

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

Financial Statements and Supplemental Schedules

December 31, 2015

(With Independent Auditors' Report Thereon)



A Professional Accounting Corporation

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

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## **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, 2015 and 2014, 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, 2015 and 2014, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 10 to the financial statements, the Airport implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the year ended December 31, 2015. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. The Airport also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

## **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 17 and the schedules presented on pages 50 and 51 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 audits were 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 July 11, 2016, 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  
July 11, 2016

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
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Management's Discussion and Analysis

December 31, 2015 and 2014

(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, 2015 and 2014, with selected comparative information for the fiscal year ended December 31, 2013. 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, 2015 by \$394,626,143 (net position). Of this amount, \$59,693,750 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 \$16,411,849, or 4.3%.
- The Airport's total outstanding long-term debt increased by \$601,481,860, or 170.3%, during the year ended December 31, 2015 due primarily to the issuance of 2015 bonds during the year.
- The Airport negotiated a Commercial Airline Lease effective January 1, 2015 with the Airline Transportation Companies. The Airline - Airport Use and Lease Agreement (the "2015 Airline Lease Agreement") has a residual airline rate-setting methodology and will expire on December 31, 2025 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 \$650 million passenger terminal project, a five (5) year Airfield capital improvement program, an increase in the Board's capital spending limits to \$3 million in any one (1) year and not to exceed \$10 million over any five (5) year period without Airline approval, and an increase in the annual general purpose account payment to the Board to \$6 million for self-directed use 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, 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.

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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 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 income or loss.

**Financial Position**

Total assets and deferred outflows of resources increased by \$637,418,466 (81.88%) this year due primarily to the issuance of revenue bonds associated with the funding of ongoing airfield infrastructure improvements and design of a new passenger terminal. Total liabilities and deferred inflows increased by \$621,006,617 (155.14%) primarily resulting from an increase in long-term debt of \$627,632,716 as a result of the bond issuance that is offset by principal payments of \$26,150,856.

The largest portion of the Airport's net position, \$108,923,875 (27.6%) at 2015 and \$245,477,605 (64.9%) at 2014, 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, \$226,008,518 (57.3%) at 2015 and \$116,324,195 (29.3%) at 2014, 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, \$59,693,750 (15.1%) at 2015 and \$16,412,494 (4.1%) at 2014, may be used to meet the Airport's ongoing obligations.

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

	<u>2015</u>	<u>(Restated) 2014</u>	<u>(Restated) 2013</u>
<b>Assets:</b>			
Current and other assets	\$ 837,221	\$ 233,321	\$ 230,692
Net capital assets	559,129	526,604	522,258
Total assets	<u>\$ 1,396,350</u>	<u>\$ 759,925</u>	<u>\$ 752,950</u>
<b>Deferred Outflows of Resources:</b>			
Deferred amounts related to pension liability	\$ 3,906	\$ 654	\$ -
Deferred losses on advance refunding	15,656	17,914	20,173
Total deferred outflows	<u>\$ 19,562</u>	<u>\$ 18,569</u>	<u>\$ 20,173</u>
<b>Liabilities:</b>			
Current liabilities	\$ 67,543	\$ 51,035	\$ 41,198
Long-term liabilities	952,849	348,493	364,676
Total liabilities	<u>\$ 1,020,392</u>	<u>\$ 399,528</u>	<u>\$ 405,874</u>
<b>Deferred Inflows of Resources:</b>			
Deferred amounts related to pension liability	\$ 894	\$ 751	\$ -
Total deferred inflows	<u>\$ 894</u>	<u>\$ 751</u>	<u>\$ -</u>
<b>Net Position:</b>			
Net investment in capital assets	\$ 108,924	\$ 245,478	\$ 231,487
Restricted	226,008	116,324	106,888
Unrestricted	59,694	16,412	28,874
Total net position	<u>\$ 394,626</u>	<u>\$ 378,214</u>	<u>\$ 367,249</u>

**Debt Activity**

At December 31, 2015 and 2014, the Airport had total debt outstanding of \$954,704,334 and \$353,222,474, respectively. The Airport's debt represents bonds secured solely by operating revenue and bonds payable from PFC and CFC revenue. As of the date of the audit all required Go Zone loan principal and interest payments have been made.



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**Outstanding Debt** (in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Bonds payable:			
Revenue Refunding Bonds 2007 (PFC)	\$ 69,340	\$ 72,540	\$ 75,590
Revenue Refunding Bonds 2009A-C	93,490	102,830	111,730
GO Zone CFC Revenue Bonds 2009A	94,845	96,515	96,515
GO Zone PFC Revenue Bonds 2010A-B	53,640	53,640	53,640
Revenue Bonds 2015A-B	565,325	-	-
Unamortized bond discount	(2,833)	(2,996)	(3,158)
Unamortized bond premium	60,746	611	637
Loans payable: GO Zone Tax Credit Bonds	20,152	30,082	33,688
	<u>\$ 954,705</u>	<u>\$ 353,222</u>	<u>\$ 368,642</u>

More detailed information on long-term debt can be found in Note 5 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 6.5% before accumulated depreciation and amortization. Major capital asset events occurring this fiscal year include the following:

- The Airport incurred \$54 million in CIP expenditures for the design of a new state of the art passenger terminal to replace the Airport existing passenger terminal.
- The Airport reinvested \$7.9 million in airfield infrastructure for Storm Water Pumping Station and relocation Airfield NAVAIDS.
- The Airport reinvested \$11 million in airfield infrastructure to rehabilitate the Airport's existing airfield lighting system.
- Construction in progress additions were primarily due to progress on the following projects:

<u>Project</u>	<u>Approximate cost during FY 2015 (not including capitalized interest)</u>
North Terminal Project Design	\$54 million
Storm Water Pump Station / Airfield NAVAIDS	\$7.9 million
Airfield Electrical Rehabilitation Program	\$11 million

These increases were offset by the completion of various projects. More detailed information on capital assets can be found in Note 5 of the accompanying financial statements.

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**Net Capital Assets** (in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 81,292	\$ 82,772	\$ 85,309
Air rights	22,283	22,283	22,283
Land improvements	506,383	504,258	497,891
Buildings and furnishings	419,907	419,709	419,616
Equipment	9,230	9,005	8,215
Computers	972	853	723
Utilities	42,336	14,075	14,075
Heliport	3,074	3,074	3,074
Construction in progress	111,090	67,532	25,374
Total capital assets	<u>1,196,567</u>	<u>1,123,561</u>	<u>1,076,560</u>
Less accumulated depreciation	<u>637,438</u>	<u>596,957</u>	<u>515,754</u>
Net capital assets	<u>\$ 559,129</u>	<u>\$ 526,604</u>	<u>\$ 560,806</u>

**Airlines Rates and Charges**

As previously discussed, an Airline Airport Use and Lease Agreement became effective January 1, 2009. The rates for 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Terminal building rental rates (per sq. ft.)	\$ 77.78	\$ 88.59
Landing fee rate (per 1,000 lbs)	1.65	1.85
Apron use fee rate (per sq. ft.)	1.20	2.19
Loading bridge use fee (per bridge)	11,725	11,167
Enplaned passenger use fee (per passenger)	7.09	7.19

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.

