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LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

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

Financial Statements and Supplemental Schedules

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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

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P&N Postlethwaite & Netterville
A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Louis Armstrong New Orleans International Airport (the Airport), a proprietary component unit of the City of New Orleans, as of December 31, 2010 and 2009 for the years then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Airport's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louis Armstrong New Orleans International Airport as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2011, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for lacing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

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methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. Supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules 1 and 2 have been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplemental schedules 1 and 2 are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. Schedule 3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Postlethwaite & Netterville

Metairie, Louisiana
June 24, 2011

P&N

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2010 and 2009

(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, 2010 and 2009, with selected comparative information for the fiscal year ended December 31, 2008. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information in this report.

Overview of the Financial Statements

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

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

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

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

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

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

Financial Highlights

Enplaned passengers at the Airport for 2008 were up 5.9 percent when compared to the same period in 2007 while total domestic enplanements on all U.S. scheduled carriers declined by 1.3 percent compared to the same period in 2007. Due to a struggling economy, enplanements in 2009 decreased 2.1 percent compared to 2008. However, the Airport fared better than the national trend. In 2010, total enplanements increased by 5.2% as compared to 2009 levels.

In November 2005, the Board approved a financial plan which was intended to provide a roadmap for how the Airport would manage its financial operations during the recovery from the impact of Hurricane Katrina. It included cash flow projections based on certain growth scenarios related to expenses, debt obligations, passenger growth projections, and nonairline revenues. The plan discussed meeting its operating needs by utilizing available cash balances, federal borrowings and grants, possible debt restructuring, and a working capital credit facility. The Board received over $10 million from the FEMA Community Disaster Loan Program. On August 20, 2010, the Airport submitted to FEMA an application for loan cancellation, documenting the requirements for cancellation of the FEMA CDL Loan. On November 5, 2010, the Airport received authority from FEMA to forgive all the FEMA CDL Loans in the amount of $10,882,641, plus accrued interest of $1,122,297. The Airport recorded a gain on extinguishment of debt in the amount of $12,004,938 in the Statement of Revenues, Expenses, and Changes in Net Assets for the year ended December 31, 2010. In addition, the Board received approval for participation in the Gulf Tax Credit Bonds Program (Go Zone Tax Credit Bonds) sponsored by the State of Louisiana in an amount not exceeding $36,000,000. The Airport was approved for $35,371,990 for an interest free period of 60 months. By July 2008, the Airport had drawn the full amount authorized, using the funds to pay debt service on the Bonds and related interest rate swap payments.

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

Financial Position

Total assets increased by $73,101,296 (11%) this year due primarily to an increase in long-term investments as a result of the issuance of 2010 PFC Bonds on May 26, 2010 for $53.6 million. Noncurrent liabilities are higher this fiscal year by $33,122,143 (10%). This increase was primarily due to increases in bonds payable. Total current liabilities have increased by $12,822,852 (41%) primarily resulting from an increase in accrued expenses of $8,881,959 and an increase in the bond interest payable in the amount of $4,451,864.

The largest portion of the Airport's net assets, $212,834,706 (59%) for 2010 and $192,827,718 (58%) for 2009, represents its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The Airport uses these assets to provide services to its passengers, visitors, and tenants of the airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Airport's net assets, $98,492,842 (28%) for 2010 and $102,166,763 (31%) for 2009, represents resources that are subject to restrictions from contributors, bond resolutions, and state and federal regulations on how they may be used. The remaining balance of unrestricted net assets, $46,138,990 (13%) for 2010 and $35,315,757 (11%) for 2009, may be used to meet the Airport's ongoing obligations.

(Continued)

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

Summary of Net Assets (in thousands)

	2010	2009	2008
Assets:			
Current and other assets	$ 335,068	$ 296,126	$ 187,108
Net capital assets	429,897	395,738	393,233
Total assets	$ 764,965	$ 691,864	$ 580,341
Liabilities:			
Current liabilities	$ 43,580	$ 30,757	$ 35,952
Long-term liabilities	363,919	330,797	224,479
Total liabilities	$ 407,499	$ 361,554	$ 260,431
Net assets:			
Invested in capital assets, net of debt	$ 212,835	$ 192,828	$ 212,864
Restricted	98,493	102,166	73,385
Unrestricted	46,139	35,316	33,661
Total net assets	$ 357,467	$ 330,310	$ 319,910

Airlines Rates and Charges

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

	2010	2009
Terminal building rental rates (per sq. ft.)	$ 114.16	$ 98.94
Landing fee rate (per 1,000 lbs)	2.08	1.69
Apron use fee rate (per sq. ft.)	1.88	2.44
Loading bridge use fee (per bridge)	17,695.00	24,960.00
Enplaned passenger fee rate (per person)	9.15	8.17

Due to the terms of the agreement, these rates are subject to settlement. The Airport shall use its best efforts such that within the later of (i) one hundred twenty (120) days following the close of each fiscal year or (ii) within sixty (60) days of receipt of audited financial statements, rates for rentals, fees, and charges for the preceding fiscal year shall be recalculated using available financial data and the methods set forth in Exhibit F of the agreement. Under the settlements for 2010 and 2009, the Airport's final rate structure varied from the rates in effect during the year.

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

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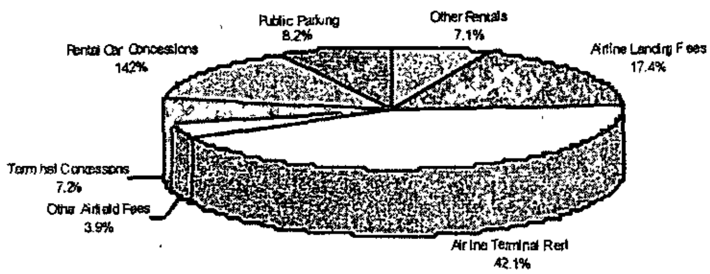
(Unaudited)

Revenues

The following chart shows major sources and the percentage of operating revenues for the year ended December 31, 2010.

Operating Revenue



Operating Revenues by Major Source (in thousands)

	2010	2009	2008
Passenger and cargo airlines:			
Airline landing fee payments	$ 11,420	$ 10,744	$ 5,675
Airline terminal rental payments	27,613	28,784	31,921
Ground rents	50	50	50
Other rentals and fees	2,509	2,699	664
Total passenger and cargo airlines	41,592	42,277	38,310
Non airline rentals:			
Concessions-terminal	4,697	3,894	3,847
Concessions-car rentals	9,357	8,497	9,706
Public parking	5,068	5,294	5,374
Other rentals and fees	4,592	4,411	4,860
Total nonairline rentals	23,714	22,096	23,787
Total operating revenues	$ 65,306	$ 64,373	$ 62,097

(Continued)

2010 vs. 2009

The 2009 Airline Lease Agreement remains in effect for 2010. Total air carrier revenue for 2010 decreased by $685,288 (2%) over 2009 due to reduced revenues resulting from a decrease in rates. The landing fees increased by $675,709 (6%). Airline terminal rentals decreased by $1,170,965 (4%). Nonairline revenue increased by $1,617,954 (7%), due primarily to an increase in rental car revenues and concession revenues that were partly offset by a decrease in parking revenue.

2009 vs. 2008

The 2009 Airline Lease Agreement became effective for fiscal year 2009 while the Rate Resolution implemented in 2005 was in effect for 2008. Total air carrier revenue for 2009 increased by $3,967,004 (10%) over 2008 due to greater revenues resulting from the implementation of the 2009 Airline Lease Agreement. The landing fees increased $5,069,929 (89%) offset by a decrease in airline terminal rentals of $3,137,449 (10%). Nonairline revenue decreased by $1,690,990 (7%), due primarily to a decrease in passenger activity.

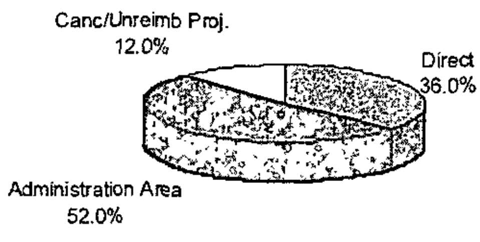
Cost per enplaned passenger is a measure used by the airline industry to reflect the costs an airline pays to operate at an airport based upon the number of enplaned passengers for that airport. The cost per enplaned passenger increased from $9.46 in 2008 to $10.45 in 2009 and decreased to $9.50 in 2010.

		2010		2009		2008
Cost per enplaned passenger:						
Airline revenues (in thousands)	$	38,987	$	40,812	$	37,596
Enplaned passengers (in thousands)		4,102		3,906		3,973
Cost per enplaned passenger	$	9.50	$	10.45	$	9.46

Expenses

The following chart shows major expense categories and the percentage of operating expenses for the year ended December 31, 2010.

