 38,644,839</u>

See accompanying notes to financial statements.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

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

**(a) Organization**

The Louis Armstrong New Orleans International Airport (the Airport) is a proprietary component unit of the City of New Orleans, Louisiana. The New Orleans Aviation Board (the Board) was established in 1943 to provide for the operation and maintenance of the Airport. The Board consists of nine members appointed by the Mayor of the City of New Orleans with approval of the New Orleans 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 accompanying policies of the Airport conform to accounting principles generally accepted in the United States of America as applicable to proprietary component units of governmental entities.

**(b) Basis of Presentation**

Proprietary fund accounting is used for the Airport's ongoing operations and activities which are similar to those often found in the private sector. Proprietary funds are accounted for using the economic resources measurement focus. The Airport is a proprietary component unit and accounts for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The principal operating revenues of the Airport are from sources such as airlines, concessions, rental cars, and parking. Investment income, passenger facility charges, customer facility charges, federal and state grants, and other revenues not related to the operations of the Airport are non-operating revenues. Operating expenses include the cost of airport and related facilities maintenance, administrative expenses, and depreciation on capital assets. Interest expense and financing costs are non-operating expenses.

**(c) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred. Revenues from landing and airfield fees, terminal building, rental building, and leased areas are reported as operating revenues. Transactions, which are capital, financing, or investing related, are reported as non-operating revenues. Expenses from employee wages and benefits, purchase of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

**(d) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**(e) Allowance for Uncollectible Accounts Receivable**

An allowance for estimated uncollectible accounts receivable is established at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

**(f) Investments**

Investments are carried at fair value in the financial statements. Unrealized gains and losses on investments are reflected in the Statements of Revenues, Expenses, and Changes in Net Position.

**(g) Capital Assets**

Capital assets are carried at cost. An item is classified as an asset if the initial, individual cost is \$5,000 or greater. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. In situations involving the construction of certain assets financed with the proceeds of tax-exempt borrowings, interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining the amount of interest to be capitalized. Capitalized interest totaled \$26,709,392 in 2016 and \$21,497,629 in 2015.

GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* provides that if there are no factors that limit the useful life of an intangible asset, the intangible asset is considered to have an indefinite useful life and should not be amortized. Certain air rights qualify as intangible assets as defined in GASB 51.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method commencing with the date of acquisition or, in the case of assets constructed, the date placed into service.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

The estimated useful lives by major classification are as follows:

	<b>Estimated useful lives (years)</b>
Land improvements	10 – 25
Buildings and furnishings	3 – 25
Equipment	3 – 15
Utilities	5 – 25
Heliport	5 – 15

**(h) Due from/Due to the City of New Orleans**

Amounts recorded as due from and due to the City of New Orleans primarily relate to amounts paid by the City on behalf of the Airport. In addition, the City provides certain administrative services to the Airport. The cost of such services was \$1,753,517 for each of the years ended December 31, 2016 and 2015, respectively, and is recorded in administrative expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

**(i) Restricted Assets**

Restricted assets include investments required to be maintained for debt service, capital additions and contingencies, operations and maintenance, and escrow under the indentures of the revenue and refunding bonds, as well as investments to be used for the construction of capital improvements. Restricted assets also include receivables related to passenger and customer facility charges and grants.

**(j) Bond Insurance**

In conjunction with bonds issued in 2015, 2009 and 2007, insurance was purchased which guarantees the payment of bond principal and interest and expires with the final principal and interest payment on the bonds. The insurance costs were capitalized at the dates of issuance and are being amortized over the life of the bonds.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

**(k) Revenue Recognition**

Landing and airfield fees, terminal building, rental building, and leased areas rentals are recorded as revenues during the year in which earned. All signatory airlines pay signatory airline rates and charges according to 2016 use and lease agreement. The rates for 2016 and 2015 are as follows:

	2016	2015
Terminal building rental rates (per sq. ft.)	\$ 82.99	\$ 77.78
Landing fee rate (per 1,000 lbs.)	1.86	1.65
Apron use fee rate (per sq. ft.)	1.23	1.20
Loading bridge use fee (per bridge)	12,044	11,725
Enplaned passenger use fee (per passenger)	6.74	7.09

Under the terms of the agreement, these rates are subject to a year-end settlement. The Airport is required to use its best efforts such that within the later of (i) one hundred twenty (120) days following the close of each fiscal year or (ii) within sixty (60) days of receipt of audited financial statements, rates for rentals, fees, and charges for the preceding fiscal year shall be recalculated using available financial data and the methods. For the fiscal years ended December 31, 2016 and 2015, the Airport's final rate structure varied from the rates in effect during the year.

**(l) Passenger Facility Charges**

On June 1, 1993, the Airport began imposing, upon approval of the Federal Aviation Administration (the FAA), a \$3.00 Passenger Facility Charge (PFC) on each passenger enplaned at the Airport. On April 1, 2002, the FAA approved an increase in the amount of this fee to \$4.50. As of December 31, 2016, the Airport is authorized to collect up to \$965,553,986 of PFC revenue of which \$376,578,923 has been collected. PFC revenues are pledged to secure the Series 2007 Revenue bonds and the Series 2009 Revenue bonds, which funded construction of preapproved capital projects and redeemed prior Series of PFC Bonds. As of December 31, 2016, the estimated expiration date on PFC revenue collection is February 1, 2026.

**(m) Customer Facility Charges**

On November 1, 2008, the Airport began imposing a \$5.50 Customer Facility Charge (CFC) on a per transaction day basis to all the On-Airport Rental Car Companies. On May 13, 2009, the Board approved an increase in the CFC charge to \$6.20 which became effective June 1, 2009. On May 19, 2016, the Board approved an increase from \$6.20 to \$7.95 which became effective July 1, 2016. CFC revenues are pledged to secure the Series 2009 Gulf Opportunity Zone CFC Revenue Bonds, which were issued to fund the construction of the Consolidated Rental Car Facility (CONRAC) garage.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

**(n) Federal Financial Assistance**

The Airport receives financial assistance for costs of construction and improvements to airport facilities through grants from the FAA. The Airport is on the reimbursement basis for funds received for financial assistance.

**(o) Vacation and Sick Leave**

All full-time classified employees of the Airport 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 can accrue a maximum of 45 days annual leave and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Upon termination of employment, an employee is paid for their accrued annual leave based on their current hourly rate of pay and for their accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting their accrued annual and sick leave to additional pension credits. Annual leave and sick leave liabilities are accrued when incurred.

**(p) Statements of Cash Flows**

For purposes of the statements of cash flows, cash and cash equivalents include unrestricted and restricted cash, consisting primarily of cash in banks and on deposit.

**(q) Net Position**

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

Restricted net position reflects net position when there are limitations imposed on a net position's use by external parties such as creditors, grantors, laws, or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. The government's policy is to consider restricted net position to have been depleted before unrestricted net position is applied when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**

(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

**(r) *Deferred Outflows/Inflows of Resources***

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding reported on the statements of net position results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See note 8 for information on deferred inflows and outflows related to the pension plan.

**(s) *Pension***

The Airport may fund all or part of the accrued pension cost, depending on the resources that are available at the time of contribution, for its contributory pension plan which covers substantially all employees. Annual costs are actuarially computed using the entry age normal cost method.

**(2) Cash and Investments**

Included in the Airport's cash balances are amounts deposited with commercial banks in interest bearing and noninterest bearing demand accounts. The commercial bank balances of cash and cash equivalents total \$11,531,751 and \$11,403,700 at December 31, 2016 and 2015, respectively. The commercial bank balances are entirely insured by federal depository insurance or by collateral held by the financial institution in the Airport's name.

The Airport is authorized to invest in securities as described in its investment policy, in each bond resolution and state statute. As of December 31, 2016 and 2015, the Airport held the following investments as categorized below:

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, investments are generally held to maturity. The Airport's investment policy requires the investment portfolio to be structured to provide sufficient liquidity to pay obligations as they come due.

To the extent possible, investment maturities are matched with known cash needs and anticipated cash flow requirements. Additionally, maturity limitations for investments related to the issuance of debt are outlined in the Bond Resolution relating to the specific bond issue.