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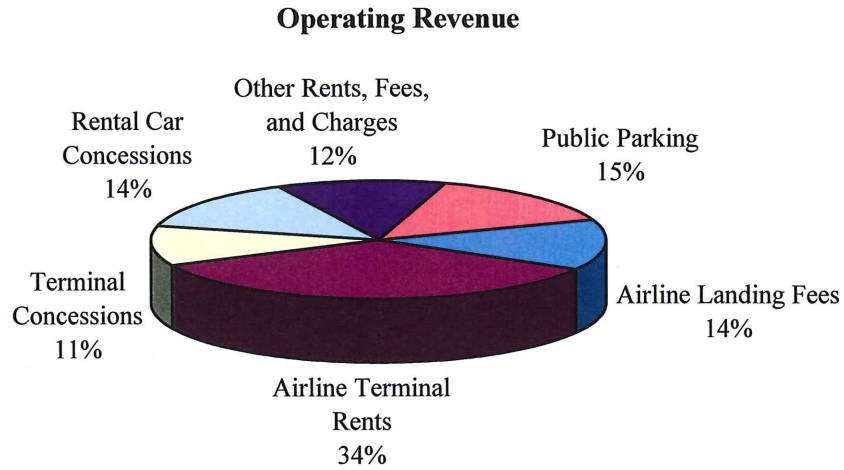
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**Revenues**

The following chart shows major sources and the percentage of operating revenues for the year ended December 31, 2015.



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**Operating Revenues** (in thousands)

	<u>2015</u>		<u>2014</u>		<u>2013</u>
Passenger and cargo airlines:					
Airline landing fees	\$ 10,561	\$	11,086	\$	10,060
Airline terminal rents	25,627		24,236		27,746
Land rents	100		100		112
Other rents	<u>2,906</u>		<u>3,299</u>		<u>2,882</u>
Total passenger and cargo airlines	<u>39,194</u>		<u>38,721</u>		<u>40,800</u>
Non airline rentals:					
Terminal concessions	7,961		7,333		6,976
Car rental concessions	9,999		9,894		9,501
Public parking	10,738		11,420		11,289
Other rents	<u>5,681</u>		<u>5,488</u>		<u>4,919</u>
Total nonairline revenues	<u>34,379</u>		<u>34,135</u>		<u>32,685</u>
Total operating revenues	<u>\$ 73,573</u>	\$	<u>72,856</u>	\$	<u>73,485</u>

**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.

**2014 vs. 2013**

The 2009 Airline Lease Agreement was extended through 2014. Total air carrier revenue for 2014 decreased by \$2,079,000 (5.1%) compared to 2013 due to increases in non-airline revenues and passenger enplanements. Non-airline revenues increased by \$1,451,000 (4.4%), due primarily to a 6.3% 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 \$8.38 in 2013 to \$8.35 in 2014 and decreased to \$7.51 in 2015.

	<u>2015</u>		<u>2014</u>		<u>2013</u>
Cost per enplaned passenger:					
Airline revenues	\$ 38,008	\$	40,765	\$	38,528
Enplaned passengers	5,336		4,880		4,598
Cost per enplaned passenger	<u>\$ 7.12</u>	\$	<u>8.35</u>	\$	<u>8.38</u>

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

The following chart shows major sources of non-operating revenues for the years ended December 31, 2015, 2014, and 2013.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest income	\$ 41	\$ 20	\$ 47
Passenger facility charges	21,162	19,214	18,447
Customer facility charges	13,148	12,260	11,705
Capital contributions	10,406	12,302	9,186
Gain (loss) on disposal of assets	28	(3,474)	3
Other	3,264	1,973	1,789
	<u>\$ 48,049</u>	<u>\$ 42,295</u>	<u>\$ 41,177</u>

**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 due primarily to the sale of land in 2014.

**2014 vs. 2013**

Non-operating revenues for 2014 increased by approximately \$1.1 million compared to 2013, due primarily to an increase in grant revenue for capital projects received from the federal government and a loss on disposal of assets in 2014 of approximately \$3.5 million due primarily to the sale of land in 2014.

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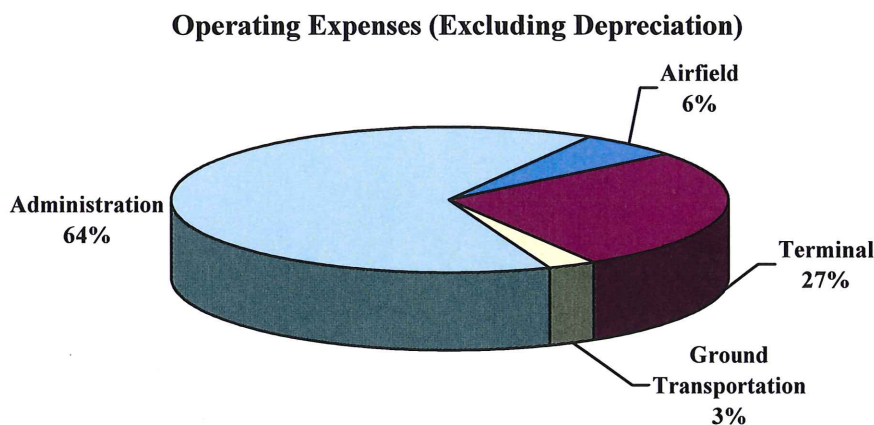
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**Expenses**

The following chart shows major expense categories and the percentage of operating expenses for the year ended December 31, 2015.



**Operating Expenses before Depreciation**

	<u>2015</u>	<u>2014 (Restated)</u>	<u>2013</u>
Direct			
Airfield	\$ 2,345	\$ 2,185	\$ 2,110
Terminal	11,090	11,926	16,116
Ground transportation	1,164	2,337	4,789
Administration	26,185	23,439	24,497
Cancelled/unreimbursed projects	-	-	83
	<u>\$ 40,784</u>	<u>\$ 39,887</u>	<u>\$ 47,595</u>

**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.

**2014 vs. 2013**

The operating expenses before depreciation and amortization decreased by approximately \$7,708,000 compared to the prior year due primarily to the write-off of cancelled construction projects in 2013 of approximately \$3.9 million and a decrease in vehicle parking expenses due to the restructure of the vehicle parking operating agreement in 2014.

