

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

Financial Statements and Supplemental Schedules

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



A Professional Accounting Corporation

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

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

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 16
Financial Statements:	
Balance Sheets as of December 31, 2011 and 2010	17 – 18
Statements of Revenues, Expenses, and Changes in Net Assets for the years ended December 31, 2011 and 2010	19
Statements of Cash Flows for the years ended December 31, 2011 and 2010	20 – 21
Notes to Financial Statements	22 – 41
<b>Supplemental Schedules:</b>	
Schedule 1 – Supplemental Schedule of Investments for the year ended December 31, 2011	42 – 43
Schedule 2 – Supplemental Schedule of Operating Revenues and Expenses by Area of Activity for the year ended December 31, 2011	44
Schedule 3 – Supplemental Schedule of Historical Debt Service Coverage Ratio as Required Under the General Revenue Bond Trust Indenture dated February 1, 2010 for the year ended December 31, 2011	45

## Independent Auditors' Report

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

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 December 31, 2011 and 2010 for the years then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of the Airport's management. 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. We were not engaged to perform an audit of the Airport's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 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 operation, 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. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. 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 and 2 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 and 2 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.

A handwritten signature in cursive script that reads "Postlethwaite & Nettleton".

Metairie, Louisiana  
June 28, 2012

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

Management's Discussion and Analysis

December 31, 2011 and 2010

(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, 2011 and 2010, with selected comparative information for the fiscal year ended December 31, 2009. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information in this report.

**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, 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 balance sheets present information on all of the Airport's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Airport's financial position.

The statements of revenues, expenses, and changes in net assets present information showing how the Airport's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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 nonoperating 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 nonoperating 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 loss.

**Financial Highlights**

Due to a struggling economy, enplanements in 2009 decreased 2.1 percent compared to 2008. However, the Airport fared better than the national trend. In 2010, total enplanements increased by 5.2% as compared to 2009 levels. In 2011, total enplanements increased by 4.2% as compared to 2010 levels.

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

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

In November 2005, the Board approved a financial plan which was intended to provide a roadmap for how the Airport would manage its financial operations during the recovery from the impact of Hurricane Katrina. It included cash flow projections based on certain growth scenarios related to expenses, debt obligations, passenger growth projections, and nonairline revenues. The plan discussed meeting its operating needs by utilizing available cash balances, federal borrowings and grants, possible debt restructuring, and a working capital credit facility. The Board received over \$10 million from the FEMA Community Disaster Loan Program. On August 20, 2010, the Airport submitted to FEMA an application for loan cancellation, documenting the requirements for cancellation of the FEMA CDL Loan. On November 5, 2010, the Airport received authority from FEMA to forgive all the FEMA CDL Loans in the amount of \$10,882,641, plus accrued interest of \$1,122,297. The Airport recorded a gain on extinguishment of debt in the amount of \$12,004,938 in the Statement of Revenues, Expenses, and Changes in Net Assets for the year ended December 31, 2010. In addition, 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. By July 2008, the Airport had drawn the full amount authorized, using the funds to pay debt service on the Bonds and related interest rate swap payments.

The Airport negotiated a new Commercial Airline Lease effective January 1, 2009 with the Airline Transportation Companies. The new Airline - Airport Use and Lease Agreement (the "2010 Airline Lease Agreement") has an overall residual airline rate-setting methodology and a five-year term, which expires on December 31, 2013. Other key provisions to the Agreement include, a single terminal building rental rate, an annual deposit requirement to the General Purposes Fund, and airline approved capital projects that the NOAB may undertake at any time as demand warrants. To date, ten airlines, representing the vast majority of aviation activity at the Airport, have executed the Agreement.

**Financial Position**

Total assets increased by \$12,478,736 (2%) this year due primarily to an increase in capital assets as a result of completion of ARFF Station and the Expansion of Concourse D. Total current liabilities have decreased by \$306,669 primarily resulting from a decrease in bonds payable.

The largest portion of the Airport's net assets, \$228,829,564 (62%) at 2011 and \$212,834,706 (60%) at 2010, represents its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. 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 themselves cannot be used to liquidate these liabilities.

An additional portion of the Airport's net assets, \$90,813,267 (25%) at 2011 and \$98,492,842 (28%) at 2010, represents resources that are subject to restrictions from contributors, bond resolutions, and state and federal regulations on how they may be used. The remaining balance of unrestricted net assets, \$49,085,819 (13%) at 2011 and \$44,615,697 (13%) at 2010, may be used to meet the Airport's ongoing obligations.

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

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

At the end of the current and previous fiscal year, the Airport reported positive balances in all three categories of net assets.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current and other assets	\$ 294,252	\$ 339,978	\$ 296,126
Net capital assets	<u>488,101</u>	<u>429,897</u>	<u>395,738</u>
Total assets	<u>\$ 782,353</u>	<u>\$ 769,875</u>	<u>\$ 691,864</u>
Liabilities:			
Current liabilities	\$ 59,768	\$ 50,013	\$ 30,757
Long-term liabilities	<u>353,856</u>	<u>363,919</u>	<u>330,797</u>
Total liabilities	<u>\$ 413,624</u>	<u>\$ 413,932</u>	<u>\$ 361,554</u>
Net assets:			
Invested in capital assets, net of debt	\$ 228,830	\$ 212,835	\$ 192,828
Restricted	90,813	98,493	102,166
Unrestricted	<u>49,086</u>	<u>44,615</u>	<u>35,316</u>
Total net assets	<u>\$ 368,729</u>	<u>\$ 355,943</u>	<u>\$ 330,310</u>

**Airlines Rates and Charges**

As previously discussed, a new Airline – Airport Use and Lease Agreement has been negotiated and became effective January 1, 2009. The rates effective January 1, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Terminal building rental rates (per sq. ft.)	\$ 97.12	\$ 114.16
Landing fee rate (per 1,000 lbs)	1.64	2.08
Apron use fee rate (per sq. ft.)	1.69	1.88
Loading bridge use fee (per bridge)	15,966.00	17,695.00
Enplaned passenger fee rate (per person)	7.87	9.15

Due to the terms of the agreement, these rates are subject to settlement. The Airport shall 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 Exhibit F of the agreement. Under the settlements for 2011 and 2010, the Airport's final rate structure varied from the rates in effect during the year.

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

Management's Discussion and Analysis

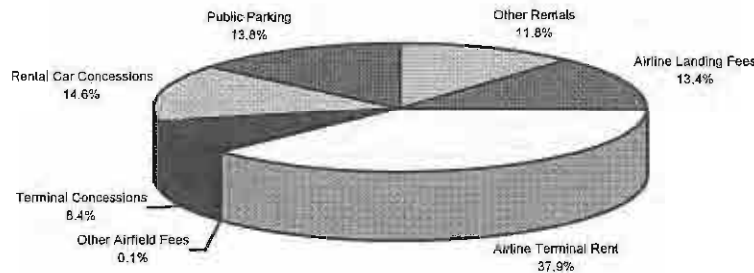
December 31, 2011 and 2010

(Unaudited)

**Revenues**

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

**Operating Revenue**



**Operating Revenues by Major Source (in thousands)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Passenger and cargo airlines:			
Airline landing fee payments	\$ 7,883	\$ 9,896	\$ 10,744
Airline terminal rental payments	22,197	27,613	28,784
Ground rents	50	50	50
Other rentals and fees	2,427	2,509	2,699
Total passenger and cargo airlines	<u>32,557</u>	<u>40,068</u>	<u>42,277</u>
Non airline rentals:			
Concessions-terminal	4,915	4,697	3,894
Concessions-car rentals	8,584	9,357	8,497
Public parking	8,099	5,068	5,294
Other rentals and fees	4,531	4,592	4,411
Total nonairline rentals	<u>26,129</u>	<u>23,714</u>	<u>22,096</u>
Total operating revenues	<u>\$ 58,686</u>	<u>\$ 63,782</u>	<u>\$ 64,373</u>



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

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

**2011 vs. 2010**

The 2009 Airline Lease Agreement remains in effect for 2011. Total air carrier revenue for 2011 decreased by \$7,511,424 (19%) over 2010 due to reduced revenues resulting from a decrease in rates. The landing fees decreased by \$2,013,720 (20%). Airline terminal rentals decreased by \$5,416,337 (20%). Nonairline revenue increased by \$2,415,660 (10%), due primarily to an increase in parking revenues.