**Investment Maturities at December 31, 2016**

<u>Investment type</u>	<u>Less than 1 year</u>	<u>1 to 5 Years</u>	<u>Total</u>
Local government investment pool	\$ 85,547,021	\$ -	\$ 85,547,021
Money market funds	406,243,371	-	406,243,371
Government bonds	82,150,184	57,254,309	139,404,493
	<u>\$ 573,940,576</u>	<u>\$ 57,254,309</u>	<u>\$ 631,194,885</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

**Investment Maturities at December 31, 2015**

<u>Investment type</u>	<u>Less than 1 year</u>	<u>1 to 5 Years</u>	<u>Total</u>
Local government investment pool	\$ 63,556,283	\$ -	\$ 63,556,283
Money market funds	745,267,556	-	745,267,556
	<u>\$ 808,823,839</u>	<u>\$ -</u>	<u>\$ 808,823,839</u>

**Credit Risk:** The Airport's general investment policy applies the prudent-person rule:

Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. Airport policy limits investments to the highest credit rating category of Standard & Poor's (S&P). Funds can only be invested in money market funds rated AAAM, AAm, or AAAM-G by S&P.

In accordance with the Airport's investment policy and bond resolutions, all U.S. government agency securities held in the portfolio are either issued by or explicitly guaranteed by the U.S. government.

**Custodial Credit Risk:** For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Airport will not be able to recover the values of its investments or collateral securities that are in the possession of an outside party. All of the Airport's investments are either held in the name of the Airport or held in trust under the Airport's name.

**Concentration of Credit Risk:** The Airport's investments are not subject to a concentration of credit risk.

**LAMP Investment:** The unrestricted and restricted investments of \$81,817,961 and \$3,729,060, respectively, are invested in LAMP. LAMP is considered to be an external investment pool administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local Louisiana government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

The following facts are relevant for LAMP:

- Credit risk: LAMP is rated AAA by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days.
- Foreign currency risk: Not applicable.

LAMP values its investments at fair value based on quoted market values. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares which approximates net asset value (NAV).

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

An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP.

LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

**(3) Fair Value Measurement**

A summary of the Airport's investments along with the Fair value hierarchy levels of each type of investment is as follows:

	12/31/2016	Fair Value Hierarchy		
		Quoted Prices in Active Markets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)
Investment by Fair Value Level:				
Government bonds	\$ 267,884,875	-	267,884,875	-
Total Investments at Fair Value Level	<u>267,884,875</u>	<u>-</u>	<u>267,884,875</u>	<u>-</u>
Investment measured at the net asset value (NAV):				
Money market funds	277,762,989			
LAMP	<u>85,547,021</u>			
Total Investments at NAV	<u>363,310,010</u>			
Total Investments at Fair Value	<u>\$ 631,194,885</u>			

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

**(4) Accounts Receivable**

Accounts receivable as of December 31 consist of the following:

	<u>2016</u>		<u>2015</u>
Due from tenants	\$ 4,297,748	\$	3,136,823
Parking garage	2,525,898		2,568,298
Other	93,557		282,562
	<u>6,917,203</u>		<u>5,987,683</u>
Less: allowance for doubtful accounts	(62,136)		(43,926)
	<u>\$ 6,855,067</u>	\$	<u>5,943,757</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)  
Notes to Financial Statements  
December 31, 2016 and 2015

**(5) Summary of Restricted Assets**

Assets restricted for specific purposes in accordance with bond indentures and other legal restrictions are composed of the following at December 31, 2016 and 2015:

2016																
	Debt service fund	Debt service reserve fund	Capitalized Interest	Coverage account	Ineligible sub-account	Operations and maintenance reserve fund	Capital Improvement fund	GARB Restricted	Receipts fund	Rollover fund	PFC collect	CFC collect	Bond costs	Parking Facility Reserve	Receivables	Total
Assets:																
Cash and certificates of deposits	\$ (419)	44,219	15,982	—	—	—	—	14,071,175	116,486	—	29,781	1,765,248	—	—	—	\$ 16,042,472
Dreyfus Treasury Prime Cash Management	11,377,885	67,996,889	37,476,894	1,923,729	673,743	—	90,498,208	286,586,035	912,645	3,729,060	—	7,055,825	654,101	—	—	508,885,014
JPM U.S. Treasury and U.S. money market fund	12,553,722	14,460,173	—	—	—	8,136,357	—	—	—	—	—	—	—	1,098,962	—	36,249,214
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,227,994	2,227,994
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	11,589,508	11,589,508
ATF grant receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,225,580	1,225,580
Customer facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,266,557	1,266,557
	<u>\$ 23,931,188</u>	<u>82,501,281</u>	<u>37,492,876</u>	<u>1,923,729</u>	<u>673,743</u>	<u>8,136,357</u>	<u>90,498,208</u>	<u>300,657,210</u>	<u>1,029,131</u>	<u>3,729,060</u>	<u>29,781</u>	<u>8,821,073</u>	<u>654,101</u>	<u>1,098,962</u>	<u>16,309,639</u>	<u>\$ 577,486,339</u>
2015																
	Debt service fund	Debt service reserve fund	Capitalized Interest	Coverage account	Ineligible sub-account	Operations and maintenance reserve fund	Capital Improvement fund	GARB Restricted	Receipts fund	Rollover fund	PFC collect	CFC collect	Bond costs	Parking Facility Reserve	Receivables	Total
Assets:																
Cash and certificates of deposits	\$ —	—	9	—	—	—	3,310	113	13,990	3,721,446	39,632	3,251	—	—	—	\$ 3,781,751
Dreyfus Treasury Prime Cash Management	11,250,442	68,210,285	65,665,483	1,923,544	673,679	—	79,251,607	466,088,746	1,002,032	—	—	6,818,230	550,635	—	—	701,434,683
JPM U.S. Treasury and U.S. money market fund	12,334,964	14,435,554	—	—	—	8,136,357	—	—	—	—	—	—	—	1,097,360	—	36,004,235
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,055,519	2,055,519
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,011,575	4,011,575
Customer facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,086,494	1,086,494
	<u>\$ 23,585,406</u>	<u>82,645,839</u>	<u>65,665,492</u>	<u>1,923,544</u>	<u>673,679</u>	<u>8,136,357</u>	<u>79,254,917</u>	<u>466,088,859</u>	<u>1,016,022</u>	<u>3,721,446</u>	<u>39,632</u>	<u>6,821,481</u>	<u>550,635</u>	<u>1,097,360</u>	<u>7,153,588</u>	<u>\$ 748,374,257</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

**(6) Capital Assets**

Capital assets include assets acquired with the Airport's own funds as well as those acquired through resources externally restricted for capital acquisition. A summary of changes in capital assets for the years ended December 31, 2016 and 2015 is as follows:

	Balance December 31, 2015	Additions during year	Deletions/ transfers during year	Balance December 31, 2016
Capital assets not being depreciated:				
Land	\$ 81,292,239	\$ -	\$ (3,312,518)	\$ 77,979,721
Air rights	22,282,449	-	-	22,282,449
Construction in progress	111,089,925	243,528,280	(10,331,332)	344,286,873
Total capital assets not being depreciated	<u>214,664,613</u>	<u>243,528,280</u>	<u>(13,643,850)</u>	<u>444,549,043</u>
Capital assets being depreciated:				
Land improvements	506,383,711	609,376	(1,671,152)	505,321,935
Buildings and furnishings	419,906,761	476,927	(265,665)	420,118,023
Equipment	9,229,864	252,766	(8,518)	9,474,112
Computers	972,086	218,241	-	1,190,327
Utilities	42,336,289	11,076,486	-	53,412,775
Heliport	3,074,179	-	-	3,074,179
Total capital assets being depreciated	<u>981,902,890</u>	<u>12,633,796</u>	<u>(1,945,335)</u>	<u>992,591,351</u>
Total capital assets	<u>1,196,567,503</u>	<u>256,162,076</u>	<u>(5,589,185)</u>	<u>1,437,140,394</u>
Less accumulated depreciation:				
Land improvements	286,427,439	21,320,389	(113,126)	307,634,702
Buildings and furnishings	331,459,151	15,712,836	(74,327)	347,097,660
Equipment	7,295,435	428,891	-	7,724,326
Computers	748,843	58,778	-	807,621
Utilities	8,434,651	1,846,845	-	10,281,496
Heliport	3,072,608	1,104	-	3,073,712
Total accumulated depreciation	<u>637,438,127</u>	<u>39,368,843</u>	<u>(187,453)</u>	<u>676,619,517</u>
Total capital assets, net	<u>\$ 559,129,376</u>	<u>\$ 216,793,233</u>	<u>\$ (15,401,732)</u>	<u>\$ 760,520,877</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