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**Non-Operating Expenses**

The following chart shows major expense categories of non-operating expenses for the years ended December 31, 2015, 2014, and 2013 (in thousands).

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest expense	\$ 18,230	\$ 21,104	\$ 21,359
Other	5,715	347	366
	<u>\$ 23,945</u>	<u>\$ 21,451</u>	<u>\$ 21,725</u>

**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 as a result of payments made during fiscal year 2015.

**2014 vs. 2013**

Non-operating expenses decreased by \$274,000 in 2014 compared to 2013, due primarily to a decrease in interest expense attributable to the decrease in long-term debt as a result of payments made during fiscal year 2014.

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

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

	<u>2015</u>	<u>(Restated)</u> <u>2014</u>	<u>2013</u>
Total operating revenues	\$ 73,573	\$ 72,856	\$ 73,485
Total nonoperating revenues	<u>44,757</u>	<u>43,874</u>	<u>40,349</u>
Total revenues	<u>\$ 118,330</u>	<u>\$ 116,730</u>	<u>\$ 113,834</u>
Total operating expenses	\$ 81,266	\$ 82,735	\$ 86,461
Total nonoperating expenses	<u>20,652</u>	<u>23,029</u>	<u>21,359</u>
Total expenses	<u>\$ 101,918</u>	<u>\$ 105,764</u>	<u>\$ 107,820</u>

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

	<u>2015</u>	<u>(Restated)</u> <u>2014</u>	<u>2013</u>
Summary of changes in net position:			
Operating revenues	\$ 73,573	\$ 72,856	\$ 73,485
Operating expenses before depreciation	<u>40,784</u>	<u>39,888</u>	<u>47,595</u>
Operating income before depreciation	<u>32,789</u>	<u>32,968</u>	<u>25,890</u>
Depreciation	<u>40,481</u>	<u>42,847</u>	<u>38,866</u>
Operating loss	<u>(7,692)</u>	<u>(9,879)</u>	<u>(12,976)</u>
Nonoperating revenues (expenses), net	<u>13,698</u>	<u>8,542</u>	<u>9,803</u>
Income (loss) before capital contributions and transfers	6,006	(1,337)	(3,173)
Capital contributions	<u>10,406</u>	<u>12,302</u>	<u>9,187</u>
Change in net position	<u>\$ 16,412</u>	<u>\$ 10,965</u>	<u>\$ 6,014</u>

Operating income before depreciation and amortization decreased \$179,491 (0.54%) in 2015 compared to 2014. Depreciation and amortization expense decreased \$2,365,248 (5.5%) due to there being projects held in construction in progress that are not depreciated until completion. Capital contributions decreased by \$1,895,977 (15.4%) due primarily to an decrease in the capital contributions received from the federal government.



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**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 2010-2015 in the amounts of, \$3,719,527, \$3,720,107, \$3,719,960, \$3,720,332, \$3,719,082 and \$3,721,446 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 259.0% for the year ended December 31, 2015 and 254.0% for the year ended December 31, 2014.

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.

	2015	2014	2013
Refunding Bonds and Revenue Bonds	259.0%	254.0%	203.0%
Revenue Refunding Bonds	215.6%	195.6%	191.1%

**Airport Activities and Highlights**

Passenger totals for 2015 increased by 887,907 (9.1%), from 9,785,394 passengers in 2014 to 10,673,301 passengers in 2015, due to an increase in passenger activity. Aircraft operations increased from 98,602 operations in 2014 to 102,637 in 2015 (4.1%). Aircraft landed weights increased from 6,122,519 in 2014 to 6,499,788 in 2015 (6.1%). As of December 2015, the Airport had 140 daily departures to 49 cities with 18,400 average daily seats. As of December 2014, the Airport had 136 daily departures to 42 cities with 17,142 average daily seats.

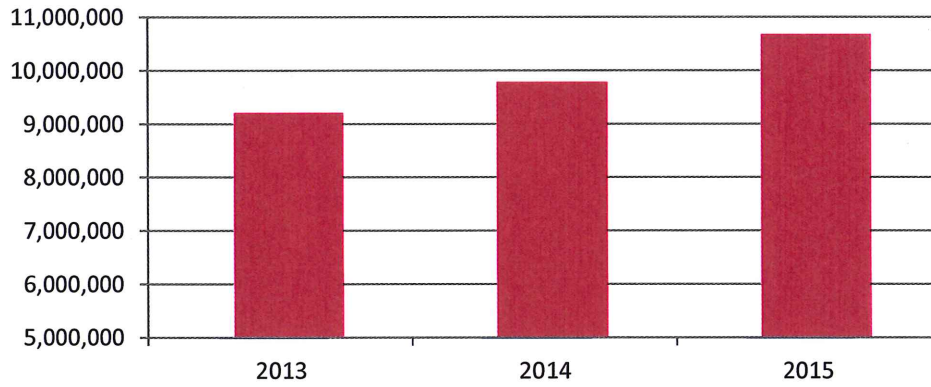
**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

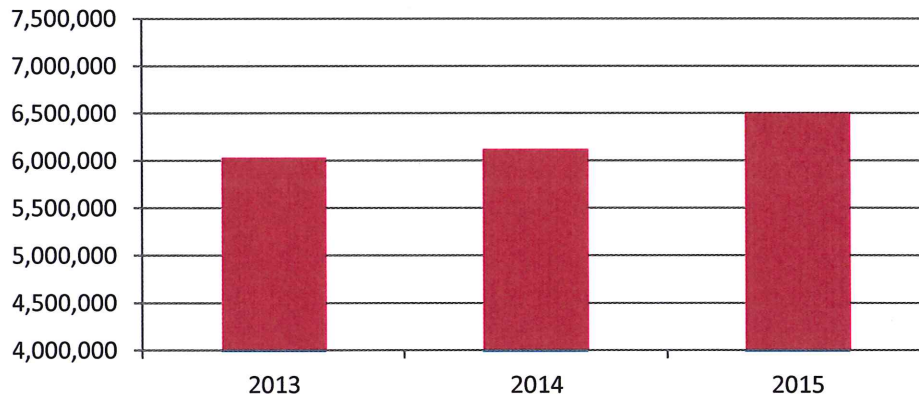
December 31, 2015 and 2014

(Unaudited)