**2010 vs. 2009**

Total air carrier revenue for 2010 decreased by \$2,208,581 (5%) over 2009 due to reduced revenues resulting from a decrease in rates. The landing fees decreased by \$847,583 (8%). Airline terminal rentals decreased by \$1,170,965 (4%). Nonairline revenue increased by \$1,617,954 (7%), due primarily to an increase in rental car revenues and concession revenues that were partly offset by a decrease in parking revenue.

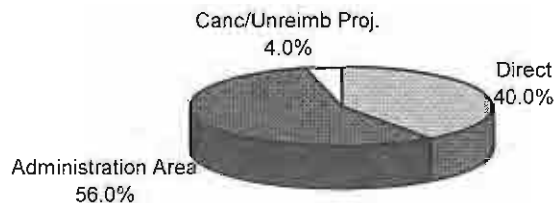
Cost per enplaned passenger is a measure used by the airline industry to reflect the costs an airline pays to operate at an airport based upon the number of enplaned passengers for that airport. The cost per enplaned passenger decreased from \$10.45 in 2009 to \$9.50 in 2010 and decreased to \$7.36 in 2011.

	<u>2011</u>		<u>2010</u>		<u>2009</u>
Cost per enplaned passenger:					
Airline revenues (in thousands)	\$ 31,487	\$	\$ 38,987	\$	40,812
Enplaned passengers (in thousands)	4,281		4,102		3,906
Cost per enplaned passenger	\$ 7.36	\$	\$ 9.50	\$	10.45

**Expenses**

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

**Operating Expenses (Excluding Depreciation)**



**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**

(A Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

**Operating Expenses before Depreciation (in thousands)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Direct (airfield, terminal building and area, hangars, leased sites, heliport)	\$ 16,109	\$ 16,972	\$ 17,427
Administration area	22,767	24,305	27,772
Cancelled/unreimbursed projects	<u>1,681</u>	<u>5,562</u>	<u>1,037</u>
	<u>\$ 40,557</u>	<u>\$ 46,839</u>	<u>\$ 46,236</u>

**2011 vs. 2010**

The operating expenses before depreciation and amortization decreased by \$6,280,953 (13%) over the prior year, due primarily to a reduction in cancelled/unreimbursed projects in the amount of \$3,881,025 (70%). This decrease was also due to a reduction in legal costs in the amount of \$405,466 (34%), security costs of \$819,535 (34%), and utilities of \$731,067 (20%).

**2010 vs. 2009**

The operating expenses before depreciation and amortization increased by \$602,570 (1%) over the prior year, due primarily to recognizing an expense for cancelled/unreimbursed projects in the amount of \$5,562,367. This increase was offset by decreases in a variety of other expense categories.

**Nonoperating Revenues, Net**

**2011 vs. 2010**

Nonoperating revenues, net, consists primarily of passenger facility charge (PFC) revenue, customer facility charge (CFC) revenue, investment income, capital contributions, gain on extinguishment of debt, and interest expense. PFC revenue increased 3% from \$16,912,099 in 2010 to \$17,389,251 in 2011, due primarily to an increase in passenger activity. CFC revenue decreased 4% from \$11,975,343 in 2010 to \$11,456,403. Investment income decreased 228% from \$106,849 in 2010 to (\$136,341) in 2011 due to unfavorable interest rates and losses on investments sold. Capital contributions increased 14% from \$10,736,088 in 2010 to \$12,291,012 in 2011 due primarily to an increase in grant revenue received from the federal government.

**2010 vs. 2009**

Nonoperating revenues, net, consists primarily of passenger facility charge (PFC) revenue, customer facility charge (CFC) revenue, investment income, capital contributions, gain on extinguishment of debt, and interest expense. PFC revenue increased 6% from \$15,957,102 in 2009 to \$16,912,099 in 2010, due primarily to an increase in passenger activity. CFC revenue increased 25% from \$9,565,529 in 2009 to \$11,975,343 in 2010. Investment income decreased 55% from \$239,496 in 2009 to \$106,849 in 2010 due to unfavorable interest rates. Capital contributions increased 74% from \$6,173,801 in 2009 to \$10,736,088 in 2010 due primarily to an increase in grant revenue received from the federal government.

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

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

A gain on extinguishment of debt was recognized in 2010 due to the FEMA Community Disaster Loan in the amount of \$10,882,641, plus interest in the amount of \$1,122,297 being forgiven by the federal government. Interest expense remained substantially the same as the prior year.

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total operating revenues	\$ 58,686	\$ 63,782	\$ 64,373
Total nonoperating revenues	29,100	40,968	25,762
Total revenues	<u>\$ 87,786</u>	<u>\$ 104,750</u>	<u>\$ 90,135</u>
Total operating expenses	\$ 73,004	\$ 76,438	\$ 75,002
Total nonoperating expenses	14,288	13,415	13,797
Total expenses	<u>\$ 87,292</u>	<u>\$ 89,853</u>	<u>\$ 88,799</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Summary of changes in net assets:			
Operating revenues	\$ 58,686	\$ 63,782	\$ 64,373
Operating expenses	40,557	46,839	46,236
Operating income before depreciation and amortization	<u>18,129</u>	<u>16,943</u>	<u>18,137</u>
Depreciation and amortization	32,447	29,599	28,767
Operating loss	<u>(14,318)</u>	<u>(12,656)</u>	<u>(10,630)</u>
Nonoperating revenues, net	14,812	27,553	11,966
Income before capital contributions and transfers	494	14,897	1,336
Capital contributions	12,291	10,736	6,174
Change in net assets	<u>\$ 12,785</u>	<u>\$ 25,633</u>	<u>\$ 7,510</u>

Operating income before depreciation and amortization increased \$1,185,189 (7%) over the prior fiscal year. Depreciation and amortization expense increased \$2,847,326 (10%). Capital contributions increased by \$1,554,924 (14%) due primarily to an increase in the capital contributions received from the federal government.

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

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

Capital contributions are composed of federal grants, which are received to fund security improvements, the airport layout plan, and the rehabilitation of the terminal apron at the Airport.

**Capital Assets**

The Airport's investment in capital assets can be noted in the following table. The total increase for this fiscal year was 10% before accumulated depreciation and amortization. Major capital asset events occurring this fiscal year include the following:

- Land improvements/other buildings increased primarily due to the completion of the Aircraft Rescue and Firefighting Facility at a cost of approximately \$14.2 million.
- Terminal buildings and furnishings increased primarily due to the completion of the Concourse D Expansion for approximately \$29 million.
- Construction in progress increased primarily due to progress on the following projects:

Project	Approximate cost during FY 2011 (not including capitalized interest)
Consolidated Rent A Car Facility	\$35.3 million
Terminal Apron Rehab	\$7.8 million
Baggage Claim Improvements	\$5.6 million
Airfield Lighting Vault	\$5.0 million
Upper-Lower Roadway Improvements	\$3.7 million
Perimeter Road	\$3.5 million
Terminal Interior Improvements	\$2.3 million
USACE Levee Coordination	\$1.3 million
Utility Building	\$1.2 million

These increases were offset by the completion of various projects. More detailed information on capital assets can be found in note 4 of the accompanying financial statements.

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

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

**Net Capital Assets (in thousands)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 85,309	\$ 85,432	\$ 86,787
Air rights	22,283	22,170	20,188
Land improvements	341,920	338,034	325,059
Buildings and furnishings	373,918	331,640	300,059
Equipment	6,496	6,590	5,905
Computers	713	621	-
Utilities	7,786	7,786	7,786
Heliport	3,074	3,070	3,070
Construction in progress	<u>129,621</u>	<u>86,273</u>	<u>69,807</u>
Total capital assets	971,120	881,616	818,661
Less accumulated depreciation and amortization	<u>483,019</u>	<u>451,719</u>	<u>422,923</u>
Net capital assets	<u>\$ 488,101</u>	<u>\$ 429,897</u>	<u>\$ 395,738</u>

**Debt Activity**

At the end of the current fiscal year, the Airport had total debt outstanding of \$367,256,434. The Airport's debt represents bonds secured solely by operating revenue and bonds payable from PFC and CFC revenue.