	Balance December 31, 2014	Additions during year	Deletions/ transfers during year	Balance December 31, 2015
Capital assets not being depreciated:				
Land	\$ 82,772,540	\$ -	\$ (1,480,301)	\$ 81,292,239
Air rights	22,282,449	-	-	22,282,449
Construction in progress	67,531,677	72,831,897	(29,273,649)	111,089,925
Total capital assets not being depreciated	172,586,666	72,831,897	(30,753,950)	214,664,613
Capital assets being depreciated:				
Land improvements	504,258,130	2,550,664	(425,083)	506,383,711
Buildings and furnishings	419,708,775	317,026	(119,040)	419,906,761
Equipment	9,004,801	225,063	-	9,229,864
Computers	853,046	119,040	-	972,086
Utilities	14,075,040	28,261,249	-	42,336,289
Heliport	3,074,179	-	-	3,074,179
Total capital assets being depreciated	950,973,971	31,473,042	(544,123)	981,902,890
Total capital assets	1,123,560,637	104,304,939	(31,298,073)	1,196,567,503
Less accumulated depreciation:				
Land improvements	266,618,545	21,572,732	(1,763,838)	286,427,439
Buildings and furnishings	312,938,501	18,520,650	-	331,459,151
Equipment	6,748,829	546,606	-	7,295,435
Computers	717,503	31,340	-	748,843
Utilities	6,861,943	1,572,708	-	8,434,651
Heliport	3,071,429	1,179	-	3,072,608
Total accumulated depreciation	596,956,750	42,245,215	(1,763,838)	637,438,127
Total capital assets, net	\$ 526,603,887	\$ 62,059,724	\$ (29,534,235)	\$ 559,129,376

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

Construction in progress is composed of the following at December 31, 2016:

Description	December 31, 2016	Remaining commitments
Airfield lighting vault	\$ 46,672,479	\$ 64,429,138
Airside development	4,887,510	2,593,896
Landside development	5,885,574	-
New terminal development	169,437,013	307,348,992
Expansion taxiway gulf phase 1	1,707,966	830,231
NAVAIDS project	22,520,163	1,790,807
Fuel consortium	2,419,331	-
JetBlue gate relocation	31,904	-
Loading bridges	1,971,906	412,203
LTDP-Hotel development	10,189	-
Storm water pump station	28,325,831	2,523,219
Roadways development	43,325,593	69,475,776
Parking – structures	14,443,193	21,891,170
Parking – Surface	354,292	10,300,321
Parking – circulation bridge	113,818	513,615
Roadways Aberdeen	437,409	2,920,015
Southside redevelopment	1,218,029	6,800,407
Workforce development	253,945	1,644,394
Miscellaneous Projects	270,732	3,287,947
	<u>\$ 344,286,877</u>	<u>\$ 496,762,131</u>

**(7) Long-term Debt**

Long-term debt activity for the years ended December 31, 2016 and 2015 was as follows:

Long-Term Debt	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016	Amounts due within one year
<u>Bonds Payable:</u>					
Series 2007A Revenue Bonds, fixed interest rate January 1, 2038 at 4.25% final maturity	\$ 58,065,000	-	\$ (1,350,000)	\$ 56,715,000	\$ 1,420,000
Series 2007B-1 Revenue Refunding Bonds, fixed interest rate January 1, 2020 at 4.25% final maturity	4,295,000	-	-	4,295,000	-
Series 2007B-2 Revenue Refunding Bonds, fixed interest rate January 1, 2019 at 4.25% final maturity	6,980,000	-	(2,010,000)	4,970,000	2,110,000
Series 2009A-1 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	71,275,000	-	(7,465,000)	63,810,000	7,800,000

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

<u>Long-Term Debt</u>	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2016</u>	<u>Amounts due within one year</u>
<u>Bonds Payable, (continued):</u>					
Series 2009A-2 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	\$ 22,215,000	-	\$ (2,325,000)	\$ 19,890,000	\$ 2,430,000
Series 2009A GO ZONE CFC Revenue bonds, fixed interest rate; January 1, 2040 at 4.625% final maturity	94,845,000	-	(1,745,000)	93,100,000	1,830,000
Series 2010A GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2041 at 4.25% final maturity	52,355,000	-	-	52,355,000	-
Series 2010B GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2038 at 5.125% final maturity	1,285,000	-	-	1,285,000	-
Series 2015A Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2045 at 5.0% final maturity	54,590,000	-	-	54,590,000	-
Series 2015B Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2045 at 5.0% final maturity	510,735,000	-	-	510,735,000	-
	<u>876,640,000</u>	-	<u>(14,895,000)</u>	<u>861,745,000</u>	<u>15,590,000</u>
Unamortized discount on bonds	(2,833,480)	-	162,494	(2,670,986)	-
Unamortized premium on bonds	<u>60,745,913</u>	-	<u>(2,837,392)</u>	<u>57,908,521</u>	-
	<u>934,552,433</u>	-	<u>(17,569,898)</u>	<u>916,982,535</u>	<u>15,590,000</u>
<u>Loans Payable:</u>					
Go Zone	<u>20,151,901</u>	-	<u>(6,789,534)</u>	<u>13,362,367</u>	<u>1,080,350</u>
	<u>\$ 954,704,334</u>	<u>\$</u>	<u>\$ (24,359,432)</u>	<u>\$ 930,344,902</u>	<u>\$ 16,670,350</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

<u>Long-Term Debt</u>	<u>Balance December 31, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2015</u>	<u>Amounts due within one year</u>
<u>Bonds Payable:</u>					
Series 2007A Revenue Bonds, fixed interest rate January 1, 2038 at 4.25% final maturity	\$ 59,350,000	\$ -	(1,285,000)	\$ 58,065,000	\$ 1,350,000
Series 2007B-1 Revenue Refunding Bonds, fixed interest rate January 1, 2020 at 4.25% final maturity	4,295,000	-	-	4,295,000	-
Series 2007B-2 Revenue Refunding Bonds, fixed interest rate January 1, 2019 at 4.25% final maturity	8,895,000	-	(1,915,000)	6,980,000	2,010,000
Series 2009A-1 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	73,960,000	-	(2,685,000)	71,275,000	7,465,000
Series 2009A-2 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	23,055,000	-	(840,000)	22,215,000	2,325,000
Series 2009B Revenue Refunding bonds, fixed interest rate January 1, 2015 at 4.50% final maturity	5,815,000	-	(5,815,000)	-	-
Series 2009A GO ZONE CFC Revenue bonds, fixed interest rate; January 1, 2040 at 4.625% final maturity	96,515,000	-	(1,670,000)	94,845,000	1,745,000
Series 2010A GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2041 at 4.25% final maturity	52,355,000	-	-	52,355,000	-
Series 2010B GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2038 at 5.125% final maturity	1,285,000	-	-	1,285,000	-
Series 2015A Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2045 at 5.0% final maturity	-	54,590,000	-	54,590,000	-
Series 2015B Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2045 at 5.0% final maturity	-	510,735,000	-	510,735,000	-
	<u>325,525,000</u>	<u>565,325,000</u>	<u>(14,210,000)</u>	<u>876,640,000</u>	<u>14,895,000</u>
Unamortized discount on bonds	(2,995,974)	-	162,494	(2,833,480)	-
Unamortized premium on bonds	611,931	62,307,716	(2,173,734)	60,745,913	-
	<u>323,140,957</u>	<u>627,632,716</u>	<u>(16,221,240)</u>	<u>934,552,433</u>	<u>14,895,000</u>
<u>Loans Payable:</u>					
Go Zone	30,081,517	-	(9,929,616)	20,151,901	2,019,150
	<u>\$ 353,222,474</u>	<u>\$ 627,632,716</u>	<u>\$ (26,150,856)</u>	<u>\$ 954,704,334</u>	<u>\$ 16,914,150</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