**Total Passengers for the Year**



**Landed Weight per 1,000 pounds**



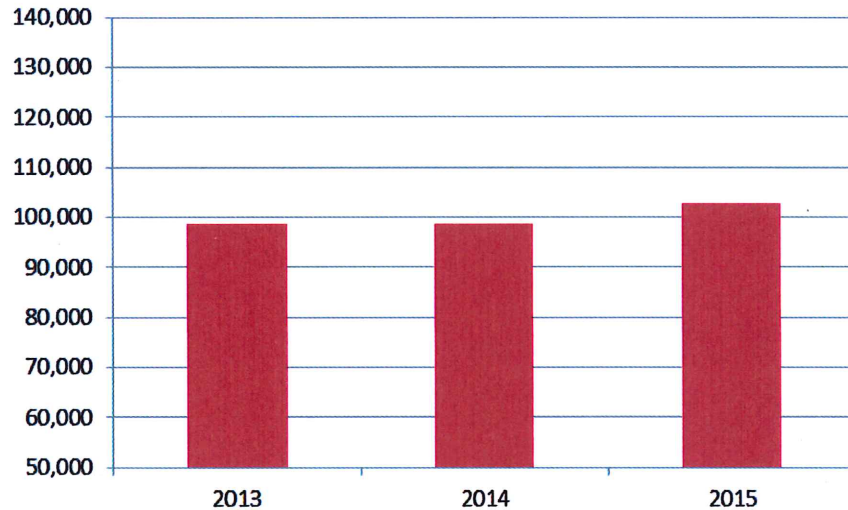
**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2015 and 2014

(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>
2013	9,207,636	6,032,372	98,792
2014	9,785,394	6,122,519	98,602
2015	10,673,301	6,499,788	102,637

**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, 2015 and 2014

	<u>2015</u>	<u>2014 (Restated)</u>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Unrestricted assets:		
Cash (note 2)	\$ 10,522,829	\$ 7,714,541
Accounts receivable, less allowance for doubtful accounts of \$43,926 in 2015; \$98,062 in 2014	5,943,757	4,839,209
Due from the City of New Orleans	242,408	43,565
Investments (note 2)	67,663,480	58,245,042
Prepaid expenses and deposits	421,995	322,871
Total unrestricted assets	<u>84,794,469</u>	<u>71,165,228</u>
Restricted assets (notes 2, 4, and 6):		
Cash	60,310	486,888
Investments	38,506,438	23,202,250
Passenger facility charges receivable	2,055,519	1,819,789
Customer facility charges receivable	1,086,494	1,110,885
Capital grant receivable	4,011,575	3,932,576
Total restricted assets	<u>45,720,336</u>	<u>30,552,388</u>
Total current assets	<u>130,514,805</u>	<u>101,717,616</u>
Noncurrent assets:		
Long-term investments (note 2):		
Investments, restricted	<u>702,653,921</u>	<u>127,519,749</u>
Capital assets (note 5):		
Capital assets not being depreciated	214,664,613	172,586,666
Capital assets being depreciated	981,902,890	950,973,971
Less accumulated depreciation	<u>(637,438,127)</u>	<u>(596,956,750)</u>
Total capital assets, net	<u>559,129,376</u>	<u>526,603,887</u>
Prepaid insurance on revenue bonds, less accumulated amortization of \$1,891,418 in 2015; \$1,622,527 in 2014	3,178,066	3,208,975
Advances to related facility management company	874,359	874,359
Total noncurrent assets	<u>1,265,835,722</u>	<u>658,206,970</u>
Total assets	<u>1,396,350,527</u>	<u>759,924,586</u>
Deferred outflows of resources		
Deferred amounts related to net pension liability	3,905,813	654,465
Deferred losses on advance refunding	15,655,811	17,914,634
Total deferred outflows of resources	<u>19,561,624</u>	<u>18,569,099</u>
Total assets and deferred outflows of resources	<u>\$ 1,415,912,151</u>	<u>\$ 778,493,685</u>

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)  
Statements of Net Position  
December 31, 2015 and 2014

	<b>2015</b>	<b>2014 (Restated)</b>
<b>Liabilities and Deferred Inflows of Resources</b>		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	\$ 11,580,995	\$ 4,994,778
Due to City of New Orleans	1,598,285	1,634,449
Due to federal government	1,080,000	1,080,000
Due to State of Louisiana	281,778	281,778
Accrued salaries and other compensation	1,750,899	1,581,541
Capital projects payable	5,530,877	10,909,659
Total unrestricted current liabilities	21,822,834	20,482,205
Payable from restricted assets:		
Capital projects payable	5,351,823	4,681,628
Bonds payable, current portion (note 6)	14,895,000	14,210,000
Accrued bond interest payable	22,801,239	9,033,253
Loans payable, current portion (note 6)	2,019,150	1,929,616
Loan interest payable	653,124	697,891
Total restricted current liabilities	45,720,336	30,552,388
Total current liabilities	67,543,170	51,034,593
Noncurrent liabilities:		
Bonds payable, less current portion and unamortized discount (note 6)	919,657,433	308,930,957
Loans payable (note 6)	18,132,751	28,151,901
Net pension liability	15,058,503	11,410,715
Total noncurrent liabilities	952,848,687	348,493,573
Total liabilities	1,020,391,857	399,528,166
Deferred inflows of resources		
Deferred amounts related to net pension liability	894,151	751,225
Total liabilities and deferred inflows of resources	1,021,286,008	400,279,391
<b>Net Position</b>		
Net investment in capital assets	108,923,875	245,477,605
Restricted for:		
Debt service	83,430,007	47,044,095
Capital acquisition	130,720,708	57,734,097
Operating reserve	11,857,803	11,546,003
Unrestricted	59,693,750	16,412,494
Total net position	394,626,143	378,214,294
Total liabilities, deferred inflows of resources, and net position	\$ 1,415,912,151	\$ 778,493,685