The Airport is currently appealing the repayment schedule for the Go Zone loan and did not remit the required interest payment of \$820,630 due January 15, 2012.

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

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

**Outstanding Debt (in thousands)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Bonds payable:			
Revenue Refunding Bonds 2007 (PFC)	\$ 81,255	\$ 83,890	\$ 86,415
Revenue Refunding Bonds 2009A-C	128,355	136,170	144,355
Go Zone CFC Revenue Bonds 2009A	96,515	96,515	96,515
GO Zone PFC Revenue Bonds 2010A-B	53,640	53,640	-
Unamortized bond discount	(3,483)	(3,646)	(3,228)
Unamortized loss on advanced refunding	(25,909)	(28,290)	(30,672)
Unamortized bond premium	691	718	745
Loans payable:			
FEMA	-	-	10,883
Go Zone Tax Credit Bonds	35,372	35,372	35,372
Interest payable:			
FEMA	-	-	1,122
GO Zone	820	-	-
	<u>\$ 367,256</u>	<u>\$ 374,369</u>	<u>\$ 341,507</u>

More detailed information on long-term debt can be found in note 5 of the accompanying financial statements.

**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% 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.

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

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

On November 6, 2009, the Board approved the Rollover Coverage for fiscal years 2010-2011 in the amounts of \$3,719,573 and \$3,720,173, 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 in January 2012. The Airport's calculation of the historical debt service coverage ratio, as presented in Supplemental Schedule 3 to the financial statements is 156% for the year ended December 31, 2011 and 150% for the year ended December 31, 2010. 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.

	2011	2010	2009
Refunding Bonds and Revenue Bonds	156%	150%	163%
Revenue Refunding Bonds	175%	198%	225%

**Airport Activities and Highlights**

Passenger totals for 2011 increased by 343,585 (4%) over 2010 due to an increase in air carrier operations and passenger activity. Aircraft operations increased from 89,003 operations in 2010 to 92,712 in 2011 (4%). Aircraft landed weights increased from 5,501,940 in 2010 to 5,613,633 in 2011 (2%). As of December 2011, the Airport had 123 daily departures to 37 cities with 15,463 average daily seats. As of December 2010, the Airport had 131 daily departures to 37 cities with 15,084 average daily seats.

The Airport is continuing a program to rehabilitate aging infrastructure to meet current demands. Work is continuing on the Consolidated Rent A Car Facility, the Terminal Apron Rehabilitation, and Terminal Improvements.

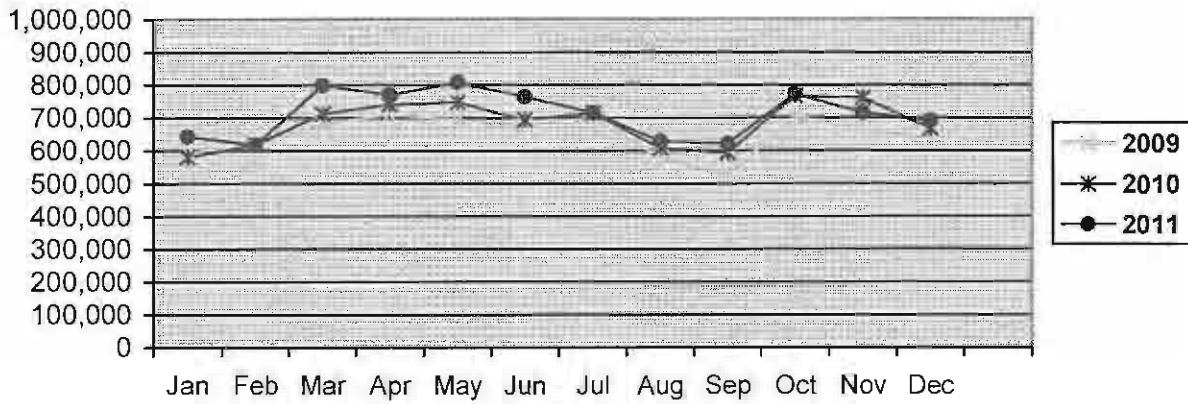
**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
 (A Component Unit of the City of New Orleans)

Management's Discussion and Analysis

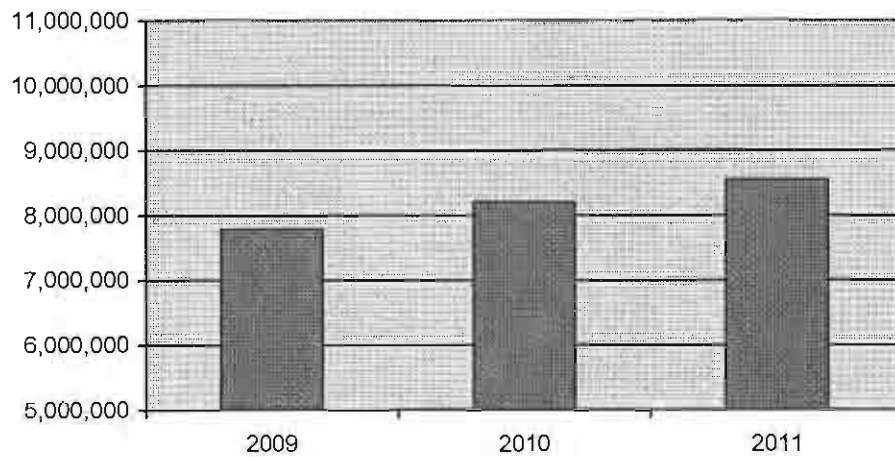
December 31, 2011 and 2010

(Unaudited)

**Total Passengers by Month**



**Total Passengers for the Year**





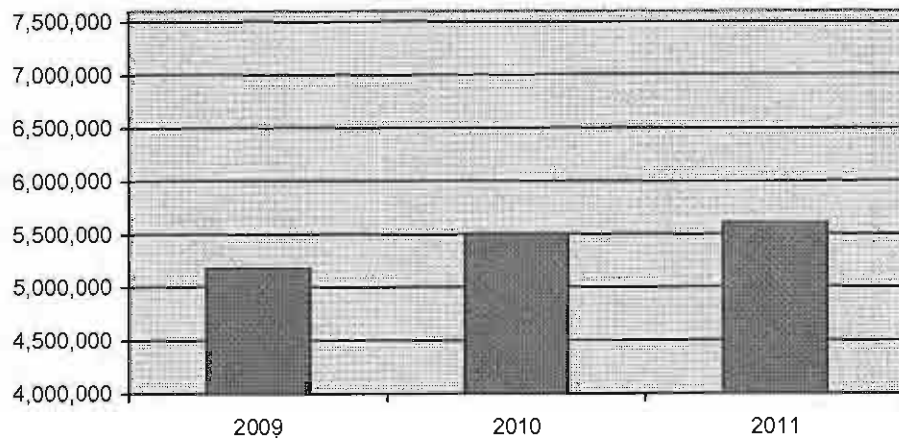
**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Component Unit of the City of New Orleans)

Management's Discussion and Analysis

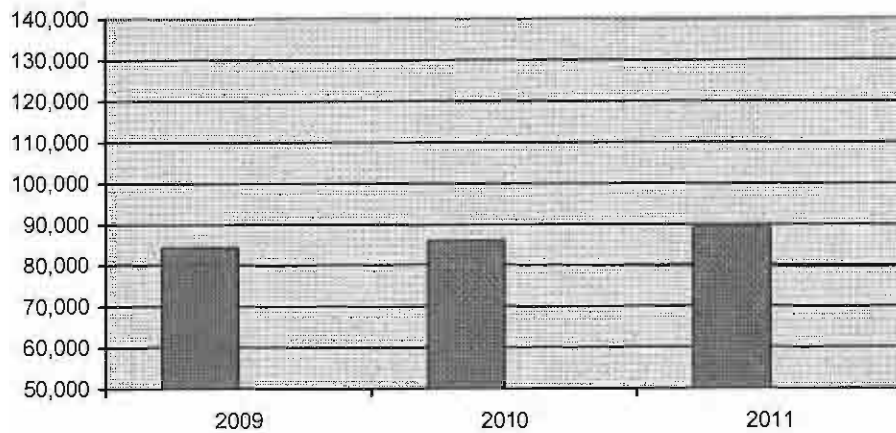
December 31, 2011 and 2010

(Unaudited)

**Landed Weight per 1,000 pounds**



**Number of Passenger Flight Operations**



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

Management's Discussion and Analysis

December 31, 2011 and 2010

(Unaudited)

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

<b>Fiscal year</b>	<b>Total passengers</b>	<b>Landed weight (1,000 pound units)</b>	<b>Air carrier operations</b>
2009	7,787,373	5,174,944	86,857
2010	8,203,305	5,501,940	89,003
2011	8,546,890	5,613,633	92,712

**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 Deputy Director of Finance and Administration, Louis Armstrong New Orleans International Airport, Post Office Box 20007, New Orleans, Louisiana 70141.