Debt service requirements to maturity for all outstanding bonds are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Bonds Payable:			
December 31:			
2017	\$ 44,462,056	\$ 15,590,000	\$ 60,052,056
2018	43,681,700	16,320,000	60,001,700
2019	42,827,975	17,150,000	59,977,975
2020	41,862,388	18,185,000	60,047,388
2021	40,813,144	17,995,000	58,808,144
2022-2026	187,830,622	98,835,000	286,665,622
2027-2031	159,815,985	121,405,000	281,220,985
2032-2036	123,387,441	156,795,000	280,182,441
2037-2041	74,899,167	211,440,000	286,339,167
2042-2046	19,255,227	188,030,000	207,285,227
	<u>\$ 778,835,705</u>	<u>\$ 861,745,000</u>	<u>\$ 1,640,580,705</u>

Debt service requirements to maturity for all outstanding loans payable are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Loans Payable:			
December 31:			
2017	\$ 620,014	\$ 1,080,350	\$ 1,700,364
2018	569,886	1,130,479	1,700,364
2019	517,431	1,182,933	1,700,364
2020	462,543	1,237,821	1,700,364
2021	405,108	1,295,256	1,700,364
2022-2026	1,028,595	7,435,528	8,464,124
	<u>\$ 3,603,577</u>	<u>\$ 13,362,367</u>	<u>\$ 16,965,944</u>

The Board received approval for participation in the Gulf Tax Credit Bonds Program (Go Zone Tax Credit Bonds) sponsored by the State of Louisiana in an amount not exceeding \$36,000,000. The Airport was approved for \$35,371,990 for an interest free period of 60 months. On August 1, 2006, Hancock Bank as escrow trustee for the State of Louisiana with respect to its GO Zone Tax Credit Bonds Program transferred to the Trustee the amount of \$10,242,550 to be used to pay the August 2, 2006 debt service on the bonds and related interest rate swap payments. Hancock Bank transferred an additional \$25,129,440 in debt service between August 2006 and July 2008 which brought the loan to the approval amount of \$35,371,990. The Trustee continues to be responsible for making all debt service payments on the bonds.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

**(8) Capital Contributions and Transfers**

Capital contributions recorded by the Airport represent amounts received from the federal government to finance the cost of construction of airport facilities. During the year ended December 31, 2016, the FAA contributed \$31,036,791 and the ATF contributed \$1,384,711. During the year ended December 31, 2015, the FAA contributed \$9,467,830 and the ATF contributed \$938,415.

**(9) Pension Plan**

**Plan Descriptions**

Employees and officers of the Airport are eligible for membership in the Employees' Retirement System of the City of New Orleans (the Plan), a defined benefit retirement plan. A separate financial report on the plan for the year ended December 31, 2016 and 2015 are available from the City of New Orleans Director of Finance, 1300 Perdido Street, Room 1E12, New Orleans, Louisiana 70112, (504) 658-1850.

The Plan is a Defined Benefit Pension Plan established under the laws of the State of Louisiana. The City Charter provided that the Retirement Ordinance (Chapter 114 of the Code) continues to govern and control the Retirement System under the management of the Board of Trustees (the Board), and also for changes in the Retirement System by council action, subject to certain limitations for the purpose of providing retirement allowances, death, and disability benefits to all officers and employees of the parish, except those officers and employees who are already or may hereafter be included in the benefits of any other pension or retirement system of the city, the state or any political subdivision of the state.

The Plan became operative on July 1, 1947. It is supported by joint contributions of the City and employee members and income from investments. The City makes contributions for members during active service as well as for periods of service of members employed prior to July 1, 1947. In this way, reserves are accumulated from the city and employee contributions.

The general administration and the responsibility for the proper operation of the Retirement System and for making effective the provisions of the Retirement Ordinance are vested in the Board of Trustees of the Retirement System.

**Funding Policy**

***Employee Contributions***

4% of earnable compensation over \$1,200 per year. Effective June 1, 2002, \$1,200 removed. Effective January 1, 2012 the rate is 5% and effective January 1, 2013 the rate is 6%.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

*Employer Contributions*

Certain percentage of earnable compensation of each member, known as "normal contributions," determined on the basis of regular interest and mortality tables adopted by the Board, and additional percentage of earnable compensation, known as "Accrued Liability contributions," determined by actuary on basis of the amortization period adopted by the Board from time to time.

Benefits Provided

*Retirement*

Under the System, employees with 30 years of service, or who attain age 60 with 10 years of service, or age 65 and 5 years of service are entitled to a retirement allowance. Effective January 1, 2002, any member whose age and service total 80 may retire with no age reduction. The benefits to retirees consist of the following:

1. An annuity, which is the actuarial equivalent of the employee's accumulated contribution; plus
2. Effective for members retiring on or after January 1, 2002, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2.5% of average compensation times first 25 years, plus 4% of average compensation times creditable service over 25 years.
3. Effective for members retiring before 2002, but on or after January 1, 1983, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2% of average compensation times first 10 years, plus 2 1/2% of average compensation times next 10 years, plus 3% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years.
4. Effective January 1, 1983, additional pension equal to 2% of \$1,200 times first 10 years, plus 2 1/2% of \$1,200 times next 10 years, plus 3% of \$1,200 times next 10 years, plus 4% of \$1,200 times service over 30 years. Ceases at 62 or at eligibility for Social Security, whichever comes first. Effective January 1, 2002, the \$1,200 exclusion will not apply.
5. Additional pension for member who reaches age 65 with 20 or more years and the retirement allowance under (1) and (2) above is less than \$1,200 per year; to produce total retirement allowance of \$1,200 per year.
6. Effective January 1, 1982, for service retirement prior to age 62 with less than 30 years of Service, (3) and (4) above are reduced by 3% for each year below 62. However, effective January 1, 1996, this reduction is not made if employee has at least 30 years of service. Effective January 1, 2002, no reduction if age and service total at least 80.
7. Maximum Benefit: Benefit not to be greater than 100% of average compensation, unless member has already accrued a larger benefit as of April 1978.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

8. Minimum Benefit: Effective June 1, 1999, benefit of \$300 per month for retirees with 10 years of service at retirement.
9. Form of Benefit: Modified cash refund annuity - If a member dies after retirement and before receiving the amount of his accumulated contributions in annuity payments, then the lump sum balance of his contributions is paid to beneficiary.
10. Cost-of-Living: Board of Trustees retains excess over average 3 1/2% interest earnings to provide Cost-of-Living increases in benefits to retirees (past or future) not to exceed 3% of original benefit per each year of retirement. Effective January 1, 2001, additional one-time increase of 1 % times member's or beneficiary's current monthly benefit times whole calendar years from date benefit commenced.

Deferred Retirement Option Program (DROP)

Effective January 1, 1994, any member who is eligible for a service retirement under Section 114-201(a) may participate in the DROP program. A member can participate for up to five years. When a member joins the DROP, he stops contributing to and earning benefits in the system. Employer contributions also stop. His retirement benefit begins being paid into his DROP account.

1. Interest is earned on the DROP account at an annual rate set by the Board. Members of the DROP receive cost-of-living increases, as if they would have received such raises as a retiree.
2. Upon termination of employment at the end of the specified period of DROP participation, the DROP account is paid out. After his DROP period ends and upon continued or re-employment, the member may resume contributions and earn a supplemental benefit based on current covered compensation.
3. If at the end of a members' period of DROP participation he does not terminate employment, payments into DROP shall cease and no further interest shall be earned or credited to the account. Payments shall not be made until employment is terminated

Net Pension Liability

The Airport's Net Pension Liability of \$17,778,160 and \$15,058,503 were measured as of December 31, 2016 and 2015. The Total Pension Liability used to calculate the Net Pension Liability was also determined as of that date.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

The following schedule lists the Airport's proportionate share of the Net Pension Liability allocated by the pension plan for based on the December 31, 2016 measurement date. The Airport uses this measurement to record its Net Pension Liability and associated amounts as of December 31, 2016 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at December 31, 2016 along with the change compared to December 31, 2015 rate. The Airport's proportion of the Net Pension Liability was based on a projection of the City of New Orleans' long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

	Net Pension Liability at December 31, 2016	Rate at December 31, 2016	Increase (Decrease) to December 31, 2015 Rate
Employees' Retirement System of the City of New Orleans	\$ 17,778,160	6.9590%	(0.2241%)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the years ended December 31, 2016 and 2015, the Airport will recognize a Pension Expense of \$2,066,872 and \$2,142,649, respectively, in payroll related expense on the statements of revenues, expenses, and changes in net position.