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, 2015 and 2014

	<u>2015</u>	<u>2014 (Restated)</u>
Operating revenues:		
Airfield	\$ 13,883,993	\$ 14,675,958
Terminal	56,463,903	55,238,509
Ground transportation	3,225,162	2,941,799
Total operating revenues	<u>73,573,058</u>	<u>72,856,266</u>
Operating expenses:		
Direct:		
Airfield	2,344,571	2,184,879
Terminal	11,090,107	11,926,332
Ground Transportation	1,164,503	2,337,399
Depreciation and impairment write-down	40,481,377	42,846,625
Administrative	26,185,212	23,439,500
Total operating expenses	<u>81,265,770</u>	<u>82,734,735</u>
Operating loss	<u>(7,692,712)</u>	<u>(9,878,469)</u>
Nonoperating revenues (expenses):		
Investment income	40,792	97,017
Interest expense	(18,229,599)	(21,104,251)
Passenger facility charges	21,161,870	19,214,158
Customer facility charges	13,147,640	12,260,160
Gain/(loss) on disposal of assets	28,279	(3,474,034)
Other, net	(2,450,666)	1,548,801
Total nonoperating revenues (expenses), net	<u>13,698,316</u>	<u>8,541,851</u>
Loss before capital contributions	6,005,604	(1,336,618)
Capital contributions (note 7)	10,406,245	12,302,222
Change in net position	<u>16,411,849</u>	<u>10,965,604</u>
Net position, beginning of year	378,214,294	378,838,183
Restatement of net position (note 11)	-	(11,589,493)
Net position, beginning of year, restated	<u>378,214,294</u>	<u>367,248,690</u>
Total net position, end of year	<u>\$ 394,626,143</u>	<u>\$ 378,214,294</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, 2015 and 2014

	<b>2015</b>	<b>2014 (Restated)</b>
Cash flows from operating activities:		
Cash received from customers	\$ 72,468,510	\$ 72,765,145
Cash paid to suppliers for goods and services	(23,265,648)	(30,404,029)
Cash paid to employees and on behalf of employees for services	(10,558,023)	(11,305,068)
Net cash provided by operating activities	38,644,839	31,056,048
Cash flow from noncapital financing activities:		
Sales tax receipts	1,241,182	953,770
Operating grants and reimbursements from other governments	1,448,574	613,814
Advance to related facility management company	-	(2,635)
Other (payments) receipts	(4,552,474)	453,814
Net cash provided by noncapital financing activities	(1,862,718)	2,018,763
Cash flows from capital and related financing activities:		
Passenger facility charges collected	20,926,140	18,981,961
Customer facility charges collected	13,172,031	12,656,793
Proceeds from disposition of property	28,279	1,626,219
Acquisition and construction of capital assets	(76,927,011)	(39,684,070)
Capital grants received	10,327,246	8,891,011
Issuance of revenue bonds	627,632,716	-
Principal paid on loan and revenue bond maturities	(24,139,616)	(15,556,334)
Interest paid on bonds and loans	(5,047,239)	(19,844,539)
Cost of bond issuance and insurance	(632,049)	-
Net cash provided by (used in) capital and related financing activities	565,340,497	(32,928,959)
Cash flows from investing activities:		
Sales of investments	1,033,487,653	185,760,702
Purchases of investments	(1,633,344,451)	(185,792,477)
Interest and dividends on investments	115,890	91,896
Net cash (used in) provided by investing activities	(599,740,908)	60,121
Net increase in cash and cash equivalents	2,381,710	205,973
Cash and cash equivalents at beginning of year	8,201,429	7,995,456
Cash and cash equivalents at end of year (note 2)	\$ 10,583,139	\$ 8,201,429
Noncash investing activities:		
Increase in stock investments due to change in fair value	\$ -	\$ 76,526

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
(A Proprietary Component Unit of the City of New Orleans)  
Statements of Cash Flows  
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014 (Restated)</u>
Reconciliation of operating loss to net cash provided		
by operating activities:		
Operating loss	\$ (7,692,712)	\$ (9,878,469)
Adjustments to reconcile operating loss to net cash		
provided by operating activities:		
Depreciation and impairment write-down	40,481,377	42,846,625
Decrease in allowance for doubtful accounts	(54,136)	(366,092)
Cancelled/unreimbursed projects	-	0
Other	-	0
Changes in assets and liabilities:		
Accounts receivable	(1,050,412)	274,971
Inventory of materials and supplies	-	0
Prepaid expenses and deposits	(99,212)	807,015
Due from City of New Orleans	(198,843)	(43,565)
Deferred outflows of resources	(3,251,348)	(654,465)
related to net pension liability		
Accounts payable	6,586,217	1,039,899
Accrued salaries and other compensation	169,358	131,208
Net pension liability	3,647,788	(178,778)
Due to City of New Orleans	(36,164)	(3,673,526)
Deferred inflows of resources		
related to net pension liability	142,926	751,225
Total adjustments	<u>46,337,551</u>	<u>40,934,517</u>
Net cash provided by operating activities	<u>\$ 38,644,839</u>	<u>\$ 31,056,048</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, 2015 and 2014

**(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.

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

Notes to Financial Statements

December 31, 2015 and 2014

**(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 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. Capitalized interest totaled \$21,497,629 in 2015 and \$793,464 in 2014.

GASB Statement No. 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 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**  
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Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014, 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.

**(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 prospective signatory airlines pay signatory airline rates and charges according to 2009 use and lease agreement. The rates for 2015 and 2014 are as follows:

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
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Notes to Financial Statements

December 31, 2015 and 2014

	2015	2014
Terminal building rental rates (per sq. ft.)	\$ 77.78	\$ 88.59
Landing fee rate (per 1,000 lbs)	1.65	1.85
Apron use fee rate (per sq. ft.)	1.20	2.19
Loading bridge use fee (per bridge)	11,725	11,167
Enplaned passenger use fee (per passenger)	7.09	7.19

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, 2015 and 2014, 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, 2015, the Airport is authorized to collect up to \$965,553,986 of PFC revenue of which \$354,608,618 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, 2015, 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 Consolidated Rental Care Facility (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.

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

Notes to Financial Statements

December 31, 2015 and 2014

**(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. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets.

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, 2015 and 2014

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

Deferred outflows of resources represents 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 \$11,403,700 and \$7,523,821 at December 31, 2015 and 2014, 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 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. The fair value of all securities regardless of balance sheet classifications as cash and cash equivalents or investments at December 31 was as follows:

	2015	2014
Current assets:		
Cash and cash equivalents	\$ 10,583,139	\$ 8,201,429
Investments (unrestricted and restricted)	106,169,918	81,447,292
Noncurrent assets:		
Investments	702,653,921	127,519,749
Total cash and investments	819,406,978	217,168,470
Less: cash on deposit	(10,583,139)	(8,201,429)
Total securities, at fair value	\$ 808,823,839	\$ 208,967,041

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

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014, the Airport held the following investments as categorized below:

**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>

**Investment Maturities at December 31, 2014**

<u>Investment type</u>	<u>Less than 1 year</u>	<u>1 to 5 Years</u>	<u>Total</u>
Local government investment pool	\$ 60,258,322	\$ -	\$ 60,258,322
Money market funds	148,708,719	-	148,708,719
	<u>\$ 208,967,041</u>	<u>\$ -</u>	<u>\$ 208,967,041</u>

**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.

**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.

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**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 \$585,084 at December 31, 2013, was subject to market risk as a result of the volatility of the stock market. The stock was sold during 2014.