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

Balance Sheets

December 31, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>
Current assets:		
Unrestricted assets:		
Cash (note 2)	\$ 2,081,790	\$ 2,851,944
Accounts receivable, less allowance for doubtful accounts of \$2,050,887 in 2011; \$1,152,543 in 2010	5,766,876	6,612,186
Investments (note 2)	93,304,940	84,156,164
Prepaid expenses and deposits	1,294,732	1,888,854
Total unrestricted assets	<u>102,448,338</u>	<u>95,509,148</u>
Restricted assets (notes 2, 3, and 5):		
Cash	117,681	601,414
Investments	37,731,829	30,486,463
Passenger facility charges receivable	2,048,883	1,655,612
Customer facility charges receivable	802,565	856,511
Capital grant receivable	1,897,197	891,133
Total restricted assets	<u>42,598,155</u>	<u>34,491,133</u>
Total current assets	<u>145,046,493</u>	<u>130,000,281</u>
Noncurrent assets:		
Long-term investments (note 2):		
Investments, restricted	139,346,261	199,550,645
Total long-term investments	<u>139,346,261</u>	<u>199,550,645</u>
Capital assets (note 4):		
Capital assets not being depreciated	237,213,216	193,875,484
Capital assets being depreciated	733,907,471	687,740,714
Less accumulated depreciation	(483,019,291)	(451,719,271)
Total capital assets, net	<u>488,101,396</u>	<u>429,896,927</u>
Prepaid insurance on revenue bonds, less accumulated amortization of \$835,686 in 2011; \$573,406 in 2010	3,995,815	4,258,096
Deferred cost of bond issuance, less accumulated amortization of \$816,032 in 2011; \$510,752 in 2010	5,863,404	6,168,684
Total noncurrent assets	<u>637,306,876</u>	<u>639,874,352</u>
Total assets	<u>\$ 782,353,369</u>	<u>\$ 769,874,633</u>

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

Balance Sheets

December 31, 2011 and 2010

<b>Liabilities and Net Assets</b>	<b>2011</b>	<b>2010</b>
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	\$ 14,864,170	\$ 12,955,829
Due to City of New Orleans	753,255	1,007,283
Accrued salaries and other compensation	1,351,821	1,346,851
Capital projects payable	200,652	211,498
Total unrestricted current liabilities	<u>17,169,898</u>	<u>15,521,461</u>
Payable from restricted assets:		
Accounts payable	3,480,805	5,727,160
Accrued bond interest payable	9,858,308	10,346,941
Bonds payable, current portion (note 5)	10,895,000	10,450,000
Loans payable, current portion	1,684,138	—
Loan interest payable	820,630	—
Capital projects payable	15,859,274	7,967,032
Total restricted current liabilities	<u>42,598,155</u>	<u>34,491,133</u>
Total current liabilities	<u>59,768,053</u>	<u>50,012,594</u>
Noncurrent liabilities:		
Bonds payable, less current portion, unamortized loss on advance refunding and unamortized discount (note 5)	320,168,814	328,546,804
Loans payable	33,687,852	35,371,990
Total noncurrent liabilities	<u>353,856,666</u>	<u>363,918,794</u>
Total liabilities	<u>413,624,719</u>	<u>413,931,388</u>
Net assets:		
Invested in capital assets, net of related debt	228,829,564	212,834,706
Restricted for:		
Debt service	45,256,853	44,812,148
Capital acquisition	33,461,301	41,584,061
Operating reserve	12,095,113	12,096,633
Unrestricted	49,085,819	44,615,697
Total net assets	<u>368,728,650</u>	<u>355,943,245</u>
Total liabilities and net assets	<u>\$ 782,353,369</u>	<u>\$ 769,874,633</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues (note 8):		
Landing and airfield fees	\$ 10,580,838	\$ 12,675,147
Terminal building	45,954,501	48,895,154
Ground transportation and other areas	2,151,175	2,130,521
Other	—	81,456
Total operating revenues	<u>58,686,514</u>	<u>63,782,278</u>
Operating expenses:		
Direct	16,109,049	16,971,565
Depreciation and impairment write-down	32,446,580	29,599,254
Administrative	22,767,418	24,304,830
Cancelled/unreimbursed projects	1,681,342	5,562,367
Total operating expenses	<u>73,004,389</u>	<u>76,438,016</u>
Operating loss	<u>(14,317,875)</u>	<u>(12,655,738)</u>
Nonoperating revenues (expenses):		
Investment income (loss)	(136,341)	106,849
Interest expense	(14,287,593)	(13,415,121)
Passenger facility charges	17,389,251	16,912,099
Customer facility charges	11,456,403	11,975,343
Gain on forgiveness of debt (note 5)	—	12,004,938
Other, net	390,548	(31,451)
Total nonoperating revenues, net	<u>14,812,268</u>	<u>27,552,657</u>
Income before capital contributions	494,393	14,896,919
Capital contributions (note 6)	<u>12,291,012</u>	<u>10,736,088</u>
Change in net assets	12,785,405	25,633,007
Total net assets, beginning of year, as restated	<u>355,943,245</u>	<u>330,310,238</u>
Total net assets, end of year	<u>\$ 368,728,650</u>	<u>\$ 355,943,245</u>

See accompanying notes to financial statements.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**

(A Component Unit of the City of New Orleans)

Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 59,531,824	\$ 66,222,371
Cash paid to suppliers for goods and services	(30,591,437)	(22,195,367)
Cash paid to employees and on behalf of employees for services	(9,958,955)	(9,217,475)
Other receipts	658,356	69,603
Net cash provided by operating activities	<u>19,639,788</u>	<u>34,879,132</u>
Cash flow from noncapital financing activities:		
Sales tax receipts	750,726	651,407
FEMA proceeds	568,202	306,365
Net cash provided by noncapital financing activities	<u>1,318,928</u>	<u>957,772</u>
Cash flows from capital and related financing activities:		
Passenger facility charges collected	16,995,980	17,047,634
Customer facility charges collected	11,510,350	11,885,561
Proceeds from disposition of property	36,245	13,214
Acquisition and construction of capital assets	(74,887,490)	(56,153,065)
Capital grants received	11,284,948	10,840,118
Principal paid on revenue bond maturities	(10,450,000)	(11,845,910)
Issuance of revenue bonds	—	54,775,910
Interest paid on bonds and loans	(20,415,172)	(16,051,780)
Cost of bond issuance and insurance	—	(1,178,243)
Net cash provided by (used in) capital and related financing activities	<u>(65,925,139)</u>	<u>9,333,439</u>
Cash flows from investing activities:		
Sales of investments	185,980,802	231,548,127
Purchases of investments	(142,406,122)	(275,292,356)
Interest and dividends on investments	137,856	106,777
Net cash provided by (used in) investing activities	<u>43,712,536</u>	<u>(43,637,452)</u>
Net increase (decrease) in cash and cash equivalents	(1,253,887)	1,532,891
Cash and cash equivalents at beginning of year	3,453,358	1,920,467
Cash and cash equivalents at end of year (note 2)	<u>\$ 2,199,471</u>	<u>\$ 3,453,358</u>
Noncash investing activities:		
Decrease in investments due to change in fair value	\$ <u>(235,562)</u>	\$ <u>(32,231)</u>
Noncash financing activities:		
Amortization of bond-related costs	\$ <u>(2,948,682)</u>	\$ <u>(2,932,547)</u>
Gain on forgiveness of debt	\$ <u>—</u>	\$ <u>12,004,938</u>