On December 31, 2016, the Airport reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,902,915	\$ 406,337
Net difference between projected and actual earnings on pension plan investments	1,675,082	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	374,152	214,390
Total	<u>\$ 5,952,149</u>	<u>\$ 620,727</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

2017	\$	1,191,656
2018		1,191,657
2019		1,022,597
2020		449,303
2021		500,909
2022		575,026
2023		400,274
	\$	5,331,422

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, using the following actuarial assumptions:

	Employees' Retirement System
<b>Valuation date</b>	December 31, 2016
<b>Actuary cost method</b>	Entry age normal
<b>Actuarial assumption:</b>	
<b>Expected remaining service live</b>	8 years
<b>Investment rate of return</b>	7.50%, net of investment expense
<b>Inflation rate</b>	2.50%
<b>Mortality</b>	RP 2000 Group Annuity Mortality Table
<b>Salary increases</b>	5.00%
<b>Cost of living adjustments</b>	The present value of future retirement benefits is based on benefits currently being paid by the pension trust funds and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

	2016	2015
Investment rate of return	7.50%	7.50%
Inflation	2.50%	2.50%
Salary increases including inflation	5.00%	5.00%

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Trust Fund's current and expected asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Employees' Retirement System	
	Target Asset Allocation	Long-term expected portfolio real rate of return
Cash equivalents	2.00%	0.04%
Equity securities	58.00%	4.77%
Fixed income	25.00%	0.77%
Real Estate	5.00%	0.34%
Other alternative investments	10.00%	0.73%
Totals	100.00%	6.65%
Inflation		2.26%
Expected arithmetic nominal rate		8.91%

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for the Employees' Retirement System for 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that the plan's contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on those assumptions, the Employees' Retirement System pension trust funds' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2016 and 2015, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, was 8.63% and -3.88%, respectively for the Employees' Retirement System.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

Sensitivity of the Net Pension Liability to Change in the Discount Rate

The following presents the net pension liability of the Airport as of December 31, 2016, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability	\$ 22,129,342	\$ 17,778,160	\$ 14,128,279

**Payables to the Plan**

The Airport recorded accrued liabilities of \$143,475 and \$112,526 to the Plan for the year ended December 31, 2016 and 2015, respectively, mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries and other payables.

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**Schedule of Louis Armstrong New Orleans International Airport's  
Proportionate Share of the Net Pension Liability  
For the Year Ended December 31, 2016 (\*)**

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	<u>Employees' Retirement System</u>
Employer's Proportion of the Net Pension Liability (Asset)	6.9590%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 17,778,160
Employer's Covered-Employee Payroll	\$ 8,037,960
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	221.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.06%

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

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**Schedule of Louis Armstrong New Orleans International Airport's  
Proportionate Share of the Net Pension Liability  
For the Year Ended December 31, 2015 (\*)**

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	Employees' Retirement System
Employer's Proportion of the Net Pension Liability (Asset)	6.7349%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 15,058,503
Employer's Covered-Employee Payroll	\$ 7,118,288
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	211.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.26%

**(10) Rentals under Operating Leases**

The Airport leases space in its terminal to various airlines, concessionaires, and others. These leases are for varying periods ranging from one to ten years and require the payment of minimum annual rentals. On January 1, 2009, an Airline Lease and Use Agreement went into effect with all Signatory airlines paying signatory airlines rates and charges in accordance with the lease agreement.

The Airport parking garage facility (the "Facility") was constructed on land leased by a 501(c) 3 nonprofit corporation (the Corporation) from the Airport pursuant to a parking garage ground lease (the "ground lease") dated January 1, 2001. The commencement date as defined in the ground lease went into effect January 1, 2002, and the ground rental term began. In accordance with the ground lease, the Corporation was required to design, finance, construct, and operate the Facility. The Facility was financed by the Corporation with \$39.4 million of tax-exempt bonds which was refinanced in 2012. The bonds are not an obligation of the Airport. The initial term of the ground lease is ten years with three renewal periods of ten years at the option of the Corporation. During the term of the ground lease, the Corporation will pay the Airport \$10,624 a month plus percentage rent of 6.0% of gross revenues generated from the Facility in excess of \$7.0 million per year plus net cash flow rent, as defined in the ground lease.

The payment of rent is subject to a minimum annual guarantee payment, as defined in the ground lease. The fixed rent shall increase by 3.0% per annum, effective on the first day of each lease year during the term. The 2016 monthly ground rent was \$16,070 and 2015 monthly ground rent was \$15,601.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

The following is a schedule by year of aggregate future minimum rentals receivable on noncancelable operating leases as of December 31, 2016:

2017	\$	5,078,592
2018		4,485,358
2019		825,082
2020		807,523
2021		800,355
2022-2023		320,939
	\$	12,317,849

These amounts do not include contingent rentals which may be received under most of the leases; such contingent rentals, including month-to-month concession agreements, amounted to \$4,381,907 in 2016 and \$3,872,034 in 2015.

**(11) Commitments and Contingencies**

**(a) Self-Insurance**

The Airport is insured for hospitalization and unemployment losses and claims under the City of New Orleans' self-insurance program. The Airport pays premiums to the City of New Orleans' unemployment self-insurance program, and the Airport and its employees pay premiums to the City of New Orleans' hospitalization self-insurance program.

**Commitments**

In the normal course of business, the Airport enters into various commitments and contingent liabilities, such as construction contracts and service agreements, which are not reflected in the accompanying financial statements.

**(b) Claims and Judgments**

There are several pending lawsuits in which the Airport is involved. Based upon review and evaluation of such lawsuits and the advice of legal counsel, management does not believe that the ultimate outcome of such litigation will be material to the Airport's financial position.

**(c) Federal Financial Assistance**

The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited through December 31, 2016 in accordance with the Single Audit Act of 1996, these programs are still subject to financial and compliance audits by governmental agencies.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

**(d) *Defeasance and Redemption of Parking Facilities Corporation Bonds***

In the event that the Airport sponsors, permits, or participates in the relocation of the main passenger terminal from its current location, the Airport will be required to purchase the long-term parking garage at a purchase price equal to the amount necessary to defease the \$39,535,000 Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds (Parking Facilities Corporation – Phase I Project) Series 2012 (LCDA Bonds) bonds and to pay or to assume any other outstanding monetary obligation relating to the ownership and operation of the long-term parking garage. The outstanding balance of the LCDA Bonds is \$33,649,399 at December 31, 2016. The timing of the defeasance of the LDCA Bonds depends on whether (i) the New Orleans Aviation Board as lessor of the parking garage exercises an option to purchase the garage from the lessee at any time or (ii) the lessee exercises its option to require the Airport to purchase the garage within 180 days of a written notice from the Airport. As of the date of this report, the New Orleans Aviation Board has not exercised the option to purchase the garage and the lessee has not exercised an option to require the Airport to purchase the garage.

**(12) Subsequent Events**

**(a)** In May 2017, the Airport issued \$100,010,000 of General Airport Revenue Bonds (North Terminal Project) Series 2017A and \$219,390,000 of General Airport Revenue Bonds (North Terminal Project) Series 2017B. These bonds were issued for the purpose of financing a portion of the costs of a new passenger terminal and other enabling projects. Annual principal payments are due beginning January 1, 2020 and have a final maturity date of January 1, 2038. Both of the bonds bear interest of 5.0%. Interest will be payable on July 1, 2017 and semiannually thereafter.