Operating Expenses (Excluding Depreciation)



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Operating Expenses before Depreciation (in thousands)

		2010		2009		2008
Direct (airfield, terminal building and area, hangars, leased sites, heliport)	$	16,972	$	17,427	$	18,705
Administration area		24,305		27,772		25,901
Cancelled/unreimbursed projects		5,562		1,037		1,672
	$	46,839	$	46,236	$	46,278

2010 vs. 2009

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

2009 vs. 2008

The operating expenses before depreciation and amortization remained substantially the same as the prior year.

Nonoperating Revenues, Net

2010 vs. 2009

Nonoperating revenues, net, consists primarily of passenger facility charge (PFC) revenue, customer facility charge (CFC) revenue, investment income, capital contributions, gain on extinguishment of debt, and interest expense. PFC revenue increased 6% from $15,957,102 in 2009 to $16,912,099 in 2010, due primarily to an increase in passenger activity. CFC revenue increased 25% from $9,565,529 in 2009 to $11,975,343. Investment income decreased 55% from $239,496 in 2009 to $106,849 in 2010 due to unfavorable interest rates. Capital contributions increased 74% from $6,173,801 in 2009 to $10,736,088 in 2010 due primarily to an increase in grant revenue received from the federal government. A gain on extinguishment of debt was recognized in 2010 due to the FEMA Community Disaster Loan in the amount of $10,882,641, plus interest in the amount of $1,122,297 being forgiven by the federal government. Interest expense remained substantially the same as the prior year.

2009 vs. 2008

Nonoperating revenues, net consists primarily of passenger facility charge (PFC) revenue, customer facility charge (CFC) revenue, investment income, FAA grant revenue, and interest expense. CFC revenue increased 86% from $1,299,254 in 2008 to $9,565,529 in 2009. Collections of CFC revenue were initiated in 2008 with 2009 being the first full year of collections. Investment income decreased by 91% from $2,714,493 in 2008 compared to $239,496 in 2009 due to unfavorable interest rates. FAA grant revenue increased 51% from $4,082,510 in 2008 to $6,173,801 in 2009 due primarily to a increase in the in capital contributions received from the federal government. PFC revenue decreased 2% from $16,298,885 in 2008 to $15,957,102 due to a reduction in passenger enplanements. Interest expense and bond costs decreased 5% from $14,237,371 in 2008 to $13,468,956 in 2009 as a result of lower interest expense due to the refunding of bonds.

(Continued)

Total Revenues and Expenses (in thousands)

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

	2010	2009	2008
Total operating revenues	$ 65,305	$ 64,373	$ 62,097
Total nonoperating revenues	40,999	25,762	20,548
Total revenues	$ 106,304	$ 90,135	$ 82,645
Total operating expenses	$ 76,438	$ 75,002	$ 76,691
Total nonoperating expenses	13,447	13,797	14,237
Total expenses	$ 89,885	$ 88,799	$ 90,928

Summary of Changes in Net Assets (in thousands)

	2010	2009	2008
Summary of changes in net assets:			
Operating revenues	$ 65,305	$ 64,373	$ 62,097
Operating expenses	46,839	46,236	46,278
Operating income before depreciation and amortization	18,466	18,137	15,819
Depreciation and amortization	29,599	28,767	30,413
Operating loss	(11,133)	(10,630)	(14,594)
Nonoperating revenues, net	27,553	11,966	6,311
Income (loss) before capital contributions and transfers	16,420	1,336	(8,283)
Capital contributions	10,736	6,174	4,082
Change in net assets	$ 27,156	$ 7,510	$ (4,201)

Operating income before depreciation and amortization increased $330,095 (2%) over the prior fiscal year. Depreciation and amortization expense increased $832,652 (3%). Capital contributions increased by $4,562,287 (74%) due primarily to an increase in the capital contributions received from the federal government. Capital contributions are composed of federal grants, which are being received to fund security improvements, airport layout plan, and the rehabilitation of the terminal apron at the Airport.

(Continued)

Capital Assets

The Airport's investment in capital assets can be noted in the following table. The total increase for this fiscal year was 8% before accumulated depreciation and amortization. Major capital asset events occurring this fiscal year include the following:

- Land improvements/other buildings increased primarily due to the completion of the Aircraft Loading Bridges at a cost of approximately $12.3 million.
- Terminal buildings and furnishings increased primarily due to the completion of the Security Operations Center for approximately $29.9 million along with the installation of TSA Cameras for approximately $1.5 million.
- Construction in progress increased primarily due to progress on the following projects:

Project	Approximate cost during FY 2010
Terminal Apron Rehab	$10.4 million
Expansion of Concourse D	$11.7 million
Consolidated Rent A Car Facility	$15.2 million
ARFF Station	$7.1 million
Terminal Interior Improvements	$3.7 million
Terminal FIDS/BIDS/GIDS	$2.1 million
Baggage Claim Improvements	$1.0 million
Upper-Lower Roadway Improvements	$0.7 million

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

Net Capital Assets (in thousands)

	2010	2009	2008
Land	$ 85,432	$ 86,787	$ 86,598
Air rights	22,170	20,188	18,817
Land improvements	338,034	325,059	322,090
Buildings and furnishings	331,640	300,059	296,066
Equipment	6,590	5,905	5,862
Computers	621	-	-
Utilities	7,786	7,786	7,786
Heliport	3,070	3,070	3,070
Construction in progress	86,273	69,807	49,990
Total capital assets	881,616	818,661	790,279
Less accumulated depreciation and amortization	451,719	422,923	394,156
Net capital assets	$ 429,897	$ 395,738	$ 396,123

Debt Activity

At the end of the current fiscal year, the Airport had total debt outstanding of $374,368,794. The Airport's debt represents bonds secured solely by operating revenue and bonds payable from PFC and CFC revenue.

Outstanding Debt (in thousands)

	2010	2009	2008
Bonds payable:			
Refunding Bonds 1993B – C, 1995A, and 1997A	$ -	$ -	$ 102,030
Revenue Bonds 1997B	-	-	11,300
Revenue Refunding Bonds 2007 (PFC)	83,890	86,415	88,370
Revenue Refunding Bonds 2009A-C	136,170	144,355	-
Go Zone CFC Revenue Bonds 2009A	96,515	96,515	-
Revenue Bonds 2010A-B (PFC)	53,640	-	-
Unamortized bond discount	(3,646)	(3,228)	(45)
Unamortized loss on advanced refunding	(28,290)	(30,672)	(11,328)
Unamortized bond premium	718	745	771
Loans payable:			
FEMA	-	10,883	10,883
Go Zone Tax Credit Bonds	35,372	35,372	35,372
Interest payable:			
FEMA	-	1,122	801
	$ 374,369	$ 341,507	$ 238,154

The Airport's total debt increased $32,862,143 (10%) during the current fiscal year primarily due to the issuance of Gulf Opportunity Zone Revenue Bonds (Passenger Facility Charge Projects), Series 2010A, in the amount of $52,355,000 and $1,285,000 of Revenue Bonds (Passenger Facility Charge Projects), Series 2010B, to pay for the construction of certain capital projects, offset by the cancellation of the FEMA loan in the amount of $10,882,641.

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

Debt Service Coverage

Airport revenue bond covenants require that net revenues together with the sum on deposit in the rollover coverage account on the last day of the immediately preceding fiscal year will at least equal 125% of the bond debt service requirement with respect to the bonds for such fiscal year. The bond resolution for the Revenue Refunding Bonds Series 2007A, 2007B-1, and 2007B-2, PFC Projects had a remaining ratio requirement of 105% or greater obtained by dividing the available amount by the cumulative debt amount. Coverage ratios for the past three years are shown in the following table.

On November 9, 2007, the Board approved the Rollover Coverage for fiscal year 2008 in the amount of $7,000,000. On December 17, 2008, the Board approved the Rollover Coverage for fiscal year 2009 in the amount of $5,600,000. On November 6, 2009, the Board approved the Rollover Coverage for fiscal year 2010 in the amount of $3,719,573. The funds were transferred to the NOAB Rollover Coverage Account held by the City of New Orleans on December 3, 2009, and transferred to the airport operating account in 2010. The Airport's calculation of the historical debt service coverage ratio, as presented in Supplemental Schedule 3 to the financial statements is 150% for the year ended December 31, 2010 and 163% for the year ended December 31, 2009. 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.