**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. LAMP is a 2a7-like investment pool. The following facts are relevant for 2a-7 like investment pools:

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

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.



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**(3) Accounts Receivable**

Accounts receivable as of December 31 consist of the following:

	<u>2015</u>	<u>2014</u>
Due from tenants	\$ 3,136,823	\$ 1,889,740
Parking garage	2,568,298	2,876,036
Other	282,562	171,495
	<u>5,987,683</u>	<u>4,937,271</u>
Less: allowance for doubtful accounts	(43,926)	(98,062)
	<u>\$ 5,943,757</u>	<u>\$ 4,839,209</u>

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**(4) 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, 2015 and 2014:

	2015										2014																											
	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	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																							
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,011,575																							
Transportation Security Admin grant receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																							
Hazard Material grant receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																							
Customer facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																							
	\$	23,585,406	82,645,839	65,665,492	1,923,544	673,679	8,136,357	466,088,859	1,016,022	3,721,446	39,632	6,821,481	550,635	1,097,360	7,153,888	\$	748,374,257																					
Assets:																																						
Cash and certificates of deposits	\$	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	\$	3,896,565																				
Dreyfus Treasury Prime Cash Management	11,134,059	18,399,391	—	1,766,701	673,679	—	78,617,135	—	840,259	—	—	—	103,519	—	—	111,534,743																						
JPM U.S. Treasury and U.S. money market fund	12,108,199	14,435,699	—	—	—	8,136,326	—	—	—	—	—	—	—	1,097,355	35,777,579																							
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																							
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																							
Transportation Security Admin grant receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																							
Hazard Material grant receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																							
Customer facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																							
	\$	23,242,258	32,835,090	1,766,701	673,679	8,136,326	78,617,135	—	973,008	3,409,677	140,180	213,959	103,519	1,097,355	6,863,250	\$	158,074,137																					

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**(5) 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, 2015 and 2014 is as follows:

	<u>Balance December 31, 2014</u>	<u>Additions/ transfers during year</u>	<u>Deletions/ transfers during year</u>	<u>Balance December 31, 2015</u>
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	<u>67,531,677</u>	<u>72,831,897</u>	<u>(29,273,649)</u>	<u>111,089,925</u>
Total capital assets not being depreciated	<u>172,586,666</u>	<u>72,831,897</u>	<u>(30,753,950)</u>	<u>214,664,613</u>
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	<u>3,074,179</u>	<u>-</u>	<u>-</u>	<u>3,074,179</u>
Total capital assets being depreciated	<u>950,973,971</u>	<u>31,473,042</u>	<u>(544,123)</u>	<u>981,902,890</u>
Total capital assets	<u>1,123,560,637</u>	<u>104,304,939</u>	<u>(31,298,073)</u>	<u>1,196,567,503</u>
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	<u>3,071,429</u>	<u>1,179</u>	<u>-</u>	<u>3,072,608</u>
Total accumulated depreciation	<u>596,956,750</u>	<u>42,245,215</u>	<u>(1,763,838)</u>	<u>637,438,127</u>
Total capital assets, net	<u>\$ 526,603,887</u>	<u>\$ 62,059,724</u>	<u>\$ (29,534,235)</u>	<u>\$ 559,129,376</u>

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	Balance December 31, 2013	Additions/ transfers during year	Deletions/ transfers during year	Balance December 31, 2014
Capital assets not being depreciated:				
Land	\$ 85,309,433	\$ 1,480,300	\$ (4,017,193)	\$ 82,772,540
Air rights	22,282,449	-	-	22,282,449
Construction in progress	25,374,538	49,704,533	(7,547,394)	67,531,677
Total capital assets not being depreciated	132,966,420	51,184,833	(11,564,587)	172,586,666
Capital assets being depreciated:				
Land improvements	497,890,558	6,367,572	-	504,258,130
Buildings and furnishings	419,616,036	287,739	(195,000)	419,708,775
Equipment	8,214,746	790,055	-	9,004,801
Computers	723,046	130,000	-	853,046
Utilities	14,075,040	-	-	14,075,040
Heliport	3,074,179	-	-	3,074,179
Total capital assets being depreciated	943,593,605	7,575,366	(195,000)	950,973,971
Total capital assets	1,076,560,025	58,760,199	(11,759,587)	1,123,560,637
Less accumulated depreciation:				
Land improvements	247,195,210	19,618,335	(195,000)	266,618,545
Buildings and furnishings	291,019,504	21,918,997	-	312,938,501
Equipment	6,266,848	478,921	3,060	6,748,829
Computers	563,480	154,023	-	717,503
Utilities	6,186,773	675,170	-	6,861,943
Heliport	3,070,250	1,179	-	3,071,429
Total accumulated depreciation	554,302,065	42,846,625	(191,940)	596,956,750
Total capital assets, net	\$ 522,257,960	\$ 15,913,574	\$ (11,567,647)	\$ 526,603,887

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Construction in progress is composed of the following at December 31, 2015:

Description	December 31, 2015	Remaining commitments
Airfield Lighting Vault	\$ 13,723,021	\$ 656,047
Airside Development	8,492,044	98,294,980
Southside Development	658,083	487,839
Landside Development	12,360,335	164,296,854
New Terminal Development	63,073,180	197,899,834
Expansion Taxiway Gulf Phase 1	1,758,082	780,115
NAVAIDS Project	6,779,426	8,041,543
Cargo Road Repairs	164,287	76,463
Fuel Consortium	1,033,666	-
Jetblue Gate Relocation	31,904	-
Loading Bridges	1,719,083	412,203
LTDP-Hotel Development	2,338	(2,338)
Stormwater Pum Station	1,104,996	21,351,005
Miscellaneous Projects	189,480	224,366
	<u>\$ 111,089,925</u>	<u>\$ 492,518,911</u>

**(6) Long-term Debt**

Long-term debt activity for the years ended December 31, 2015 and 2014 was as follows:

Long-Term Debt	Balance December 31, 2014	Additions	Deductions	Balance December 31, 2015	Amounts due within one year
<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

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<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, continued:</u>					
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>