In May 2017, the Airport issued \$46,995,000 of General Airport Revenue Bonds (Refunding Bonds) Series 2017C, \$4,150,000 of General Airport Revenue Bonds (Refunding Bonds) Series 2017D-1 and \$50,145,000 of General Airport Revenue Bonds (Refunding Bonds) Series 2017D-2. The Series 2017C bonds were issued for the purpose of refunding a portion of the Series 2009 Revenue Refunding Bonds. The Series 2017D-1 and Series 2017D-2 bonds were issued for the purpose of defeasing and refunding the Series 2007 PFC Bonds. Annual principal payments of Series 2017C bonds are due beginning January 1, 2020 and have a final maturity date of January 1, 2023. Annual principal payments of Series 2017D-1 bonds are due beginning January 1, 2019 and have a final maturity date of January 1, 2020. Annual principal payments of Series 2017D-2 bonds are due beginning January 1, 2019 and have a final maturity date of January 1, 2038. All three of the bonds bear interest of 5.0%. Interest of Series 2017C bonds will be payable on July 1, 2017 and semiannually thereafter. Interest of Series 2017D-1 and 2017D-2 bonds will be payable on July 1, 2018 and semiannually thereafter.

**(b)** During 2014 to 2016, the Airport sold some of the noise land properties. Based on the initial agreement with the Federal Aviation Administration (FAA), the sale proceeds should be paid to the FAA. As of December 31, 2016, the total balance of \$1,080,000 was due to the FAA. During March 2017, the Federal Aviation Administration approved for this balance to be used to fund the North Terminal Project.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2016 and 2015

- (c) In December 2015, the Airport's board approved a budget of \$806,961,778 for the North Terminal Project. In March 2017, an additional budget of \$186,792,373 was approved for the expansion of the new terminal. This increase in budget will be primarily funded by the bonds that were issued in 2017.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability  
Last 10 Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability	6.9590%	6.7349%	6.7349%
Employer's proportionate share of the net pension liability	17,778,160	15,058,503	11,410,715
Employer's covered-employee payroll	8,037,960	7,118,288	6,549,317
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.18%	211.55%	174.23%
Plan fiduciary net position as a percentage of the total pension liability	58.06%	60.26%	68.64%

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Required Supplementary Information

Schedule of Contributions to Defined Benefit Plan  
Last 10 Years\*

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 2,406,295	\$ 1,942,962	\$ 1,784,790
Contributions in related to the contractually required contributions	(1,666,973)	(1,603,282)	(1,533,954)
Contribution deficiency (excess)	\$ 739,322	\$ 339,680	\$ 250,836
Employers' covered employee payroll	8,037,960	7,118,288	6,549,317
Contributions a a percentage of covered-employee payroll	20.74%	22.52%	23.42%

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Supplemental Schedule of Investments

Year ended December 31, 2016

Description	Year Acquired	Maturity date	Book value	Fair value
Unrestricted investments:				
Special Receipts:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2007	N/A	\$ 3,241,612	\$ 3,241,612
JPM U.S. Treasury Plus Investments The Bank of New York Mellon	2009	N/A	990,200	990,200
			<u>4,231,812</u>	<u>4,231,812</u>
City of New Orleans:				
LAMP - Sales Tax/General Purpose	2003	N/A	81,817,952	81,817,952
LAMP - Use & Lease General Purpose	2011	N/A	9	9
			<u>81,817,961</u>	<u>81,817,961</u>
Total unrestricted investments			<u>86,049,773</u>	<u>86,049,773</u>
Restricted investments:				
City of New Orleans:				
LAMP - Rollover Coverage	2009	N/A	3,729,060	3,729,060
CIF-Parking Facility Loan:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2010	N/A	1,098,962	1,098,962
Debt Service Fund:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2008	N/A	11,377,885	11,377,885
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	12,553,722	12,553,722
			<u>23,931,607</u>	<u>23,931,607</u>
Debt Service Reserve Fund:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	68,047,910	68,047,910
JPM U.S. Treasury Plus Investments The Bank of New York Mellon	2009	N/A	14,409,152	14,409,152
			<u>82,457,062</u>	<u>82,457,062</u>
Capitalized Interest:				
Federal Home Loan Mortgage Corporation Investments The Bank of New York Mellon	2015	March 2018	9,342,839	9,342,839
JPM U.S. Treasury Plus Investments The Bank of New York Mellon	2015	N/A	27,863,576	27,863,576
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2015	N/A	270,479	270,479
			<u>37,476,894</u>	<u>37,476,894</u>

## LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Proprietary Component Unit of the City of New Orleans)

## Supplemental Schedule of Investments

Year ended December 31, 2016

Description	Year Acquired	Maturity date	Book value	Fair value
Ineligible Sub-Account:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>673,743</u>	<u>673,743</u>
Operations and Maintenance:				
Reserve fund:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>8,136,357</u>	<u>8,136,357</u>
Receipts Fund:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2007	N/A	<u>912,645</u>	<u>912,645</u>
CFC Restricted:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2010	N/A	<u>9,633,654</u>	<u>9,633,654</u>
Time Reimbursement:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>1,147,428</u>	<u>1,147,428</u>
Project Account:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>33,411,712</u>	<u>33,411,712</u>
PFC Restricted:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>55,939,068</u>	<u>55,939,068</u>
GARB Restricted:				
Federal Home Loan Banks Investments The Bank of New York Mellon	2015	December 2017	21,493,747	21,493,747
Federal National Mortgage Association Investments The Bank of New York Mellon	2015	September 2017 - February 2018	56,429,749	56,429,749
Federal Home Loan Mortgage Corporation Investments The Bank of New York Mellon	2015	November 2017 - January 2018	52,138,158	52,138,158
JPM U.S. Treasury Plus Investments The Bank of New York Mellon	2015	N/A	132,536,496	132,536,496
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2015	N/A	<u>23,993,557</u>	<u>23,993,557</u>
			<u>286,591,707</u>	<u>286,591,707</u>
Vendor Payment:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2015	N/A	<u>5,213</u>	<u>5,213</u>
			<u>545,145,112</u>	<u>545,145,112</u>
Total restricted investments			<u>545,145,112</u>	<u>545,145,112</u>
Total all investments			<u>\$ 631,194,885</u>	<u>\$ 631,194,885</u>

See accompanying independent auditors' report.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)  
Supplemental Schedule of Operating Revenues and Expenses by Area of Activity  
Year ended December 31, 2016

	<u>Landing area</u>	<u>Terminal buildings</u>	<u>Ground transportation</u>	<u>Total</u>
Operating revenues	\$ 15,279,443	\$ 60,461,012	\$ 3,676,170	\$ 79,416,625
Direct expenses	<u>2,903,811</u>	<u>13,382,150</u>	<u>928,297</u>	<u>17,214,258</u>
Operating revenues, less direct expenses	12,375,632	47,078,862	2,747,873	62,202,367
Depreciation of cost center assets	<u>22,540,826</u>	<u>13,711,422</u>	<u>609,336</u>	<u>36,861,584</u>
Operating revenues, less direct expenses and depreciation	<u>\$ (10,165,194)</u>	<u>\$ 33,367,440</u>	<u>\$ 2,138,537</u>	<u>25,340,783</u>
Other operating expenses:				
Depreciation of non-cost center assets				2,319,805
Administrative less transfers to work in progress				<u>26,176,349</u>
Total other operating expenses				<u>28,496,154</u>
Operating loss				<u>\$ (3,155,371)</u>

See accompanying independent auditors' report.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Supplemental Schedule of Historical Debt Service Coverage Ratio as Required under  
the General Revenue Bond Trust Indenture Dated February 1, 2009

Year ended December 31, 2016

(Unaudited)

Revenues:	
Airline rentals and landing fees	\$ 41,359,107
Other operating revenues	38,057,518
Nonoperating revenues	1,725,534
Rollover coverage	<u>3,729,060</u>
Total revenues	84,871,219
Less reserve requirements:	
Operation and maintenance expenses	<u>43,390,607</u>
Net revenues	<u>\$ 41,480,612</u>
Debt service fund requirement:	
Principal payments	\$ 10,230,000
Interest expense	<u>4,649,400</u>
Total debt service fund requirement	<u>\$ 14,879,400</u>
Historical debt service coverage ratio	<u>2.79</u>

See accompanying independent auditors' report.

**(1) Basis of Accounting**

The accompanying supplemental schedule has been prepared in accordance with the General Revenue Bond Trust Indenture dated February 1, 2009. The supplemental schedule excludes certain revenues and expenses as defined in the trust indenture.