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

Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<b>2011</b>	<b>2010</b>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (14,317,875)	\$ (12,655,738)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and impairment	32,446,580	29,599,254
Decrease in allowance for doubtful accounts	898,344	(81,456)
Cancelled/unreimbursed projects	—	4,054,352
Other	658,356	69,603
Changes in assets and liabilities:		
Accounts receivable	(53,034)	2,440,093
Prepaid expenses and deposits	594,489	(456,019)
Accounts payable	(338,014)	12,103,117
Accrued salaries and other compensation	196,194	(464,249)
Due to City of New Orleans	(445,252)	270,175
Total adjustments	33,957,663	47,534,870
Net cash provided by operating activities	\$ 19,639,788	\$ 34,879,132

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2011 and 2010

**(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 nonoperating 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 nonoperating 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 nonoperating 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 nonoperating expenses. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the City of New Orleans has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.



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

Notes to Financial Statements

December 31, 2011 and 2010

*(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) 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 assets.

*(g) Capital Assets*

Capital assets are carried at cost. An item is classified as an asset if the initial, individual cost is \$1,000 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 are 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. There was capitalized interest in the amount of \$8,764,254 in 2011 and \$8,518,203 in 2010.

Effective for the year ended December 31, 2010, the Airport adopted the Governmental Accounting Standards Board's (GASB) Statement No. 51 – Accounting and Financial Reporting for Intangible Assets (GASB 51). GASB 51 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. Intangible assets with indefinite life is subsequently determined that certain air rights previously recorded as amortizable capital assets, now 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 Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2011 and 2010

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 \$1,753,520 and \$1,670,017 for the years ended December 31, 2011 and 2010, respectively, and is recorded in administrative expenses in the statements of revenues, expenses, and changes in net assets.

**(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 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 using the interest method.

**(k) Revenue Recognition**

Landing and airfield fees, terminal building, rental building, and leased areas rentals are recorded as revenues of the year in which earned.

As a result of Hurricane Katrina, the Airport entered into negotiations with the airline transportation companies in order to determine the maximum amount of fees and charges the Airport would be able to charge to retain the airline transportation companies and provide airline services to the City of New Orleans. In November 2005, the Board adopted the rates, fees, and charges resolution whereby the airport transportation companies are charged \$8.00 per enplaned passenger. Landing fees were established at \$1.07 per 1,000 pounds of gross maximum landed weight.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**

(A Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2011 and 2010

On January 1, 2009 all prospective signatory airlines began paying signatory airline rates and charges according to the new lease agreement. The rates for 2011 and 2010 are as follows:

	2011	2010
Terminal building rental rates (per sq. ft.)	\$ 97.12	\$ 114.16
Landing fee rate (per 1,000 lbs)	1.64	2.08
Apron use fee rate (per sq. ft.)	1.69	1.88
Loading bridge use fee (per bridge)	15,966.00	17,695.00
Enplaned passenger fee rate (per person)	7.87	9.15

Due to the terms of the agreement, these rates are subject to settlement. The Airport shall 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. Under the settlements for 2010 and 2011, 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, 2011, the Airport is authorized to collect up to \$564,820,750 of PFC revenue of which \$278,520,173 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, 2011, 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. CFC revenues are pledged to secure the Series 2009 Gulf Opportunity Zone CFC Revenue Bonds, which were issued to fund the construction of the CONRAC garage.

**(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. As of December 31, 2011, the Airport had received \$3,159,642 from FEMA as reimbursement for repairs and expenses incurred by the Airport as a result of Hurricanes Katrina and Gustav.

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

Notes to Financial Statements

December 31, 2011 and 2010

**(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 cash, unrestricted certificates of deposit, and restricted cash.

**(q) Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year's presentation.

**(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 are entirely insured by federal depository insurance or by collateral held by the financial institution in the Airport's name.

The Airport follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair value, which is based on available market values. The local government investment pool is a "2a-7-like" pool in accordance with GASB Statement No. 31; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value. At December 31, 2011 and 2010, the fair value of all securities regardless of balance sheet classifications as cash and cash equivalents or investments was as follows:

	<b>2011</b>	<b>2010</b>
Securities:		
Common Stock: Airline bankruptcies	\$ 172,309	\$ 591,493
Local government investment pool	92,393,128	83,353,040
Investment in money market funds	177,817,593	230,248,739
Total securities, at fair value	\$ 270,383,030	\$ 314,193,272

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

Notes to Financial Statements

December 31, 2011 and 2010

These securities are held in the following accounts:

	<b>2011</b>	<b>2010</b>
Current assets:		
Cash and cash equivalents	\$ 2,199,471	\$ 3,453,358
Investments	131,036,769	114,642,627
Noncurrent assets:		
Investments	139,346,261	199,550,645
Total cash and investments	272,582,501	317,646,630
Less cash on deposit	(2,199,471)	(3,453,358)
Total securities, at fair value	\$ 270,383,030	\$ 314,193,272

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, 2011, and 2010, the Airport held the following investments as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*:

**Investment Maturities at December 31, 2011**

Investment type	Less than 1 year	1 to 5 Years	Total
Common Stock: Airline bankruptcies	\$ 172,309	\$ -	\$ 172,309
Local government investment pool	92,393,128	-	92,393,128
Money market funds	177,817,593	-	177,817,593
	\$ 270,383,030	\$ -	\$ 270,383,030

**Investment Maturities at December 31, 2010**

Investment type	Less than 1 year	1 to 5 Years	Total
Common Stock: Airline bankruptcies	\$ 591,493	\$ -	\$ 591,493
Local government investment pool	83,353,040	-	83,353,040
Money market funds	230,248,739	-	230,248,739
	\$ 314,193,272	\$ -	\$ 314,193,272

**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.

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

Notes to Financial Statements

December 31, 2011 and 2010

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.

**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.

In 2007, the Airport acquired common stock as a result of bankruptcy proceedings of three airlines. The common stock with a market value of \$172,309 at December 31, 2011 was subject to market risk as a result of the volatility of the stock market.

**LAMP:** LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to provide immediate access to participants. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares, investments are valued at amortized cost.

**(3) 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, 2011 and 2010:

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

Notes to Financial Statements  
December 31, 2011 and 2010

	2011												
	Debt service fund	Debt service reserve fund	Coverage account	Ineligible sub-account	Operations and maintenance reserve fund	Capital improvement fund	Receipts fund	Rollover fund	PFC collect	Bond costs	Parking Facility Reserve	Receivables	Total
Assets:													
Cash and certificates of deposits	\$ —	24	—	—	—	—	—	3,721,947	117,657	—	—	—	\$ 3,839,628
Dreyfus Treasury Prime Cash Management	9,246,933	18,687,373	1,923,544	3,545,584	—	102,584,147	715,020	—	—	2,224	—	—	136,704,825
JPM U.S. Treasury and U.S. money market fund	12,745,332	14,435,500	—	—	8,373,167	—	—	—	—	—	1,097,319	—	36,651,318
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	2,048,883	2,048,883
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	—	1,857,197	1,857,197
Customer facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	802,565	802,565
	\$ 21,992,265	33,122,897	1,923,544	3,545,584	8,373,167	102,584,147	715,020	3,721,947	117,657	2,224	1,097,319	4,748,645	\$ 181,944,416