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<b>Long-Term Debt</b>	<b>Balance December 31, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2014</b>	<b>Amounts due within one year</b>
<b>Bonds Payable:</b>					
Series 2007A Revenue Bonds, fixed interest rate January 1, 2038 at 4.25% final maturity	\$ 60,575,000	\$ -	(1,225,000)	\$ 59,350,000	\$ 1,285,000
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	10,720,000	-	(1,825,000)	8,895,000	1,915,000
Series 2009A-1 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	73,960,000	-	-	73,960,000	2,685,000
Series 2009A-2 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	23,055,000	-	-	23,055,000	840,000
Series 2009B Revenue Refunding bonds, fixed interest rate January 1, 2015 at 4.50% final maturity	14,715,000	-	(8,900,000)	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	-	-	96,515,000	1,670,000
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	-
	<u>337,475,000</u>	<u>-</u>	<u>(11,950,000)</u>	<u>325,525,000</u>	<u>14,210,000</u>
Unamortized discount on bonds	(3,158,468)	-	162,494	(2,995,974)	-
Unamortized premium on bonds	638,535	-	(26,604)	611,931	-
	<u>334,955,067</u>	<u>-</u>	<u>(11,814,110)</u>	<u>323,140,957</u>	<u>14,210,000</u>
<b>Loans Payable:</b>					
Go Zone	33,687,851	-	(3,606,334)	30,081,517	1,929,616
	<u>\$ 368,642,918</u>	<u>\$ -</u>	<u>(15,420,444)</u>	<u>\$ 353,222,474</u>	<u>\$ 16,139,616</u>

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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:			
2016	\$ 45,175,275	\$ 14,895,000	\$ 60,070,275
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
2021-2025	193,146,629	95,930,000	289,076,629
2026-2030	165,955,966	115,485,000	281,440,966
2031-2035	131,421,563	148,965,000	280,386,563
2036-2040	85,883,076	204,550,000	290,433,076
2041-2045	29,594,352	229,570,000	259,164,352
	<u>\$ 824,010,980</u>	<u>\$ 876,640,000</u>	<u>\$ 1,700,650,980</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:			
2016	\$ 1,120,648	\$ 1,445,363	\$ 2,566,011
2017	867,983	1,512,428	2,380,411
2018	797,806	1,582,605	2,380,411
2019	724,374	1,656,037	2,380,411
2020	647,533	1,732,878	2,380,411
2021-2025	2,059,878	12,222,590	14,282,468
	<u>\$ 6,218,222</u>	<u>\$ 20,151,901</u>	<u>\$ 26,370,123</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.



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**(7) 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, 2015, the FAA contributed \$9,467,830 and the ATF contributed \$938,415. During the year ended December 31, 2014, the FAA contributed \$12,057,621 and the ATF contributed \$244,601.

**(8) 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 contributory retirement plan. A separate financial report on the plan for the year ended December 31, 2015 and 2014 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%.

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*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.

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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 was measured as of December 31, 2015 and 2014. The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

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

For the years ended December 31, 2015 and 2014, the Airport will recognize a Pension Expense of \$2,142,649 and \$1,451,936, respectively, in payroll related expense on the statements of revenues, expenses, and changes in net position.

On December 31, 2015, 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	\$ 1,195,626	\$ 471,905
Net difference between projected and actual earnings on pension plan investments	2,710,187	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	422,246
Total	\$ 3,905,813	\$ 894,151

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

2016	\$ 692,501
2017	692,501
2018	692,501
2019	579,052
2020	92,153
2021	92,153
2022	170,801
	\$ 3,011,662

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**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014, using the following actuarial assumptions:

	Employees' Retirement System
<b>Valuation date</b>	December 31, 2015
<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>	2.5%
<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.

	2015	2014
Investment rate of return	7.50%	7.50%
Inflation	2.50%	2.00%
Salary increases including inflation	5.00%	5.00%

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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 development 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, 2015 are summarized in the following table:

Asset Class	Employees' Retirement System	
	Target Asset Allocation	Long-term expected portfolio real rate of return
Domestic equity	49.1%	3.69%
International equity	15.7%	1.33%
Domestic bonds	24.6%	0.61%
International bonds	5.6%	0.20%
Real estate	5.0%	0.23%
Totals	<u>100%</u>	<u>6.06%</u>
Inflation		<u>2.50%</u>
Expected arithmetic nominal rate		<u>8.56%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for the Employees' Retirement System for 2015. 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 sand 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, 2015 and 2014, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, was -3.88% and 4.17%, respectively for the Employees' Retirement System.

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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, 2015, calculated using the discount rate of 7%, 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%
Total pension liability	\$ 41,709,736	\$ 37,896,597	\$ 34,705,029
Fiduciary net position	22,838,094	22,838,094	22,838,094
Net pension liability	18,871,642	15,058,503	11,866,935

Payables to the Plan

The Airport recorded accrued liabilities of \$112,526 and \$276,865 to the Plan for the year ended December 31, 2015 and 2014, 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, 2015 (\*)**

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	<u>Employees' Retirement System</u>
Employer's Proportion of the Net Pension Liability (Asset)	6.734941%
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%

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
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Notes to Financial Statements

December 31, 2015 and 2014

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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, 2014 (\*)**

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	Employees' Retirement System
Employer's Proportion of the Net Pension Liability (Asset)	6.734941%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,410,715
Employer's Covered-Employee Payroll	\$ 6,549,317
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	174.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.64%

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

**(9) 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 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 2015 monthly ground rent was \$15,601 and 2014 monthly ground rent was \$15,147.



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Notes to Financial Statements

December 31, 2015 and 2014

The following is a schedule by year of aggregate future minimum rentals receivable on noncancelable operating leases as of December 31, 2015:

2016	\$ 5,312,496
2017	4,911,879
2018	4,267,500
2019	640,809
2020	640,809
2021-2023	941,867
	<u>\$ 16,715,360</u>

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 \$3,872,034 in 2015 and \$4,138,544 in 2014.

**(10) 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, 2015 in accordance with the Single Audit Act of 1996, these programs are still subject to financial and compliance audits by governmental agencies.

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December 31, 2015 and 2014

**(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 \$36,880,000 at December 31, 2015. The timing of the defeasance of the LCDA 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.

**(11) Change in Accounting Principles**

The Airport has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in 2015. GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. Statement 68 and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement--determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The Airport implemented these statements effective January 1, 2014. The impact is as follows:

Previously reported net position as of January 1, 2014	\$ 378,838,183
Adjustment as a result of the implementation of GASB Statement No. 68	<u>(11,589,493)</u>
Net position as of January 1, 2014, as restated	<u>\$ 367,248,690</u>
Previously reported net position as of December 31, 2014	\$ 389,721,769
Adjustment as a result of the implementation of GASB Statement No. 68	<u>(11,507,475)</u>
Net position as of December 31, 2014, as restated	<u>\$ 378,214,294</u>

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December 31, 2015 and 2014

Previously reported change in net position for the year ended December 31, 2014	\$ 10,883,586
Adjustment as a result of the implementation of GASB Statement No. 68	<u>82,018</u>
Change in net position for the year ended December 31, 2014, as restated	<u>\$ 10,965,604</u>

**(12) New Pronouncements**

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*, which prescribes how state and local governments should define and measure fair value. The Airport is currently assessing the impact of GASB 72 on the financial statements for the year ended December 31, 2016.