	2010	2009	2008
Refunding Bonds and Revenue Bonds	150%	163%	128%
Revenue Refunding Bonds	112	112	121

Airport Activities and Highlights

Passenger totals for 2010 increased by 415,932 (5%) over 2009 due to an increase in air carrier operations and passenger activity. Aircraft operations increased from 86,857 operations in 2009 to 89,003 in 2010 (2%). Aircraft landed weights increased from 5,174,944 in 2009 to 5,501,940 in 2010 (6%). As of December 2010, the Airport had 131 daily departures to 37 cities with 15,084 average daily seats. As of December 2009, the Airport had 122 daily departures to 34 cities with 15,094 average daily seats.

The Airport is continuing a program to rehabilitate aging infrastructure to meet current demands. Work is continuing on Consolidated Rent A Car Facility, the Expansion of Concourse "D", the Terminal Apron Rehabilitation, Terminal Improvements, and a new ARFF Station.

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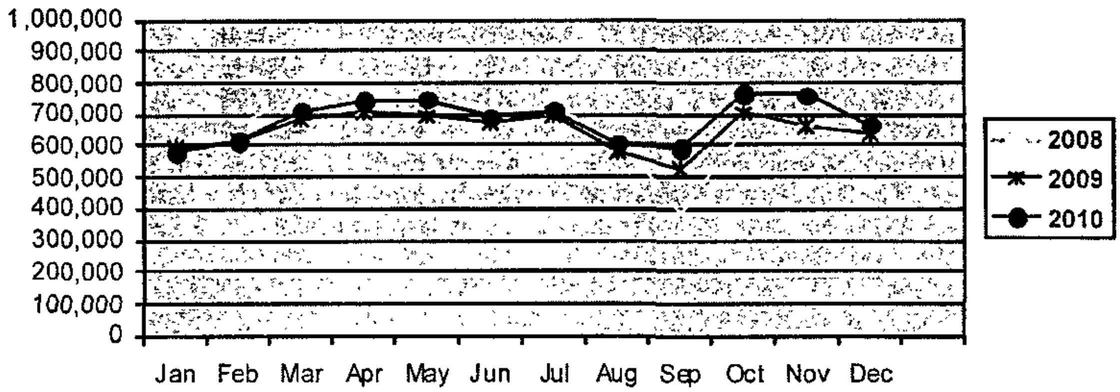
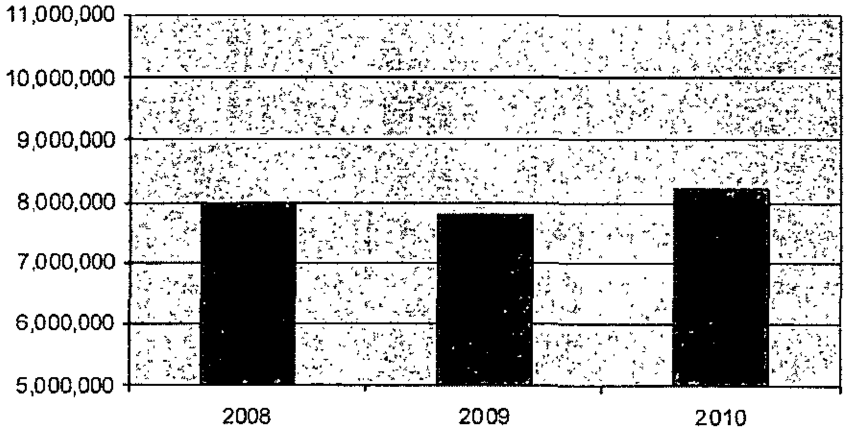
Total Passengers



Total Passengers



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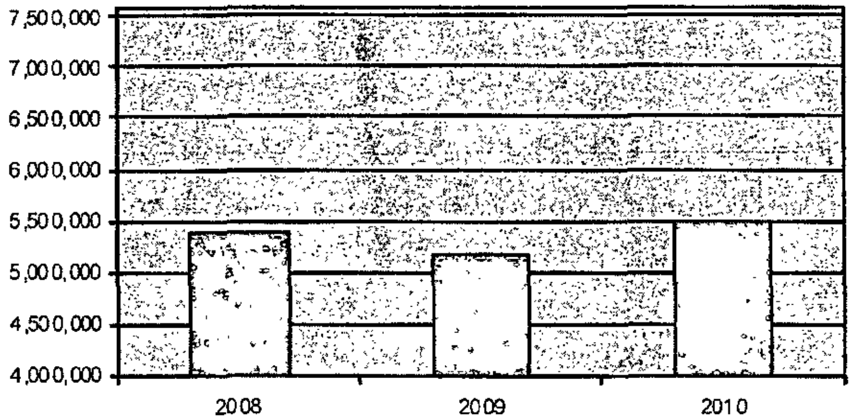
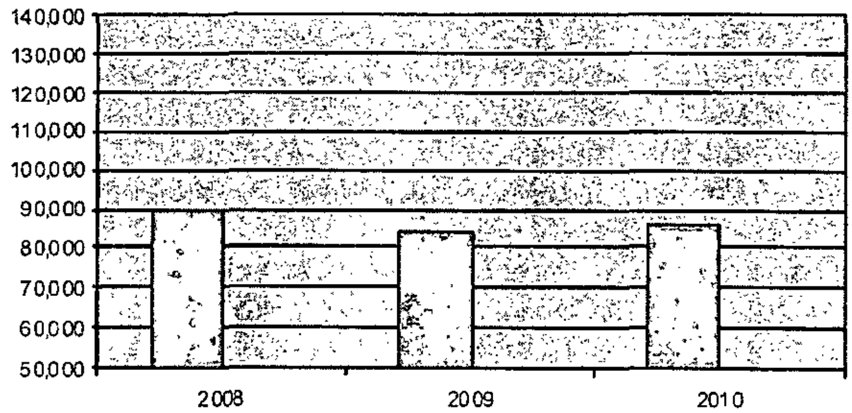
Landed Weight



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.

Fiscal year	Total passengers	Landed weight (1,000 pound units)	Air carrier operations
2008	7,967,997	5,364,909	92,989
2009	7,787,373	5,174,944	86,857
2010	8,203,305	5,501,940	89,003

Requests for Information

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

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

Balance Sheets

December 31, 2010 and 2009

Assets	**2010**	**2009**
Current assets:		(as adjusted)
Unrestricted assets:		
Cash (note 2)	$ 2,851,944	$ 1,606,798
Accounts receivable, less allowance for doubtful accounts of $1,152,543 in 2010; $1,233,999 in 2009	1,702,627	8,970,824
Investments (note 2)	84,156,164	80,289,676
Prepaid expenses and deposits	1,888,854	1,432,762
Total unrestricted assets	90,599,589	92,300,060
Restricted assets (notes 2, 3, and 5):		
Cash	601,414	313,669
Investments	30,486,463	17,282,806
Passenger facility charges receivable	1,655,612	1,791,147
Customer facility charges receivable	856,511	766,729
Capital grant receivable	891,133	995,163
Total restricted assets	34,491,133	21,149,514
Total current assets	125,090,722	113,449,574
Noncurrent assets:		
Long-term investments (note 2):		
Investments, restricted	199,550,645	172,876,561
Total long-term investments	199,550,645	172,876,561
Capital assets (note 4):		
Capital assets not being depreciated	193,875,484	176,781,956
Capital assets being depreciated	687,740,714	641,878,489
Less accumulated depreciation	(451,719,271)	(422,922,765)
Total capital assets, net	429,896,927	395,737,680
Prepaid insurance on revenue bonds, less accumulated amortization of $573,406 in 2010; $311,126 in 2009	4,258,096	4,520,376
Deferred cost of bond issuance, less accumulated amortization of $510,752 in 2010; $221,606 in 2009	6,168,684	5,279,587
Total noncurrent assets	639,874,352	578,414,204
Total assets	$ 764,965,074	$ 691,863,778

(Continued)

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Component Unit of the City of New Orleans)

Balance Sheets

December 31, 2010 and 2009

Liabilities and Net Assets	2010	2009
Current liabilities:		(as adjusted)
Payable from unrestricted assets:		
Accounts payable	$ 6,522,977	$ 6,579,872
Due to City of New Orleans	1,007,283	827,311
Accrued salaries and other compensation	1,346,851	1,720,897
Capital projects payable	211,498	479,295
Total unrestricted current liabilities	9,088,609	9,607,375
Payable from restricted assets:		
Accounts payable	5,727,160	—
Accrued bond interest payable	10,346,941	5,895,077
Bonds payable, current portion (note 5)	10,450,000	10,710,000
Capital projects payable	7,967,032	4,544,437
Total restricted current liabilities	34,491,133	21,149,514
Total current liabilities	43,579,742	30,756,889
Noncurrent liabilities:		
Bonds payable, less current portion, unamortized loss on advance refunding and unamortized discount (note 5)	328,546,804	283,419,723
Loans payable	35,371,990	46,254,631
Loan interest payable	—	1,122,297
Total noncurrent liabilities	363,918,794	330,796,651
Total liabilities	407,498,536	361,553,540
Net assets:		
Invested in capital assets, net of related debt	212,834,706	192,827,719
Restricted for:		
Debt service	44,812,148	40,822,423
Capital acquisition	41,584,061	49,880,117
Operating reserve	12,096,633	11,464,223
Unrestricted	46,138,990	35,315,756
Total net assets	357,466,538	330,310,238
Total liabilities and net assets	$ 764,965,074	$ 691,863,778