	2010												
	Debt service fund	Debt service reserve fund	Coverage account	Ineligible sub-account	Operations and maintenance reserve fund	Capital improvement fund	Receipts fund	Rollover fund	PFC collect	Bond costs	Parking Facility Reserve	Receivables	Total
Assets:													
Cash and certificates of deposits	\$ —	1	10	—	—	473	—	3,723,466	600,929	—	—	—	\$ 4,324,879
Dreyfus Treasury Prime Cash Management	9,449,264	18,687,373	1,923,544	5,836,370	—	152,921,496	761,798	—	—	28,971	—	—	189,608,816
JPM U.S. Treasury and U.S. money market fund	12,586,703	14,435,749	—	—	8,373,167	—	—	—	—	—	1,309,208	—	36,704,827
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	1,655,612	1,655,612
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	—	736,668	736,668
Transportation Security Administration grant receivable	—	—	—	—	—	—	—	—	—	—	—	145,453	145,453
Hazard Material grant receivable	—	—	—	—	—	—	—	—	—	—	—	9,012	9,012
Customs facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	856,511	856,511
	\$ 22,035,967	33,123,123	1,923,534	5,836,370	8,373,167	152,921,969	761,798	3,723,466	600,929	28,971	1,309,208	3,403,256	\$ 234,041,778

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

Notes to Financial Statements

December 31, 2011 and 2010

**(4) 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, 2011 and 2010 is as follows:

	Balance December 31, 2010	Additions/ transfers during year	Deletions/ transfers during year	Balance December 31, 2011
Capital assets not being depreciated:				
Land	\$ 85,432,116	\$ -	\$ (122,683)	\$ 85,309,433
Air rights	22,170,230	112,219	-	22,282,449
Construction in progress	86,273,138	92,911,590	(49,563,394)	129,621,334
Total capital assets not being depreciated	<u>193,875,484</u>	<u>93,023,809</u>	<u>(49,686,077)</u>	<u>237,213,216</u>
Capital assets being depreciated:				
Land improvements	338,033,354	3,886,292	-	341,919,646
Buildings and furnishings	331,640,337	44,098,518	(1,821,022)	373,917,833
Equipment	6,589,880	114,177	(207,630)	6,496,427
Computers	621,340	91,922	-	713,262
Utilities	7,786,124	-	-	7,786,124
Heliport	3,069,679	4,500	-	3,074,179
Total capital assets being depreciated	<u>687,740,714</u>	<u>48,195,409</u>	<u>(2,028,652)</u>	<u>733,907,471</u>
Total capital assets	<u>881,616,198</u>	<u>141,219,218</u>	<u>(51,714,729)</u>	<u>971,120,687</u>
Less accumulated depreciation:				
Land improvements	199,860,152	15,204,079	-	215,064,231
Buildings and furnishings	238,111,598	16,716,298	(1,059,678)	253,768,218
Equipment	5,634,364	254,964	(207,630)	5,681,698
Computers	100,883	132,999	-	233,882
Utilities	4,944,736	258,634	-	5,203,370
Heliport	3,067,538	354	-	3,067,892
Total accumulated depreciation	<u>451,719,271</u>	<u>32,567,328</u>	<u>(1,267,308)</u>	<u>483,019,291</u>
Total capital assets, net	<u>\$ 429,896,927</u>	<u>\$ 108,651,890</u>	<u>\$ (50,447,811)</u>	<u>\$ 488,101,396</u>



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

Notes to Financial Statements

December 31, 2011 and 2010

	Balance December 31, 2009	Additions/ transfers during year	Deletions/ transfers during year	Balance December 31, 2010
Capital assets not being depreciated:	(as adjusted)			
Land	\$ 86,787,123	\$ 905,858	\$ (2,260,865)	\$ 85,432,116
Air rights	20,188,143	1,982,087	-	22,170,230
Construction in progress	69,806,690	67,785,681	(51,319,233)	86,273,138
Total capital assets not being depreciated	<u>176,781,956</u>	<u>70,673,626</u>	<u>(53,580,098)</u>	<u>193,875,484</u>
Capital assets being depreciated:				
Land improvements	325,059,239	13,014,365	(40,250)	338,033,354
Buildings and furnishings	300,058,947	32,253,645	(672,255)	331,640,337
Equipment	5,904,500	685,380	-	6,589,880
Computers	-	621,340	-	621,340
Utilities	7,786,124	-	-	7,786,124
Heliport	3,069,679	-	-	3,069,679
Total capital assets being depreciated	<u>641,878,489</u>	<u>46,574,730</u>	<u>(712,505)</u>	<u>687,740,714</u>
Total capital assets	<u>818,660,445</u>	<u>117,248,356</u>	<u>(54,292,603)</u>	<u>881,616,198</u>
Less accumulated depreciation:				
Land improvements	184,832,734	15,027,418	-	199,860,152
Buildings and furnishings	224,893,146	13,458,122	(239,670)	238,111,598
Equipment	5,443,526	190,838	-	5,634,364
Computers	-	100,883	-	100,883
Utilities	4,686,102	258,634	-	4,944,736
Heliport	3,067,257	281	-	3,067,538
Total accumulated depreciation	<u>422,922,765</u>	<u>29,036,176</u>	<u>(239,670)</u>	<u>451,719,271</u>
Total capital assets, net	<u>\$ 395,737,680</u>	<u>\$ 88,212,180</u>	<u>\$ (54,052,933)</u>	<u>\$ 429,896,927</u>

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

Notes to Financial Statements

December 31, 2011 and 2010

Construction in progress is composed of the following at December 31, 2011:

Description	Project authorization	December 31, 2011	Remaining commitments
Consolidated Rent A Car Facility	\$ 99,796,192	\$ 62,888,686	\$ 36,907,506
Terminal Apron Rehab	18,803,966	17,055,752	1,748,214
Terminal Interior Improvements	12,044,009	9,072,977	2,971,032
Terminal/Baggage Claim Improvements	12,003,154	7,213,643	4,789,511
Terminal Apron Rehab Phase II	11,068,382	8,797,053	2,271,329
New Utility Building	10,790,788	3,271,582	7,519,206
Exterior Terminal - Lower and Upper Roads	7,236,141	5,194,579	2,041,562
New Airfield Lighting Vault	5,974,869	5,382,841	592,028
New Terminal – Design Phase	5,000,000	3,000	4,997,000
North Perimeter Road Improvements	4,399,894	3,990,834	409,060
Terminal Improvements Phase IV	4,353,000	8,606	4,344,394
Terminal FIDS/BIDS/GIDS	2,810,052	2,454,593	355,459
Expansion Taxiway Gulf Phase I	2,538,197	931,564	1,606,633
Perimeter Fence	2,530,000	52,981	2,477,019
Long Term Development Project Mgmt	2,000,000	217,457	1,782,543
USACE Airport Levee Coordination	1,884,988	1,713,625	171,363
Land Development & Reuse Plan	1,200,000	3,000	1,197,000
Miscellaneous Projects under \$1,000,000	2,786,044	1,368,561	1,417,483
	<u>\$ 207,219,676</u>	<u>\$ 129,621,334</u>	<u>\$ 77,598,342</u>

During the year ended December 31, 2010, an impairment write-down of \$563,078 is included in depreciation and impairment write-down on the Statement of Revenues, Expenses, and Changes in Net Assets. The impairment write-down resulted from a reduction in the carrying amount of certain passenger loading bridges. The Airport determined that these loading bridges had no future benefit and were subsequently sold as scrap metal in 2011.