**(2) Rollover Coverage**

On November 6, 2009, the Board approved the Rollover Coverage for fiscal years 2010-2016 in the amounts of \$3,719,527, \$3,720,107, \$3,719,960, \$3,720,332, \$3,719,082, \$3,721,446, and \$3,729,060 respectively. The funds are transferred monthly, in ratable portions of the total, to the NOAB Rollover Coverage Account held by the City of New Orleans, and then transferred to the airport operating account, held by the City of New Orleans.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
 (A Proprietary Component Unit of the City of New Orleans)

Schedule of Compensation, Benefits, and Other Payments to the Director of Aviation

Year ended December 31, 2016

**Director of Aviation**

Iftikar Ahmad            January-October 2016  
 Walter Krygowski      October-November 2016  
 Mark Reis                December 2016

Purpose	Amount
Salary	\$ 419,318
Benefits-insurance contribution	9,172
Benefits-retirement contribution	71,076
Benefits-Medicare, Social Security, Workman's Compensation	14,748
Travel*	9,501
Conference registration fees*	7,686

\* All Director of Aviation travel, including per diem, lodging, and registration fees associated therewith, are approved at New Orleans Aviation Board public meetings. All reimbursements were for parking charges to attend off-airport meetings. The Director of Aviation charges to the Airport credit card are approved at New Orleans Aviation Board public meetings and the expense report is publically posted on the Airport website at <http://flymsy.com/transparentMSY> with detail for each expense.

See accompanying independent auditors' report.

**Independent Auditors' Report on Compliance with  
Requirements Applicable to the Passenger Facility Charge  
Program, on Internal Control over Compliance, and on the  
Schedule of Revenues and Expenditures of Passenger Facility Charges**

New Orleans Aviation Board and the  
City Council of the City of New Orleans, Louisiana:

**Report on Compliance**

We have audited the compliance of Louis Armstrong International Airport (the Airport), a component unit of the City of New Orleans, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended December 31, 2016.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the Airport'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 the Guide. Those standards and the Guide 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport'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. However, our audit does not provide a legal determination of the Airport's compliance with those requirements.

***Opinion***

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year December 31, 2016.

## **Report on Internal Control over Compliance**

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the Guide on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with the compliance of the Guide will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose describes in the first paragraph of this section and was not 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. However, material weaknesses may exist that have not been identified.

## **Report on Schedule of Revenues and Expenditures of Passenger Facility Charges**

We have audited the basic financial statements of the Airport as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements. We have issued our report thereon dated June 29, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of revenues and expenditures of passenger facility charges is presented for the purposes of additional analysis as required in the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Metairie, Louisiana  
June 29, 2017

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
Schedule of Revenues and Expenditures of Passenger Facility Charges  
For the year ended December 31, 2016

	Program Total December 31, 2015	Quarter 1 January - March 2016	Quarter 2 April - June 2016	Quarter 3 July - September 2016	Quarter 4 October - December 2016	Quarters 1-4 January - December 2016	Program Total December 31, 2016
<b>Revenues:</b>							
Collections	340,311,150	5,494,014	6,001,432	5,256,120	5,213,282	21,964,848	362,275,998
Interest	14,297,469	1,093	1,417	1,501	1,446	5,457	14,302,926
<b>Total Revenues</b>	<b>354,608,619</b>	<b>5,495,107</b>	<b>6,002,849</b>	<b>5,257,621</b>	<b>5,214,728</b>	<b>21,970,305</b>	<b>376,578,924</b>
<b>Expenditures:</b>							
<b>Application 02-05:</b>							
Project 05-001 - ARFF Perimeter Road, Stage I (1)	1,743,939	47,399	23	4,985	13	52,420	1,796,359
Project 05-002 - ARFF Perimeter Road, Stage II (1)	656,947	-	-	-	-	-	656,947
Project 05-003 - ARFF Perimeter Road, Stage III (1)	896,580	-	-	-	-	-	896,580
Project 05-004 - Airfield Lighting Control System (1)	737,800	19,669	10	2,069	5	21,753	759,553
Project 05-005 - Asbestos Removal Program	4,346,455	115,223	57	12,119	31	127,430	4,473,885
Project 05-006 - Concourse D Reconstruction (1)	21,052,206	625,358	309	65,773	169	691,609	21,743,815
Project 05-007 - East Air Cargo Access Roads	2,729,674	67,050	33	7,052	18	74,153	2,803,827
Project 05-008 - East Air Cargo Apron, Stage I	2,658,625	50,463	25	5,307	14	55,809	2,714,434
Project 05-010 - East/West Taxiway (VFR Runway) (1)	6,307,971	112,941	56	11,879	31	124,907	6,432,878
Project 05-011 - Fire Code Compliance Program	5,233,665	143,652	71	15,109	39	158,871	5,392,536
Project 05-013 - North GA Access Road	1,439,798	39,407	20	4,145	11	43,583	1,483,381
Project 05-014 - North General Aviation Apron, Stage I	6,441,373	101,513	50	10,677	27	112,267	6,553,640
Project 05-015 - Rehabilitate Runways and Taxiways (1)	2,755,451	17,939	9	1,887	5	19,840	2,775,291
Project 05-016 - Terminal Improvements	4,908,680	-	-	-	-	-	4,908,680
Project 05-017 - Update Airfield Guidance Sign System (1)	128,666	3,402	2	358	1	3,763	132,429
Project 05-018 - Upper Level Roadway Canopy	5,351,871	-	-	-	-	-	5,351,871
Project 05-019 - West Terminal Expansion (1)	27,591,590	719,300	356	75,654	195	795,505	28,387,095
Project 05-020 - West Terminal Utilities Expansion (1)	8,734,265	238,740	118	25,110	65	264,033	8,998,298
<b>Total Application - 02-05</b>	<b>103,715,556</b>	<b>2,302,056</b>	<b>1,139</b>	<b>242,122</b>	<b>624</b>	<b>2,545,942</b>	<b>106,261,498</b>
<b>Application 02-06</b>							
Project 06-001 - Aircraft Loading Bridges	13,071,703	496,652	1,207	257,405	660	755,924	13,827,627
Project 06-002 - Airfield Lighting Control Vault Alternative Power Source (2)	588,086	-	-	-	-	-	588,086
Project 06-004 - Airport Trench Drains (2)	1,886,917	-	-	-	-	-	1,886,917
Project 06-006 - Concourse C Reconstruction (2)	23,689,436	-	-	-	-	-	23,689,436
Project 06-007 - Environmental Impact Study for New Air Carrier Runway (2)	756,632	-	-	-	-	-	756,632
Project 06-008 - Expansion of Concourse D (2)	14,371,313	717,413	3,433	718,364	1,879	1,441,090	15,812,403
Project 06-010 - New Aircraft Rescue and Fire Fighting (ARFF) Station (2)	8,980,461	86,095	412	86,209	225	172,940	9,153,401
Project 06-011 - Rehabilitate Rotating Beacon (2)	348,560	-	-	-	-	-	348,560
Project 06-012 - Rehabilitate Runway 1/19 (2)	4,247,324	-	-	-	-	-	4,247,324
Project 06-013 - Rehabilitate Runway 10/28 (2)	34,655,473	2,371,860	5,761	1,229,287	3,153	3,610,060	38,265,533
Project 06-014 - Rehabilitate Taxiway Sierra (2)	1,405,541	-	-	-	-	-	1,405,541
Project 06-015 - South Lafon Airpark Land Purchase	5,062,117	-	-	-	-	-	5,062,117
Project 06-017 - Terminal HVAC Rehabilitation	1,278,665	-	-	-	-	-	1,278,665
Project 06-018 - West Air Cargo Complex Land Acquisition Program	1,050,244	-	-	-	-	-	1,050,244
<b>Total Application - 02-06</b>	<b>111,392,472</b>	<b>3,672,020</b>	<b>10,813</b>	<b>2,291,264</b>	<b>5,917</b>	<b>5,980,014</b>	<b>117,372,486</b>

(Continued)

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
Schedule of Revenues and Expenditures of Passenger Facility Charges  
For the year ended December 31, 2016