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2010 and 2009

		2010		2009
Operating revenues (note 8):				(as adjusted)
Landing and airfield fees	$	14,198,440	$	13,527,591
Terminal building		48,895,154		48,625,020
Ground transportation and other areas		2,130,521		2,220,295
Other		81,456		—
Total operating revenues		65,305,571		64,372,906
Operating expenses:				
Direct		16,971,565		17,427,097
Depreciation and impairment write-down		29,599,254		28,766,602
Administrative		24,304,830		27,772,127
Cancelled/unreimbursed projects		5,562,367		1,036,968
Total operating expenses		76,438,016		75,002,794
Operating loss		(11,132,445)		(10,629,888)
Nonoperating revenues (expenses):				
Investment income		106,849		239,496
Interest expense		(13,415,121)		(13,468,956)
Passenger facility charges		16,912,099		15,957,102
Customer facility charges		11,975,343		9,565,529
Gain on forgiveness of debt (note 5)		12,004,938		—
Other, net		(31,451)		(327,553)
Total nonoperating revenues, net		27,552,657		11,965,618
Income before capital contributions		16,420,212		1,335,730
Capital contributions (note 6)		10,736,088		6,173,801
Change in net assets		27,156,300		7,509,531
Total net assets, beginning of year		330,310,238		319,910,546
Adjustment for retrospective application of new accounting principle (note 1)		—		2,890,161
Total net assets, end of year	$	357,466,538	$	330,310,238

See accompanying notes to financial statements.

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Component Unit of the City of New Orleans)

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		(as adjusted)
Cash received from customers	$ 72,655,224	$ 64,755,543
Cash paid to suppliers for goods and services	(28,628,292)	(38,987,819)
Cash paid to employees and on behalf of employees for services	(9,217,475)	(8,457,494)
Other receipts	69,603	34,770
Net cash provided by operating activities	34,879,060	17,345,000
Cash flow from noncapital financing activities:		
Sales tax receipts	651,407	634,402
FEMA proceeds	306,365	—
Net cash provided by noncapital financing activities	957,772	634,402
Cash flows from capital and related financing activities:		
Passenger facility charges collected	17,047,634	15,656,892
Customer facility charges collected	11,885,561	8,798,800
Proceeds from disposition of property	13,214	—
Acquisition and construction of capital assets	(56,153,065)	(30,348,949)
Capital grants received	10,840,118	5,274,987
Principal paid on revenue bond maturities	(11,845,910)	(115,285,000)
Issuance of revenue bonds	54,775,910	240,870,000
Interest paid on bonds and loans	(16,051,780)	(9,032,229)
Cost of bond issuance and insurance	(1,178,243)	(29,649,411)
Net cash provided by capital and related financing activities	9,333,439	86,285,090
Cash flows from investing activities:		
Sales of investments	231,548,127	246,769,087
Purchases of investments	(275,292,356)	(352,768,582)
Interest and dividends on investments	106,849	241,199
Net cash used in capital and related financing activities	(43,637,380)	(105,758,296)
Net increase (decrease) in cash and cash equivalents	1,532,891	(1,493,804)
Cash and cash equivalents at beginning of year	1,920,467	3,414,271
Cash and cash equivalents at end of year (note 2)	$ 3,453,358	$ 1,920,467
Noncash investing activities:		
Increase (decrease) in investments due to change in fair value	$ (32,231)	$ 36
Noncash financing activities:		
Amortization of bond-related costs	$ (2,932,547)	$ (2,632,219)
Gain on forgiveness of debt	$ 12,004,938	$ —

(Continued)

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Component Unit of the City of New Orleans)

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
		(as adjusted)
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (11,132,445)	$ (10,629,888)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and impairment	29,599,254	28,766,602
Decrease in allowance for doubtful accounts	(81,456)	(17,421)
Cancelled/unreimbursed projects	4,054,352	—
Other	69,603	34,770
Changes in assets and liabilities:		
Accounts receivable	7,349,653	382,637
Inventory of materials and supplies	—	116,542
Prepaid expenses and deposits	(456,091)	(464,373)
Due from City of New Orleans	—	1,187,263
Accounts payable	5,670,264	309,012
Accrued salaries and other compensation	(464,249)	234,169
Accrued expenses	—	(3,038,469)
Due to City of New Orleans	270,175	464,156
Total adjustments	46,011,505	27,974,888
Net cash provided by operating activities	$ 34,879,060	$ 17,345,000

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

The Louis Armstrong New Orleans International Airport (the Airport) is a proprietary component unit of the City of New Orleans, Louisiana. The New Orleans Aviation Board (the Board) was established in 1943 to provide for the operation and maintenance of the Airport. The Board consists of nine members appointed by the Mayor of the City of New Orleans with approval of the New Orleans City Council. The City of Kenner, Louisiana and the Parish of St. Charles, Louisiana each have input as to the selection of one board member.

The accompanying policies of the Airport conform to accounting principles generally accepted in the United States of America as applicable to proprietary component units of governmental entities.

(b) Basis of Presentation

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

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

(c) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred. Revenues from landing and airfield fees, terminal building, rental building, and leased areas are reported as operating revenues. Transactions, which are capital, financing, or investing related, are reported as nonoperating revenues. Expenses from employee wages and benefits, purchase of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the City of New Orleans has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

(Continued)

(d) Change in Accounting Policy

Effective for the year ended December 31, 2010, the Airport adopted the Governmental Accounting Standards Board's (GASB) Statement No. 51 – Accounting and Financial Reporting for Intangible Assets (GASB 51). GASB 51 provides that if there are no factors that limit the useful life of an intangible asset, the intangible asset is considered to have an indefinite useful life. Intangible assets with indefinite life is subsequently determined that certain air rights previously recorded as amortizable capital assets, now qualify as intangible assets as defined in GASB 51. In accordance with the GASB 51, the Airport has applied reclassifications and adjustments retroactively. Air rights have been reclassified on the Balance Sheet from capital assets being depreciated to capital assets not being depreciated. In addition, the Airport has made the following adjustments to the December 31, 2009 financial statements:

	As Originally Stated	As Adjusted	Net Change
Balance Sheet			
Accumulated depreciation	$ 426,576,838	$ 422,922,765	$ 3,654,073
Net Assets	326,656,165	330,310,238	(3,654,073)
Statement of Changes in Net Assets			
Depreciation	$ 29,530,514	$ 28,766,602	$ 763,912
Changes in Net Assets for the Year	6,745,619	7,509,531	(763,912)
Total Net Assets - Beginning of the Year	319,910,546	322,800,707	(2,890,161)

(e) 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.

(f) 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.

(g) Investments

Investments are carried at fair value in the financial statements. Unrealized gains and losses on investments are reflected in the statements of revenues, expenses, and changes in net assets.

(Continued)

(h) ***Capital Assets***

Capital assets are carried at cost. An item is classified as an asset if the initial, individual cost is $1,000 or greater. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. In situations involving the construction of certain assets financed with the proceeds of tax-exempt borrowings, interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining the amount of interest to be capitalized. There was capitalized interest in the amount of $8,518,203 in 2010 and 499,220 in 2009.

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.

The estimated useful lives by major classification are as follows:

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

(i) ***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 $1,670,017 and $1,590,493 for the years ended December 31, 2010 and 2009, respectively, and is recorded in administrative expenses in the statements of revenues, expenses, and changes in net assets.

(j) ***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.

(k) ***Bond Insurance***

In conjunction with bonds issued in 2009 and 2007, insurance was purchased which guarantees the payment of bond principal and interest and expires with the final principal and interest payment on

(Continued)

the bonds. The insurance costs were capitalized at the dates of issuance and are being amortized over the life of the bonds using the interest method.

(l) Revenue Recognition

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

On August 29, 2005, the Airport and the City of New Orleans sustained significant damages due to Hurricane Katrina. The Airport sustained minor damages to its capital assets. The major impact to the Airport was related to operations, and no fees were charged to the air carriers for the month of September 2005.