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

Notes to Financial Statements

December 31, 2011 and 2010

**(5) Long-term Debt**

Long-term debt activity for the years ended December 31, 2011 and 2010 was as follows:

<u>Long-Term Debt</u>	<u>Balance December 31, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2011</u>	<u>Amounts due within one year</u>
Bonds Payable:					
Series 2007A Revenue Bonds, fixed interest rate January 1, 2038 at 4.25% final maturity	\$ 63,910,000	\$ -	\$ (1,060,000)	\$ 62,850,000	\$ 1,110,000
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	15,685,000	-	(1,575,000)	14,110,000	1,655,000
Series 2009A-1 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	73,960,000	-	-	73,960,000	-
Series 2009A-2 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	23,055,000	-	-	23,055,000	-
Series 2009B Revenue Refunding bonds, fixed interest rate January 1, 2015 at 4.50% final maturity	27,140,000	-	-	27,140,000	3,930,000
Series 2009C Revenue Refunding bonds, fixed interest rate January 1, 2012 at 3.50% final maturity	12,015,000	-	(7,815,000)	4,200,000	4,200,000
Series 2009A GO ZONE CFC Revenue bonds, fixed interest rate; January 1, 2040 at 4.625% final maturity	96,515,000	-	-	96,515,000	-

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

Notes to Financial Statements

December 31, 2011 and 2010

<u>Long-Term Debt</u>	<u>Balance December 31, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2011</u>	<u>Amounts due within one year</u>
Bonds Payable:					
Series 2010A GO ZONE PFC					
Revenue Bonds, fixed interest rate, January 1, 2041 at 5.25% 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	-
	370,215,000	-	(10,450,000)	359,765,000	10,895,000
Less:					
Unamortized loss on advance refunding	(28,290,599)	-	2,381,121	(25,909,478)	-
Unamortized discount on bonds	(3,645,950)	-	162,494	(3,483,456)	-
Unamortized premium on bonds	718,353	-	(26,605)	691,748	-
	338,996,804	-	(7,932,990)	331,063,814	10,895,000
Loans Payable:					
Go Zone	35,371,990	-	-	35,371,990	1,684,138
	35,371,990	-	-	35,371,990	1,684,138
Other Liabilities:					
GO Zone Interest Payable	-	820,630	-	820,630	820,630
	-	820,630	-	820,630	820,630
	<u>\$ 374,368,794</u>	<u>\$ 820,630</u>	<u>\$ (7,932,990)</u>	<u>\$ 367,256,434</u>	<u>\$ 13,399,768</u>

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

Notes to Financial Statements

December 31, 2011 and 2010

<u>Long-Term Debt</u>	<u>Balance December 31, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2010</u>	<u>Amounts due within one year</u>
Bonds Payable:					
Series 2007A Revenue Bonds, fixed interest rate January 1, 2038 at 4.25% final maturity	\$ 64,925,000	\$ -	(1,015,000)	\$ 63,910,000	\$ 1,060,000
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	17,195,000	-	(1,510,000)	15,685,000	1,575,000
Series 2009A Interim Revenue Notes PFC Drawdown Bond and Credit Facility, final maturity January 1, 2040 at LIBOR+1.75%	-	1,135,910	(1,135,910)	-	-
Series 2009A-1 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	73,960,000	-	-	73,960,000	-
Series 2009A-2 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	23,055,000	-	-	23,055,000	-
Series 2009B Revenue Refunding bonds, fixed interest rate January 1, 2015 at 4.50% final maturity	27,140,000	-	-	27,140,000	-
Series 2009C Revenue Refunding bonds, fixed interest rate January 1, 2012 at 3.50% final maturity	20,200,000	-	(8,185,000)	12,015,000	7,815,000
Series 2009A GO ZONE CFC Revenue bonds, fixed interest rate; January 1, 2040 at 4.625% final maturity	96,515,000	-	-	96,515,000	-

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

Notes to Financial Statements

December 31, 2011 and 2010

<u>Long-Term Debt</u>	<u>Balance December 31, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2010</u>	<u>Amounts due within one year</u>
Bonds Payable:					
Series 2010A GO ZONE PFC					
Revenue Bonds, fixed interest rate, January 1, 2041 at 5.25% 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	-
	<u>327,285,000</u>	<u>54,775,910</u>	<u>(11,845,910)</u>	<u>370,215,000</u>	<u>10,450,000</u>
Less:					
Unamortized loss on advance refunding	(30,671,720)	-	2,381,121	(28,290,599)	-
Unamortized discount on bonds	(3,228,516)	(481,532)	64,098	(3,645,950)	-
Unamortized premium on bonds	744,959	-	(26,606)	718,353	-
	<u>294,129,723</u>	<u>54,294,378</u>	<u>(9,427,297)</u>	<u>338,996,804</u>	<u>10,450,000</u>
Loans Payable:					
FEMA	10,882,641	-	(10,882,641)	-	-
Go Zone	35,371,990	-	-	35,371,990	-
	<u>46,254,631</u>	<u>-</u>	<u>(10,882,641)</u>	<u>35,371,990</u>	<u>-</u>
Other Liabilities:					
FEMA Interest Payable	1,122,297	-	(1,122,297)	-	-
	<u>1,122,297</u>	<u>-</u>	<u>(1,122,297)</u>	<u>-</u>	<u>-</u>
	<u>\$ 341,506,651</u>	<u>\$ 54,294,378</u>	<u>\$ (21,432,235)</u>	<u>\$ 374,368,794</u>	<u>\$ 10,450,000</u>

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

Notes to Financial Statements

December 31, 2011 and 2010

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:			
2012	\$ 19,462,503	\$ 10,895,000	\$ 30,357,503
2013	18,936,196	11,395,000	30,331,196
2014	18,363,190	11,950,000	30,313,190
2015	17,722,633	14,210,000	31,932,633
2016	17,032,925	14,895,000	31,927,925
2017-2021	72,935,513	85,240,000	158,175,513
2022-2026	49,932,422	59,645,000	109,577,422
2027-2031	37,749,735	42,595,000	80,344,735
2032-2036	23,639,441	56,205,000	79,844,441
2037-2041	6,251,792	52,735,000	58,986,792
	<u>\$ 282,026,350</u>	<u>\$ 359,765,000</u>	<u>\$ 641,791,350</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:			
2012	\$ 1,641,260	\$ 1,684,138	\$ 3,325,398
2013	1,563,116	1,762,282	3,325,398
2014	1,481,346	1,844,052	3,325,398
2015	1,395,782	1,929,616	3,325,398
2016	1,306,248	2,019,150	3,325,398
2017-2021	5,035,887	11,591,106	16,626,993
2022-2026	2,085,347	14,541,646	16,626,993
	<u>\$ 14,508,986</u>	<u>\$ 35,371,990</u>	<u>\$ 49,880,976</u>

**Bonds Payable**

On May 26, 2010 New Orleans Aviation Board issued the \$52,355,000 New Orleans Aviation Board Gulf Opportunity Zone Revenue Bonds (Passenger Facility Charge Projects) Series 2010A (Non-AMT) (the "Series 2010A Bonds") and the \$1,285,000 New Orleans Aviation Board Revenue Bonds (Passenger Facility Charge Projects) Series 2010B (Non-AMT) (the "Series 2010B Bonds" and collectively with the Series 2010A Bonds the "Series 2010 Bonds"). The Series 2010 Bonds were issued to provide permanent financing for the allowable costs of a) interior and exterior improvements to certain of the existing terminals of the Airport, b) the expansion of concourse D including improvements to the west terminal ticket counters and the baggage claim and baggage make-up areas, and c) an in-line checked baggage inspection system for the Airport or to the extent any thereof are not commenced any substitute capital

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

Notes to Financial Statements

December 31, 2011 and 2010

improvement project for the Airport presently approved or approved in the future by the FAA for PFC secured bond financing (the "2009 PFC Projects"). The proceeds of the Series 2010A Bonds will be used to pay the allowable costs of the 2009 PFC Projects which can be financed with GO Zone Bonds and were not previously financed with proceeds of the Series 2009 Drawdown Bond. The proceeds of the Series 2010B Bonds were used to pay the outstanding balance of the disbursements made pursuant to the Series 2009 Drawdown Bond. In addition, the Series 2010 Bonds were issued in order to provide the amounts required to pay all or any portion of (i) the costs of issuance of all the Series 2010 Bonds, (ii) the costs of related credit enhancement devices for the Series 2010 Bonds, and (iii) provide the Debt Service Reserve Fund Requirement for the Series 2010 Bonds, or the costs of a reserve asset to serve as all or any portion of the Debt Service Reserve Fund Requirement for the Series 2010 Bonds.