	Program Total December 31, 2015	Quarter 1 January - March 2016	Quarter 2 April - June 2016	Quarter 3 July - September 2016	Quarter 4 October - December 2016	Quarters 1-4 January - December 2016	Program Total December 31, 2016
Application 04-07							
Project 07-001 - Airport Master Plan	1,303,829	-	-	-	-	-	1,303,829
Project 07-002 - Airport Interior Signage	1,298,209	-	-	-	-	-	1,298,209
Project 07-004 - Concourse C Checkpoint Expansion	1,230,667	-	-	-	-	-	1,230,667
Project 07-005 - Construct Connector Taxiway - Taxiway Uniform	4,651,018	-	-	-	-	-	4,651,018
Project 07-006 - Construct Holding Bay - Runway End 19	1,067,802	-	-	-	-	-	1,067,802
Project 07-007 - Exterior Terminal Renovations - Lower Roadway	4,995,000	-	-	-	-	-	4,995,000
Project 07-008 - FIS Facility	8,083,512	-	-	-	-	-	8,083,512
Project 07-009 - Gate Utilization Study	455,662	-	-	-	-	-	455,662
Project 07-011 - Part 1542 Security System	11,403,949	-	-	-	-	-	11,403,949
Project 07-013 - Residential Sound Insulation Program /Land Acquisition	3,307,734	-	-	-	-	-	3,307,734
Project 07-014 - TSA - Related Terminal Modification and Airline Relocations	5,918,809	-	-	-	-	-	5,918,809
Project 07-016 - Terminal HVAC Rehabilitation - Phase II	2,101,018	-	-	-	-	-	2,101,018
Project 07-017 - Terminal HVAC Rehabilitation - Phase III	1,449,000	-	-	-	-	-	1,449,000
Project 07-018 - Terminal Interior and Exterior Improvements	22,532,653	287,074	1,373	287,455	751	576,653	23,109,306
Project 07-019 - Terminal Pedestrian Access Enhancements	1,381,705	-	-	-	-	-	1,381,705
<b>Total Application - 04-07</b>	<b>71,180,567</b>	<b>287,074</b>	<b>1,373</b>	<b>287,455</b>	<b>751</b>	<b>576,653</b>	<b>71,757,220</b>
Application 06-08							
Project 08-004 - Acquire 3,000 Gallon ARFF Vehicle	742,165	-	-	-	-	-	742,165
<b>Total Application - 06-08</b>	<b>742,165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>742,165</b>
Application 09-09							
Project 09-001 - Hazardous Wildlife Study	28,652	-	-	-	-	-	28,652
Project 09-004 - Taxiway G Extension - East	418,234	-	-	-	-	-	418,234
<b>Total Application - 09-09</b>	<b>446,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>446,886</b>
Application 09-10							
Project 10-001 - Terminal Apron Rehabilitation	7,236,602	-	-	-	-	-	7,236,602
Project 10-002 - Northwest Service (Perimeter) Road	687,167	-	-	-	-	-	687,167
Project 10-005 - Baggage Handling System	2,978,041	286,937	1,373	287,318	751	576,379	3,554,420
Project 10-007 - Airfield Lighting Vault	1,132,533	-	-	-	-	-	1,132,533
Project 10-008 - Runway 06/24 Downgrade	1	-	-	-	-	-	1
<b>Total Application - 09-10</b>	<b>12,034,344</b>	<b>286,937</b>	<b>1,373</b>	<b>287,318</b>	<b>751</b>	<b>576,379</b>	<b>12,610,723</b>

(Continued)

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
Schedule of Revenues and Expenditures of Passenger Facility Charges  
For the year ended December 31, 2016

	Program Total December 31, 2015	Quarter 1 January - March 2016	Quarter 2 April - June 2016	Quarter 3 July - September 2016	Quarter 4 October - December 2016	Quarters 1-4 January - December 2016	Program Total December 31, 2016
Application 14-11							
Project 11-001 - Airfield Pavement Condition Study (reimbursement)	74,628	-	-	-	-	-	74,628
Project 11-002 - Long Term Planning Study (reimbursement)	120,185	-	-	-	-	-	120,185
Project 11-003 - Airfield Electrical Design and Construction	2,209,123	-	-	-	-	-	2,209,123
Project 11-004 - Land Use and Development Study (reimbursement)	685,836	-	-	-	-	-	685,836
Project 11-005 - Long Term Development Feasibility Study (reimbursement)	155,303	-	-	-	-	-	155,303
Project 11-006 - Perimeter Fencing Replacement Construction (reimbursement)	323,743	-	-	-	-	-	323,743
Project 11-010 - Drainage Pumping Station Design and Construction	73,703	-	-	-	-	-	73,703
Project 11-011 - Long Term Development Program- Terminal Design and Construction	404,436	-	-	-	-	-	404,436
Project 11-012 - Long Term Development Program- Airside Design and Construction	40,889	209,687	2,245	-	-	211,932	252,821
Project 11-013 - Long Term Development Program- Landside Terminal Support Design and Construction	-	162,064	6,899	-	-	168,963	168,963
<b>Total Application - 14-11</b>	<b>4,087,846</b>	<b>371,752</b>	<b>9,144</b>	<b>-</b>	<b>-</b>	<b>380,896</b>	<b>4,468,742</b>
<b>Total Expenditures</b>	<b>303,599,836</b>	<b>6,919,840</b>	<b>23,842</b>	<b>3,108,159</b>	<b>8,043</b>	<b>10,059,883</b>	<b>313,659,719</b>
<b>PFC revenues in excess of (under) expenditures</b>	<b>51,008,783</b>	<b>(1,424,733)</b>	<b>5,979,007</b>	<b>2,149,463</b>	<b>5,206,685</b>	<b>11,910,422</b>	<b>62,919,205</b>

See accompanying notes to schedule of revenues and expenditures of passenger facility charges.

## LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

### Note to Schedule of Revenues and Expenditures of Passenger Facility Charges

Year ended December 31, 2016

#### (1) Schedule of Revenues and Expenditures of Passenger Facility Charges

The accompanying Schedule of Revenues and Expenditures of Passenger Facility Charges (PFC) presents the revenues received from the PFC and expenditures incurred on approved projects. The Schedule has been prepared on the cash basis of accounting under which revenues are recognized when received and expenditures are recognized when paid.

PFC revenue collections represent cash collected through the end of the month subsequent to the quarter-end as reported to the Federal Aviation Administration (FAA) in accordance with 14 CFR Part 158. The interest recognized represents the actual interest collected on the unexpended PFC cash collected during the periods reported.

The approved collection rate for the 10 projects denoted by (1) was increased by the FAA from \$3.00 per enplaned passenger to \$4.50 per enplaned passenger, effective April 1, 2002 upon the Airport's submission of Application 02-05 in order to amend the collection level for projects within the PFC program. The collection level for the remaining projects within Application 02-05 remained at \$3.00 per enplaned passenger.

The approved collection level for the 9 projects denoted by (2) was increased by the FAA from \$3.00 per enplaned passenger to \$4.50 enplaned passenger, effective April 1, 2002, upon the Airport's submission of Application 02-06. The collection level for the remaining projects was approved by the FAA at \$3.00 per enplaned passenger, effective April 1, 2002.

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

New Orleans Aviation Board and the  
Airport Council of the Airport of New Orleans, Louisiana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louis Armstrong New Orleans International Airport (the Airport), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued our report thereon dated June 29, 2017.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Postlethwaite & Netterville*

Metairie, Louisiana  
June 29, 2017

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**

Schedule of Findings and Questioned Costs

Year ended December 31, 2016

None.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**

Summary Schedule of Prior Audit Findings

December 31, 2016

**2015-001 Accounting and Financial Reporting**

Criteria: The Aviation Board should have systems of internal accounting control which ensures the basic financial statements are presented in accordance with U.S. generally accepted accounting principles on a timely basis.

Recommendation: The Aviation Board should evaluate its accounting and financial reporting function to ensure that the cash, investment, and debt accounts are properly recorded and that entries to net position are reviewed and properly classified on a timely basis.

Status: Resolved.

**2015-002 Timely Submission of Audit Report to Legislative Auditor**

Criteria: Under Louisiana statute (LA R.S. 24:513), the Airport 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.

Status: Resolved.