As a result of the hurricane, the Airport entered into negotiations with the airline transportation companies in order to determine the maximum amount of fees and charges the Airport would be able to charge to retain the airline transportation companies and provide airline services to the City of New Orleans. In November 2005, the Board adopted the rates, fees, and charges resolution whereby the airport transportation companies are charged $8.00 per enplaned passenger. Landing fees were established at $1.07 per 1,000 pounds of gross maximum landed weight. On January 1, 2009 all prospective signatory airlines began paying signatory airline rates and charges according to the new lease agreement. The rates for 2010 and 2009 are as follows:

	2010	2009
Terminal building rental rates (per sq. ft.)	$ 114.16	$ 98.94
Landing fee rate (per 1,000 lbs)	2.08	1.69
Apron use fee rate (per sq. ft.)	1.88	2.44
Loading bridge use fee (per bridge)	17,695.00	24,960.00
Enplaned passenger fee rate (per person)	9.15	8.17

Due to the terms of the agreement, these rates are subject to settlement. The Airport shall use its best efforts such that within the later of (i) one hundred twenty (120) days following the close of each fiscal year or (ii) within sixty (60) days of receipt of audited financial statements, rates for rentals, fees, and charges for the preceding fiscal year shall be recalculated using available financial data and the methods. Under the settlements for 2009 and 2010, the Airport's final rate structure varied from the rates in effect during the year.

(m) 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, 2010 the Airport is authorized to collect up to $571,083,541 of PFC revenue of which $261,513,064 has been collected. PFC revenues are pledged to secure the Series 2007 Revenue bonds and the Series 2010 Revenue bonds, which funded construction of preapproved capital projects and

(Continued)

redeemed prior Series of PFC Bonds. As of December 31, 2010, the estimated expiration date on PFC revenue collection is June 1, 2026.

(n) Customer Facility Charges

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

(o) Federal Financial Assistance

The Airport receives financial assistance for costs of construction and improvements to airport facilities through grants from the FAA. The Airport is on the reimbursement basis for funds received for financial assistance. As of December 31, 2010, the Airport had received $2,591,440 from FEMA as reimbursement for repairs and expenses incurred by the Airport as a result of Hurricanes Katrina and Gustav.

(p) 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.

(q) Statements of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents include unrestricted cash, unrestricted certificates of deposit, and restricted cash.

(2) Cash and Investments

Included in the Airport's cash balances are amounts deposited with commercial banks in interest bearing and noninterest bearing demand accounts. The commercial bank balances are entirely insured by federal depository insurance or by collateral held by the financial institution in the Airport's name.

The Airport follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair value, which is based on available market values. The local government investment pool is a "2a-7-like" pool in accordance with GASB Statement No. 31; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value. At December 31, 2010 and 2009, the fair value of all securities regardless of balance sheet classifications as cash and cash equivalents or investments was as follows:

	2010	2009
Securities:		
Common Stock: Airline bankruptcies	$ 591,493	$ 496,965
Local government investment pool	83,353,040	72,260,814
Investment in money market funds	230,248,739	197,691,264
Total securities, at fair value	$ 314,193,272	$ 270,449,043

These securities are held in the following accounts:

	2010	2009
Current assets:		
Cash and cash equivalents	$ 3,453,358	$ 1,920,467
Investments	114,642,627	97,572,482
Noncurrent assets:		
Investments	199,550,645	172,876,561
Total cash and investments	317,646,630	272,369,510
Less cash on deposit	(3,453,358)	(1,920,467)
Total securities, at fair value	$ 314,193,272	$ 270,449,043

The Airport is authorized to invest in securities as described in its investment policy, in each bond resolution and state statue. As of December 31 2010, and 2009, the Airport held the following investments as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures:*

Investment Maturities at December 31, 2010

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

Investment Maturities at December 31, 2009

Investment type	Less than 1 year	1 to 5 years	Total
Common Stock: Airline bankruptcies	$ 496,965	$ -	$ 496,965
Local government investment pool	72,260,814	-	72,260,815
Money market funds	197,691,264	-	197,691,264
	$ 270,449,043	$ -	$ 270,449,043

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

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

(Continued)

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 $591,493 at December 31, 2010 was subject to market risk as a result of the volatility of the stock market.

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

(3) Summary of Restricted Assets

Assets restricted for specific purposes in accordance with bond indentures and other legal restrictions are composed of the following at December 31, 2010 and 2009:

2010

	Debt service fund	Debt service reserve fund	Coverage account	Ineligible sub-account	Operations and maintenance reserve fund	Capital Improvement fund	Receipts fund	Rollover fund	PFC collect	Bond costs	Parking Facility Reserve	Receivables	2010 total
Assets:													
Cash and certificates of deposits	$ —	1	10	—	—	473	—	3,723,466	600,929	—	—	—	$ 4,324,879
Dreyfus Treasury Prime Cash Management	9,449,264	18,687,373	1,923,544	5,836,370	—	152,921,496	761,798	—	—	28,971	—	—	189,608,816
JPM U.S. Treasury and U.S. money market fund	12,586,703	14,435,749	—	—	8,373,167	—	—	—	—	—	1,309,208	—	36,704,827
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	1,655,612	1,655,612
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	—	736,668	736,668
Transportation Security Admin grant receivable	—	—	—	—	—	—	—	—	—	—	—	145,453	145,453
Hazard Material grant receivable	—	—	—	—	—	—	—	—	—	—	—	9,012	9,012
Customer facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	856,511	856,511
	$ 22,035,967	33,123,123	1,923,554	5,836,370	8,373,167	152,921,969	761,798	3,723,466	600,929	28,971	1,309,208	3,403,256	$ 234,041,778

2009

	Debt service fund	Debt service reserve fund	Coverage account	Ineligible sub-account	Operations and maintenance reserve fund	Capital Improvement fund	Receipts fund	Rollover fund	PFC collect	Cost of issue	Parking Facility Reserve	Receivables	2009 total
Assets.													
Cash and certificates of deposits	$ —	—	—	—	—	—	162,504	3,720,859	151,165	—	—	—	$ 4,034,528
Dreyfus Treasury Prime Cash Management	4,744,163	14,438,098	1,923,544	789,047	—	127,006,742	1,185,777	—	—	737,788	—	—	150,825,159
JPM U.S. Treasury and U.S. money market fund	13,099,740	14,435,500	—	—	7,743,364	250,939	—	—	—	83,806	—	—	35,613,349
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	1,791,147	1,791,147
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	—	910,943	910,943
Transportation Security Admin grant receivable	—	—	—	—	—	—	—	—	—	—	—	75,208	75,208
Hazard Material grant receivable	—	—	—	—	—	—	—	—	—	—	—	9,012	9,012
Customer facility charges receivable	—	—	—	—	—	—	—	—	—	—	—	766,729	766,729
	$ 17,843,903	28,873,598	1,923,544	789,047	7,743,364	127,257,681	1,348,281	3,720,859	151,165	821,594	—	3,553,039	$ 194,026,075

(Continued)

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)
Notes to Financial Statements
December 31, 2010 and 2009

(4) Capital Assets

Capital assets include assets acquired with the Airport's own funds as well as those acquired through resources externally restricted for capital acquisition. A summary of changes in capital assets for the years ended December 31, 2010 and 2009 is as follows:

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

(Continued)

	Balance December 31, 2008 (as Adjusted)	Additions/ transfers during year	Deletions/ transfers during year	Balance December 31, 2009 (as Adjusted)
Capital assets not being depreciated:				
Land	$ 86,597,824	$ 189,299	$ -	$ 86,787,123
Air rights	18,817,055	1,371,088	-	20,188,143
Construction in progress	49,989,818	28,406,195	(8,589,323)	69,806,690
Total capital assets not being depreciated	155,404,697	29,966,582	(8,589,323)	176,781,956
Capital assets being depreciated:				
Land improvements	322,090,380	2,968,859	-	325,059,239
Buildings and furnishings	296,066,360	3,990,542	2,045	300,058,947
Equipment	5,862,350	42,150	-	5,904,500
Utilities	7,786,124	-	-	7,786,124
Heliport	3,069,679	-	-	3,069,679
Total capital assets being depreciated	634,874,893	7,001,551	2,045	641,878,489
Total capital assets	790,279,590	36,968,133	(8,587,278)	818,660,445
Less accumulated depreciation:				
Land improvements	169,739,603	15,093,131	-	184,832,734
Buildings and furnishings	211,715,391	13,177,755	-	224,893,146
Equipment	5,207,081	236,445	-	5,443,526
Utilities	4,427,468	258,634	-	4,686,102
Heliport	3,066,620	637	-	3,067,257
Total accumulated depreciation	394,156,163	28,766,602	-	422,922,765
Total capital assets, net	$ 396,123,427	$ 8,201,531	$ (8,587,278)	$ 395,737,680

(Continued)

Construction in progress is composed of the following at December 31, 2010:

Description		Project authorization	December 31, 2010	Remaining commitments
Consolidated Rent A Car Facility	$	97,422,050	$ 22,355,731	$ 75,066,319
Expansion of Concourse "D"		27,933,000	19,536,231	8,396,769
Terminal Apron Rehab		20,700,084	16,409,344	4,290,740
New Utility Building		19,058,835	1,331,112	17,727,723
Consolidated Check Point - West Terminal		15,000,000	538,618	14,461,382
New ARFF Station		14,979,095	10,282,612	4,696,483
Terminal Apron Rehab Phase II		10,836,203	1,003,517	9,832,686
Expansion Taxiway Gulf Phase I		10,601,755	301,913	10,299,842
Terminal/Baggage Claim Improvements		8,555,109	1,408,201	7,146,908
Terminal Interior Improvements		7,981,341	6,522,204	1,459,137
Exterior Terminal - Lower and Upper Roads		6,193,553	1,272,959	4,920,594
New Airfield Lighting Vault		5,395,913	340,580	5,055,333
North Perimeter Road Improvements		4,846,154	486,049	4,360,105
Runway 6/24 Conversion		4,153,846	247,288	3,906,558
Terminal FIDS/BIDS/GIDS		2,968,559	2,299,199	669,360
USACE Airport Levee Coordination		1,264,691	448,853	815,838
Miscellaneous Projects under $1,000,000		2,660,594	1,488,727	1,171,867
	$	260,550,782	$ 86,273,138	$ 174,277,644

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

(5) Long-term Debt

Long-term debt activity for the years ended December 31, 2010 and 2009 was as follows:

Long-Term Debt	Balance December 31, 2009	Additions	Deductions	Balance December 31, 2010	Amounts due within one year
Bonds Payable:					
Series 2007A Revenue Bonds, fixed interest rate January 1, 2038 at 4.25% final maturity	$ 64,925,000	$ -	$ (1,015,000)	$ 63,910,000	$ 1,060,000
Series 2007B-1 Revenue Refunding Bonds, fixed interest rate January 1, 2020 at 4.25% final maturity	4,295,000	-	-	4,295,000	-
Series 2007B-2 Revenue Refunding Bonds, fixed interest rate January 1, 2019 at 4.25% final maturity	17,195,000	-	(1,510,000)	15,685,000	1,575,000
Series 2009A Interim Revenue Notes PFC Drawdown Bond and Credit Facility, final maturity January 1, 2040 at LIBOR+1.75%	-	1,135,910	(1,135,910)	-	-
Series 2009A-1 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	73,960,000	-	-	73,960,000	-
Series 2009A-2 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	23,055,000	-	-	23,055,000	-
Series 2009B Revenue Refunding bonds, fixed interest rate January 1, 2015 at 4.50% final maturity	27,140,000	-	-	27,140,000	-
Series 2009C Revenue Refunding bonds, fixed interest rate January 1, 2012 at 3.50% final maturity	20,200,000	-	(8,185,000)	12,015,000	7,815,000
Series 2009A GO ZONE CFC Revenue bonds, fixed interest rate; January 1, 2040 at 4.625% final maturity	96,515,000	-	-	96,515,000	-

Long-Term Debt	Balance December 31, 2009	Additions	Deductions	Balance December 31, 2010	Amounts due within one year
Bonds Payable:					
Series 2010A GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2041 at 5.25% final maturity	$ -	$ 52,355,000	$ -	$ 52,355.000	$ -
Series 2010B GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2038 at 5.125% final maturity	-	1,285,000	-	1.285,000	-
	327,285,000	54,775,910	(11,845,910)	370,215,000	10,450,000
Less:					
Unamortized loss on advance refunding	(30,671,720)	-	2,381,121	(28,290,599)	-
Unamortized discount on bonds	(3,228,516)	(481,532)	64,098	(3,645,950)	-
Unamortized premium on bonds	744,959	-	(26,606)	718,353	-
	294,129,723	54,294,378	(9,427,297)	338,996,804	10,450,000
Loans Payable:					
FEMA	10,882,641	-	(10,882,641)	-	-
Go Zone	35,371,990	-	-	35,371,990	-
	46,254,631	-	(10,882,641)	35,371,990	-
Other Liabilities:					
FEMA Interest Payable	1,122,297	-	(1,122,297)	-	-
	1,122,297	-	(1,122,297)	-	-
	$ 341,506,651	$ 54,294,378	$ (21,432,235)	$ 374,368,794	$ 10,450,000

(Continued)

Long-Term Debt	Balance December 31, 2008	Additions	Deductions	Balance December 31, 2009	Amounts due within one year
Bonds Payable:					
Series 1993B Refunding bonds, variable rates, final maturity August 1, 2016	$ 73,125,000	$ -	$ (73,125,000)	$ -	$ -
Series 1993C Refunding bonds, variable rates, final maturity August 3, 2011	1,015,000	-	(1,015,000)	-	-
Series 1995A Refunding bonds, variable rates, final maturity August 1, 2015	11,390,000	-	(11,390,000)	-	-
Series 1997A Refunding bonds, variable rates, final maturity August 5, 2015	16,500,000	-	(16,500,000)	-	-
Series 1997B-1 Revenue bonds, fixed interest rate 5.45%, final maturity October 1, 2027	2,555,000	-	(2,555,000)	-	-
Series 1997B-2 Taxable revenue bonds, fixed interest rate 6.45%, final maturity October 1, 2027	8,745,000	-	(8,745,000)	-	-
Series 2007A Revenue bonds, fixed interest rate January 1, 2038 at 4.25% final maturity	65,530,000	-	(605,000)	64,925,000	1,015,000
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	18,545,000	-	(1,350,000)	17,195,000	1,510,000
Series 2009A-1 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	-	73,960,000	-	73,960,000	-
Series 2009A-2 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	-	23,055,000	-	23,055,000	-
Series 2009B Revenue Refunding bonds, fixed interest rate January 1, 2015 at 4.50% final maturity	-	27,140,000	-	27,140,000	-

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

Notes to Financial Statements

December 31, 2010 and 2009

Long-Term Debt	Balance December 31, 2008	Additions	Deductions	Balance December 31, 2009	Amounts due within one year
Bonds Payable:					
Series 2009C Revenue Refunding bonds, fixed interest rate January 1, 2012 at 3.50% final maturity	$ -	$ 20,200,000	$ -	$ 20,200,000	$ 8,185,000
Series 2009A GO ZONE CFC Revenue bonds, fixed interest rate, January 1, 2040 at 4.625% final maturity	-	96,515,000	-	96,515,000	-
	201,700,000	240,870,000	(115,285,000)	327,285,000	10,710,000
Bonds Payable:					
Less:					
Unamortized loss on advance refunding	(11,328,043)	(29,851,426)	10,507,749	(30,671,720)	-
Unamortized discount on bonds	(44,300)	(3,219,955)	35,739	(3,228,516)	-
Unamortized premium on bonds	771,564	-	(26,605)	744,959	-
	191,099,221	207,798,619	(104,768,117)	294,129,723	10,710,000
Loans Payable:					
FEMA	10,882,641	-	-	10,882,641	-
Go Zone	35,371,990	-	-	35,371,990	-
	46,254,631	-	-	46,254,631	-
Other Liabilities:					
FEMA Interest Payable	800,592	321,705	-	1,122,297	-
	800,592	321,705	-	1,122,297	
	$ 238,154,444	$ 208,120,324	$ (104,768,117)	$ 341,506,651	$ 10,710,000

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

	Interest	Principal	Total
Bonds Payable:			
December 31:			
2011	$ 20,203,186	$ 10,450,000	$ 30,653,186
2012	19,462,503	10,895,000	30,357,503
2013	18,936,196	11,395,000	30,331,196
2014	18,363,190	11,950,000	30,313,190
2015	17,722,633	14,210,000	31,932,633
2016-2020	77,297,644	82,140,000	159,437,644
2021-2025	53,693,504	70,445,000	124,138,504
2026-2030	40,101,916	40,305,000	80,406,916
2031-2035	26,763,938	53,170,000	79,933,938
2036-2040	9,684,826	61,220,000	70,904,826
2041	-	4,035,000	4,035,000
	$ 302,229,536	$ 370,215,000	$ 672,444,536

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

	Interest	Principal	Total
Notes Payable:			
December 31:			
2011	$ -	$ -	$ -
2012	1,641,260	1,684,138	3,325,398
2013	1,563,116	1,762,282	3,325,398
2014	1,481,346	1,844,052	3,325,398
2015	1,395,782	1,929,616	3,325,398
2016-2020	5,549,867	11,077,129	16,626,996
2021-2025	2,730,162	13,896,831	16,626,993
2026	147,456	3,177,942	3,325,398
	$ 14,508,989	$ 35,371,990	$ 49,880,979