**(13) Subsequent Event**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 11, 2016 and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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Required Supplementary Information

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

	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability	6.7349%	6.7349%
Employer's proportionate share of the net pension liability	15,058,503	11,410,715
Employer's covered-employee payroll	7,118,288	6,549,317
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	211.55%	174.23%
Plan fiduciary net position as a percentage of the total pension liability	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**  
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Required Supplementary Information

Schedule of Contributions  
Last 10 Years\*

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,942,962	\$ 1,784,790
Contributions in related to the contractually required contributions	(1,603,282)	(1,533,954)
Contribution deficiency (excess)	\$ 339,680	\$ 250,836
Employers' covered employee payroll	7,118,288	6,549,317
Contributions a a percentage of covered-employee payroll	27.30%	27.25%

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

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## Supplemental Schedule of Investments

Year ended December 31, 2015

Description	Year Acquired	Maturity date	Book value	Fair value
Unrestricted investments:				
Special Receipts:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2008	N/A	\$ 6,589,977	\$ 6,589,977
JPM U.S. Treasury Plus Investments The Bank of New York Mellon	2009	N/A	1,238,666 <u>7,828,643</u>	1,238,666 <u>7,828,643</u>
City of New Orleans:				
LAMP - Sales Tax/General Purpose	2003	N/A	59,834,828	59,834,828
LAMP - Use & Lease General Purpose	2011	N/A	9 <u>59,834,837</u>	9 <u>59,834,837</u>
Total unrestricted investments			<u>67,663,480</u>	<u>67,663,480</u>
Restricted investments:				
City of New Orleans:				
LAMP - Rollover Coverage	2009	N/A	<u>3,721,446</u>	<u>3,721,446</u>
CIF-Parking Facility Loan:				
JPM U.S. Treasury Plus Investments The Bank of New York Mellon	2010	N/A	<u>1,097,355</u>	<u>1,097,355</u>
Debt Service Fund:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2008	N/A	11,250,442	11,250,442
JPM U.S. Treasury Plus Investments The Bank of New York Mellon	2009	N/A	12,334,964 <u>23,585,406</u>	12,334,964 <u>23,585,406</u>
Debt Service Reserve Fund:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	68,210,285	68,210,285
JPM U.S. Treasury Plus Investments The Bank of New York Mellon	2009	N/A	14,435,554 <u>82,645,839</u>	14,435,554 <u>82,645,839</u>
Capitalized Interest:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2015	N/A	<u>65,665,483</u>	<u>65,665,483</u>

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Supplemental Schedule of Investments

Year ended December 31, 2015

<u>Description</u>	<u>Year Acquired</u>	<u>Maturity date</u>	<u>Book value</u>	<u>Fair value</u>
Ineligible Sub-Account:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>673,679</u>	<u>673,679</u>
Operations and Maintenance:				
Reserve fund:				
JPM U.S. Treasury Plus Investments	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	2009	N/A	<u>930,645</u>	<u>930,645</u>
CFC Restricted:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2010	N/A	<u>9,292,409</u>	<u>9,292,409</u>
Time Reimbursement:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>1,147,319</u>	<u>1,147,319</u>
Project Account:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>34,094,444</u>	<u>34,094,444</u>
PFC Restricted:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2009	N/A	<u>44,009,844</u>	<u>44,009,844</u>
GARB Restricted:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2015	N/A	<u>466,088,746</u>	<u>466,088,746</u>
Vendor Payment:				
Dreyfus Treasury Prime Cash Management The Bank of New York Mellon	2015	N/A	<u>71,387</u>	<u>71,387</u>
Total restricted investments			<u>741,160,359</u>	<u>741,160,359</u>
Total all investments			<u>\$ 808,823,839</u>	<u>\$ 808,823,839</u>

See accompanying independent auditors' report.

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
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Supplemental Schedule of Operating Revenues and Expenses by Area of Activity

Year ended December 31, 2015

	Landing area	Terminal buildings	Ground transportation	Total
Operating revenues	\$ 13,883,993	\$ 56,463,903	\$ 3,225,162	\$ 73,573,058
Direct expenses	<u>2,344,571</u>	<u>11,090,107</u>	<u>1,164,503</u>	<u>14,599,181</u>
Operating revenues, less direct expenses	11,539,422	45,373,796	2,060,659	58,973,877
Depreciation of cost center assets	<u>20,942,093</u>	<u>16,573,186</u>	<u>624,382</u>	<u>38,139,661</u>
Operating revenues, less direct expenses and depreciation	<u>\$ (9,402,671)</u>	<u>\$ 28,800,610</u>	<u>\$ 1,436,277</u>	<u>20,834,216</u>
Other operating expenses:				
Depreciation of non-cost center assets				2,341,716
Administrative less transfers to work in progress				<u>26,185,212</u>
Total other operating expenses				<u>28,526,928</u>
Operating loss				<u>\$ (7,692,712)</u>

See accompanying independent auditors' report.



**Schedule 3**

**LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT**  
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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, 2015

(Unaudited)

Revenues:	
Airline rentals and landing fees	\$ 39,193,955
Other operating revenues	34,379,103
Nonoperating revenues	2,028,904
Rollover coverage	3,721,446
Total revenues	79,323,408
Less reserve requirements:	
Operation and maintenance expenses	40,784,393
Net revenues	\$ 38,539,015
Debt service fund requirement:	
Principal payments	\$ 9,790,000
Interest expense	5,089,950
Total debt service fund requirement	\$ 14,879,950
Historical debt service coverage ratio	2.59

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 2010-2015 in the amounts of \$3,719,527, \$3,720,107, \$3,719,960, \$3,720,332, \$3,719,082, and \$3,721,446 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.

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Schedule of Compensation, Benefits, and Other Payments to the Director of Aviation  
Year ended December 31, 2015

**Iftikhar Ahmad, Director of Aviation**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 333,368
Benefits-insurance contribution	9,000
Benefits-retirement contribution	75,607
Benefits-Medicare, Social Security, Workman's Compensation	12,345
Travel*	5,035
Conference registration fees*	2,785
Reimbursements*	340

\* 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/Directors-Expense-Report--CY-2014?&Sort=&Cat=351&SubCat=78> with detail for each expense.

See accompanying independent auditors' report.