**Loans Payable**

The Board was authorized to receive up to a maximum of \$28,000,000 from the FEMA Community Disaster Loan (CDL) Program. On June 15, 2006, the Airport received an \$8,112,103 CDL from FEMA with an interest rate of 2.93% for a period of 60 months. On August 25, 2006, the Airport received a \$2,187,816 CDL from FEMA with an interest rate of 3.06% for a period of 60 months. On October 4, 2006, the Airport received a \$582,722 CDL from FEMA with an interest rate of 2.93% for a period of 60 months. On August 20, 2010, the Airport submitted to FEMA an application for loan cancellation, documenting the requirements for cancellation of the FEMA CDL Loan. On November 5, 2010, the Airport received authority from FEMA to cancel all the FEMA CDL Loans in the amount of \$10,882,641, plus accrued interest of \$1,122,297. The Airport recorded a gain on extinguishment of debt in the amount of \$12,004,938 on the Statement of Revenues, Expenses, and Changes in Net Assets for the year ended December 31, 2010.

In addition, 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 as of December 31, 2011. The Trustee continues to be responsible for making all debt service payments on the bonds. The Airport is currently appealing the repayment schedule for the Go Zone loan and did not remit the required interest payment of \$820,630 due January 15, 2012.

**(6) 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, 2011, the FAA contributed \$12,043,255, and the Transportation Security Administration contributed \$250,215. During the year ended December 31, 2010 the FAA contributed \$10,308,621, and the Transportation Security Administration contributed \$427,467.



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

Notes to Financial Statements

December 31, 2011 and 2010

**(7) Pension Plan**

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 contributory retirement plan. A separate financial report on the plan for the year ended December 31, 2010 containing additional information required under GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, is available from the City of New Orleans Director of Finance, 1300 Perdido Street, Room 1E12, New Orleans, Louisiana 70112, (504) 658-1850.

The Airport's annual contribution to the Employees' Retirement System is based on the amount determined by the actuary of the Plan, which includes amortization of past service costs over a period of 30 years. The Airport's contribution to the Plan for the years ended December 31, 2011 and 2010 was \$1,427,148 and \$1,154,321, respectively.

**(8) 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, a new Airline Lease and Use Agreement went into effect with all Signatory airlines paying signatory airlines rates and charges in accordance with the new 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 is required to design, finance, construct, and operate the Facility. The Facility is being financed by the Corporation with \$44.3 million of tax-exempt bonds. 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% 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% per annum, effective on the first day of each lease year during the term. The 2011 monthly ground rent was \$13,862, and 2010 monthly ground rent was \$13,458.

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

Notes to Financial Statements

December 31, 2011 and 2010

The following is a schedule by year of aggregate future minimum rentals receivable on noncancelable operating leases as of December 31, 2011:

2012		\$	5,340,378
2013			4,807,933
2014			2,558,227
2015			2,163,320
2016			2,125,497
2017-2021			5,616,392
2022			156,905
		\$	22,768,652

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 \$4,661,120 in 2011 and \$5,467,959 in 2010.

**(9) 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.

**(b) 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.

**(c) Claims and Judgments**

There are several pending lawsuits in which the Airport is involved. Based upon management's review and evaluation of such lawsuits and the advice of legal counsel, the Airport believes that the potential claims resulting from such litigation and not covered by insurance would not materially affect the financial statements.

**(d) Federal Financial Assistance**

The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited through December 31, 2011 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 Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2011 and 2010

**(10) Restatement**

Management identified an overstatement of revenue which impacted prior year financial statements due to the airline settlement calculation for landing fees. The restatement resulted in a decrease in landing and air field fees, accounts receivable, and net assets at December 31, 2010 of \$1,523,293.

**(11) Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 28, 2012, and determined that there were no subsequent events requiring disclosure.

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

Supplemental Schedule of Investments

Year ended December 31, 2011

Description	Year acquired	Maturity date	Par value	Fair value
Unrestricted investments:				
Special receipts:				
Dreyfus Treasury Prime Cash Management				
The Bank of New York Mellon	2008	N/A	\$ 580,144	\$ 580,144
JPM U.S. Treasury Plus Investments				
The Bank of New York Mellon	2009	N/A	1,733,466	1,733,466
			<u>2,313,610</u>	<u>2,313,610</u>
PFC reimbursement:				
Dreyfus Treasury Prime Cash Management				
The Bank of New York Mellon	2008	N/A	2,147,840	2,147,840
Stock: Airline Bankruptcies				
	2007	N/A	172,309	172,309
City of New Orleans: LAMP				
	2011	N/A	88,671,181	88,671,181
Total unrestricted investments			<u>93,304,940</u>	<u>93,304,940</u>
Restricted investments:				
City of New Orleans: LAMP				
	2009	N/A	3,721,947	3,721,947
CIF-Parking Facility Loan: JPM U.S. Treasury Plus Investments				
The Bank of New York Mellon	2010	N/A	1,097,319	1,097,319
Debt service fund:				
Dreyfus Treasury Prime Cash Management				
The Bank of New York Mellon	2008	N/A	9,246,933	9,246,933
JPM U.S. Treasury Plus Investments				
The Bank of New York Mellon	2009	N/A	12,745,332	12,745,332
			<u>21,992,265</u>	<u>21,992,265</u>
Debt service reserve fund:				
Dreyfus Treasury Prime Cash Management				
The Bank of New York Mellon	2009	N/A	18,687,373	18,687,373
JPM U.S. Treasury Plus Investments				
The Bank of New York Mellon	2009	N/A	14,435,500	14,435,500
			<u>33,122,873</u>	<u>33,122,873</u>

## LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Component Unit of the City of New Orleans)

## Supplemental Schedule of Investments

Year ended December 31, 2011

Description	Year acquired	Maturity date	Par value	Fair value
Ineligible Sub-Account				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>3,545,584</u>	<u>3,545,584</u>
Operations and maintenance				
Reserve fund:				
JPM U.S. Treasury Plus Investments The Bank of New York Mellon	2009	N/A	<u>8,373,167</u>	<u>8,373,167</u>
Receipts fund:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>715,020</u>	<u>715,020</u>
CFC Restricted:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2010	N/A	<u>1,925,768</u>	<u>1,925,768</u>
Time Reimbursement				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>1,919,795</u>	<u>1,919,795</u>
Project Account				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>79,953,593</u>	<u>79,953,593</u>
PFC Restricted				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>20,710,759</u>	<u>20,710,759</u>
Total restricted investments			<u>177,078,090</u>	<u>177,078,090</u>
Total			<u>\$ 270,383,030</u>	<u>\$ 270,383,030</u>

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

Supplemental Schedule of Operating Revenues and Expenses by Area of Activity

Year ended December 31, 2011

	Landing area	Terminal buildings and area	Ground transportation	Total
Operating revenues	\$ 10,580,838	45,954,501	2,151,175	58,686,514
Direct expenses	<u>2,240,792</u>	<u>12,185,848</u>	<u>1,682,409</u>	<u>16,109,049</u>
Operating revenues, less direct expenses	8,340,046	33,768,653	468,766	42,577,465
Depreciation of area assets	<u>15,204,433</u>	<u>15,145,854</u>	<u>1,112,362</u>	<u>31,462,649</u>
Operating revenues, less direct expenses and depreciation	<u>\$ (6,864,387)</u>	<u>18,622,799</u>	<u>(643,596)</u>	<u>11,114,816</u>
Other operating expenses:				
Depreciation of general assets				983,931
Administrative				<u>24,448,760</u>
Total other operating expenses				<u>25,432,691</u>
Operating loss				<u>\$ (14,317,875)</u>

See accompanying independent auditors' report.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A 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, 2011

(Unaudited)

Revenues:	
Airline rentals and landing fees	\$ 31,864,636
Other operating revenues	28,048,435
Nonoperating revenues	90,143
Rollover coverage	<u>3,720,173</u>
Total revenues	63,723,387
Less reserve requirements:	
Operation and maintenance expenses	<u>40,557,809</u>
Net revenues	<u>\$ 23,165,578</u>
Debt service fund requirement:	
Principal payments	\$ 8,130,000
Interest expense	<u>6,750,690</u>
Total debt service fund requirement	<u>\$ 14,880,690</u>
Historical debt service coverage ratio	<u>1.56</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 2010-2011 in the amounts of \$3,719,573 and \$3,720,173, 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 in January 2012.