Bonds Payable

On May 26, 2010 New Orleans Aviation Board issued the $52,355,000 New Orleans Aviation Board Gulf Opportunity Zone Revenue Bonds (Passenger Facility Charge Projects) Series 2010A (Non-AMT) (the "Series 2010A Bonds") and the $1,285,000 New Orleans Aviation Board Revenue Bonds (Passenger Facility Charge Projects) Series 2010B (Non-AMT) (the "Series 2010B Bonds" and collectively with the Series 2010A Bonds the "Series 2010 Bonds"). The Series 2010 Bonds were issued to provide permanent financing for the allowable costs of a) interior and exterior improvements to certain of the existing terminals of the Airport, b) the expansion of concourse D including improvements to the west terminal ticket counters and the baggage claim and baggage make-up areas, and c) an in-line checked baggage inspection system for the Airport or to the extent any thereof are not commenced any substitute capital improvement project for the Airport presently approved or approved in the future by the FAA for PFC secured bond financing (the "2009 PFC Projects"). The proceeds of the Series 2010A Bonds will be used to pay the allowable costs of the 2009 PFC Projects which can be financed with GO Zone Bonds and were not previously financed with proceeds of the Series 2009 Drawdown Bond. The proceeds of the Series 2010B Bonds were used to pay the outstanding balance of the disbursements made pursuant to the Series 2009 Drawdown Bond. In addition, the Series 2010 Bonds were issued in order to provide the amounts required to pay all or any portion of (i) the costs of issuance of all the Series 2010 Bonds, (ii) the costs of related credit enhancement devices for the Series 2010 Bonds, and (iii) provide the Debt Service Reserve Fund Requirement for the Series 2010 Bonds, or the costs of a reserve asset to serve as all or any portion of the Debt Service Reserve Fund Requirement for the Series 2010 Bonds.

On December 17, 2009, the New Orleans Aviation Board issued Not Exceeding $65,000,00 New Orleans Aviation Board Interim Revenue Notes (Passenger Facility Charge Projects) Series 2009A Drawdown Bond Facility and Credit Facility provided by IBERIABANK and Capital One, N.A., dated as of December 1, 2009 (the "2009 Drawdown Bond"). The 2009 Drawdown Bond is to provide for the borrowing of money to provide interim or permanent financing for acquisition and construction of certain capital projects pursuant to an interim revolving credit facility in the initial maximum amount of not exceeding $45,000,000 to be provided by IBERIABANK and Capital One, N.A. The proceeds of the Series 2010B Bonds were used to pay the outstanding balance of $1,135,910.

On December 9, 2009, the New Orleans Aviation Board issued the $96,515,000 New Orleans Aviation Board Gulf Opportunity Zone CFC Revenue Bonds, Series 2009 A (Non-AMT) (the "2009 CFC Revenue Bonds) to (i) provide amounts to reimburse the Aviation Board for previously expended costs or paying costs of planning, designing, equipping, and constructing a consolidated rental car facility consisting of a multi-story customer service building which includes customer service areas, rental car company administrative areas, ready/return car parking areas and multiple separate service areas for the storage, refueling, and cleaning of motor vehicles, certain related improvements and certain other improvements to be included in the same construction contract, including all immovable equipment, furnishings, fixtures and facilities incidental or necessary therewith, (ii) pay the costs of issuance of the Series 2009 bonds, and (iii) provide a debt service reserve fund for the 2009 CFC Revenue Bonds.

On February 4, 2009, the New Orleans Aviation Board issued the New Orleans Aviation Board Revenue Refunding Bonds (the "2009 Restructuring GARBS"), $73,960,000 Series 2009A-1 (Non-AMT), $23,055,000 Series 2009A-2 Bonds (Non-AMT), $27,140,000 Series 2009B (Taxable), and the $20,200,000 Series 2009C (Taxable) for the purpose of refunding all of the remaining outstanding New Orleans Aviation Board revenue refunding bonds and New Orleans Aviation Board revenue bonds (the "refunded bonds") and paying the termination fees due as a result of the termination of all of the interest rate swap agreements previously entered by the Aviation Board relating to the refunded bonds (the "prior swaps"). The proceeds ($144,355,000) of the 2009 Restructuring GARBS together with certain other amounts were used to (i) refund and defease the refunded bonds, (ii) pay the termination fees due with respect to the prior swaps, (iii) pay the costs of issuance of the 2009 Restructuring Refunding Bonds, (iv) pay the premium due for the policy of bond insurance, and (v) provide a debt service reserve fund for the 2009 Restructuring GARBS.

Interest Rate Swaps

The Airport had entered into four interest rate swap agreements to reduce the impact of changes in interest rates on its Series 1993B, 1993C, 1995A, and 1997A Variable-Rate Refunding Bonds (see note 5). At December 31, 2008, $102,030,000 in outstanding bonds was recorded as a liability in the financial statements related to these series. All of the swap agreements were terminated as a result of the 2009 Restructuring GARBS, and $19,628,924 was recorded as a loss on advance refunding related to this termination.

Loans Payable

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

In addition, the Board received approval for participation in the Gulf Tax Credit Bonds Program (Go Zone Tax Credit Bonds) sponsored by the State of Louisiana in an amount not exceeding $36,000,000. The Airport was approved for $35,371,990 for an interest free period of 60 months. On August 1, 2006, Hancock Bank as escrow trustee for the State of Louisiana with respect to its GO Zone Tax Credit Bonds Program transferred to the Trustee the amount of $10,242,550 to be used to pay the August 2, 2006 debt service on the bonds and related interest rate swap payments. Hancock Bank transferred an additional $25,129,440 in debt service between August 2006 and July 2008 which brought the loan to the approval amount of $35,371,990 as of December 31, 2010. The Trustee continues to be responsible for making all debt service payments on the bonds.

Deferred Amount on Refunding of Bonds

The proceeds of the 2009 Restructuring GARBS in the amount of $143,472,534 ($143,355,000 principal less discount of $882,466), along with $10,913,599 of available Airport funds were used to refund $113,300,000 of outstanding Series 1993B Bonds ($73,125,000), Series 1993C Bonds ($1,015,000), Series 1995A Bonds ($11,390,000), Series 1997A Bonds ($16,500,000), and Series 1997B Bonds ($11,300,000) and pay estimated interest and redemption fees of $2,161,571. In addition to refunding the bonds, $14,435,5000 was deposited to the 2009 Debt Service Reserve Fund, $19,628,924 for certain swap or hedge termination fees and $4,830,138 for costs of issuance, bond insurance premium, and underwriter discount.

The 2009 Restructuring GARBS resulted in a loss of $31.9 million between the reacquisition price and the net carrying amount of the old debt and swap termination payment, and the loss is reported in the accompanying financial statements as a deduction from bonds payable. The deferred loss will be charged to operations over the life of the 2009 Restructuring GARBS using the effective-interest method.

The Airport initiated the refunding to mitigate interest rate risk associated with the refunded bonds and related swap, as a result of the bond insurer rating downgrade and other related market events. The refunded bonds were defeased on February 4, 2009. The liability was removed and is no longer reflected on the Airport's financial statements at December 31, 2009.

(6) Capital Contributions and Transfers

Capital contributions recorded by the Airport represent amounts received from the federal government to finance the cost of construction of airport facilities.

During the year ended December 31, 2010, the FAA contributed $10,308,621 and the Transportation Security Administration contributed $427,467. During the year ended December 31, 2009, the FAA contributed $5,327,726, Transportation Security Administration contributed $843,387, and FEMA contributed $2,688.

(7) Pension Plan

Employees and officers of the Airport are eligible for membership in the Employees' Retirement System of the City of New Orleans (the Plan), a defined benefit contributory retirement plan. A separate financial report on the plan for the year ended December 31, 2009 containing additional information required under GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, is available from the City of New Orleans Director of Finance, 1300 Perdido Street, Room 1E12, New Orleans, Louisiana 70112, (504) 658-1850.

The Airport's annual contribution to the Employees' Retirement System is based on the amount determined by the actuary of the Plan, which includes amortization of past service costs over a period of 30 years. The Airport's contribution to the Plan for the years ended December 31, 2010 and 2009 was $1,154,321 and $807,594, respectively.

(8) Rentals under Operating Leases

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

The Airport parking garage facility (the "Facility") was constructed on land leased by a 501(c)3 nonprofit corporation (the Corporation) from the Airport pursuant to a parking garage ground lease (the "ground lease") dated January 1, 2001. The commencement date as defined in the ground lease went into effect January 1, 2002, and the ground rental term began. In accordance with the ground lease, the Corporation is required to design, finance, construct, and operate the Facility. The Facility is being financed by the Corporation with $44.3 million of tax-exempt bonds. The bonds are not an obligation of the Airport. The initial term of the ground lease is ten years with three renewal periods of ten years at the option of the Corporation. During the term of the ground lease, the Corporation will pay the Airport $10,624 a month

(Continued)

plus percentage rent of 6% of gross revenues generated from the Facility in excess of $7.0 million per year plus net cash flow rent, as defined in the ground lease.

The payment of rent is subject to a minimum annual guarantee payment, as defined in the ground lease. The fixed rent shall increase by 3% per annum, effective on the first day of each lease year during the term. The 2010 monthly ground rent was $13,458.

The following is a schedule by year of aggregate future minimum rentals receivable on noncancelable operating leases as of December 31, 2010:

2011	$	5,265,109
2012		5,055,244
2013		4,517,659
2014		2,262,659
2015		1,932,659
2016-2022		6,651,439
	$	25,684,769

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 $5,467,959 in 2010 and $10,155,171 in 2009.

(9) Commitments and Contingencies

(a) Self-Insurance

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

(b) Commitments

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

(c) Claims and Judgments

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

(d) Federal Financial Assistance

The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited through December 31, 2010 in accordance with the Single Audit Act of 1996, these programs are still subject to financial and compliance audits by governmental agencies.

(10) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 24, 2011, and determined that there were no subsequent events requiring disclosure.

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

Supplemental Schedule of Investments

Year ended December 31, 2010

Description	Year acquired	Maturity date	Par value	Fair value
Unrestricted investments:				
Special receipts:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	$ 406,253	$ 406,253
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2009	N/A	1,355,227	1,355,227
			1,761,480	1,761,480
PFC reimbursement:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	2,173,616	2,173,616
Stock: Airline Bankruptcies	2007	N/A	591,494	591,494
City of New Orleans:				
LAMP	2003	N/A	79,629,574	79,629,574
Total unrestricted investments			84,156,164	84,156,164
Restricted investments:				
City of New Orleans:				
LAMP	2009	N/A	3,723,466	3,723,466
CIF-Parking Facility Loan:				
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2010	N/A	1,309,208	1,309,208
Debt service fund:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	9,449,264	9,449,264
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2009	N/A	12,586,703	12,586,703
			22,035,967	22,035,967
Debt service reserve fund:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	18,687,373	18,687,373
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2009	N/A	14,435,749	14,435,749
			33,123,122	33,123,122

(Continued)

Schedule 1

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Component Unit of the City of New Orleans)

Supplemental Schedule of Investments

Year ended December 31, 2010

Description	Year acquired	Maturity date	Par value	Fair value
Ineligible Sub-Account				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	5,836,369	5,836,369
Operations and maintenance				
Reserve fund:				
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2009	N/A	8,373,167	8,373,167
Receipts fund:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	761,798	761,798
CFC Restricted:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2010	N/A	1,952,515	1,952,515
Time Reimbursement				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	2,646,767	2,646,767
Time Reimbursement				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	124,069,895	124,069,895
PFC Restricted				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	26,204,834	26,204,834
Total restricted investments			224,200,739	224,200,739
Total			$ 314,193,272	$ 314,193,272

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

Supplemental Schedule of Operating Revenues and Expenses by Area of Activity

Year ended December 31, 2010

	Landing area	Terminal buildings and area	Ground transportation	Total
Operating revenues	$ 14,198,440	48,895,154	2,130,521	65,224,115
Direct expenses	2,264,270	12,956,297	1,750,998	16,971,565
Operating revenues, less direct expenses	11,934,170	35,938,857	379,523	48,252,550
Depreciation of area assets	15,027,696	12,564,622	1,184,004	28,776,322
Operating revenues, less direct expenses and depreciation	$ (3,093,526)	23,374,235	(804,481)	19,476,228
Other operating revenues				81,456
Other operating expenses:				
Depreciation of general assets				822,932
Administrative				29,867,197
Total other operating expenses				30,690,129
Operating loss				$ (11,132,445)

See accompanying independent auditors' report.

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

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

Year ended December 31, 2010

(Unaudited)

Revenues:		
Airline rentals and landing fees	$	41,581,388
Other operating revenues		23,724,183
Nonoperating revenues		126,029
Rollover coverage		3,719,573
Total revenues		69,151,173
Less reserve requirements:		
Operation and maintenance reserve fund requirement		—
Operation and maintenance expenses		46,838,762
Net revenues	$	22,312,411
Debt service fund requirement:		
Principal payments	$	7,815,000
Interest expense		7,063,290
Total debt service fund requirement	$	14,878,290
Historical debt service coverage ratio		1.50

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

The Board approved the Rollover Coverage Resolution on November 6, 2009 which allowed the Airport to apply $3,719,573 of rollover coverage for the December 31, 2010 debt service coverage ratio calculation. The operating funds were transferred to the NOAB Rollover Coverage Account held by the City of New Orleans on December 3, 2009.

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

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

We have audited the financial statements of Louis Armstrong New Orleans International Airport (the Airport) as of and for the year ended December 31, 2010, and have issued our report thereon dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Airport's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over financial reporting.

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

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

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Compliance and Other Matters

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

This report is intended solely for the information and use of the New Orleans Aviation Board, City Council of the City of New Orleans, Louisiana, the Airport's management, the Legislative Auditor of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Netterville

Metairie, Louisiana
June 24, 2011

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

None.

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

Summary Schedule of Prior Year Findings and Questioned Costs

Year ended December 31, 2010

None.

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

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

Compliance

We have audited the compliance of Louis Armstrong International Airport (the Airport), a component unit of the City of New Orleans, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended December 31, 2010. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

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

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year December 31, 2010.

Internal Control over Compliance

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

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

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

Schedule of Revenues and Expenditures of Passenger Facility Charges

We have audited the basic financial statements of the Airport as of and for the year ended December 31, 2010 and have issued our report thereon dated June 24, 2011, which contained unqualified opinions on those financial statements. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of revenues and expenditures of passenger facility charges is presented for the purposes of additional analysis as specified in the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of AmericaIn our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the New Orleans Aviation Board, the Airport's management, the City Council of the City of New Orleans, Louisiana, the Louisiana Legislative Auditor, federal awarding agencies, pass-through entities, and the Federal Aviation Administration, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
June 24, 2011

P&N

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
Schedule of Revenues and Expenditures of Passenger Facility Charges
Year ended December 31, 2010

	Program Total December 31, 2009	Quarter 1 January - March 2010	Quarter 2 April - June 2010	Quarter 3 July - September 2010	Quarter 4 October - December 2010	Quarters 1-4 January - December 2010	Program Total December 31, 2010
Revenues:							
Collections	$ 230,179,224	$ 3,861,708	$ 4,287,750	$ 3,821,585	$ 5,076,517	$ 17,047,560	$ 247,226,784
Interest	14,285,951	77	4	244	4	329	14,286,280
Total Revenues	244,465,175	3,861,785	4,287,754	3,821,829	5,076,521	17,047,889	261,513,064
Expenditures:							
Application 02-05:							
Project 05-001 - ARFF Perimeter Road, Stage I (1)	1,426,689	42,429	503	10,580	24	53,536	1,480,225
Project 05-002 - ARFF Perimeter Road, Stage II (1)	656,947	-	-	-	-	-	656,947
Project 05-003 - ARFF Perimeter Road, Stage III (1)	896,580	-	-	-	-	-	896,580
Project 05-004 - Airfield Lighting Control System (1)	606,247	17,576	209	4,391	10	22,186	628,433
Project 05-005 - Asbestos Removal Program	3,575,805	102,963	1,222	25,720	58	129,963	3,705,768
Project 05-006 - Concourse D Reconstruction (1)	17,076,724	492,840	6,630	139,592	318	639,380	17,716,104
Project 05-007 - East Air Cargo Access Roads	2,281,554	59,810	711	14,967	34	75,522	2,357,076
Project 05-008 - East Air Cargo Apron, Stage I	2,320,706	45,223	535	11,264	26	57,048	2,377,754
Project 05-010 - East/West Taxiway (VFR Runway) (1)	5,552,271	101,024	1,197	25,211	57	127,489	5,679,760
Project 05-011 - Fire Code Compliance Program	4,272,487	128,491	1,523	32,066	73	162,153	4,434,640
Project 05-013 - North GA Access Road	1,176,833	35,021	418	8,797	20	44,256	1,221,089
Project 05-014 - North General Aviation Apron, Stage 1	5,762,436	90,707	1,076	22,660	51	114,494	5,876,930
Project 05-015 - Rehabilitate Runways and Taxiways (1)	2,542,921	45,513	190	4,004	9	49,716	2,592,637
Project 05-016 - Terminal Improvements	4,908,680	-	-	-	-	-	4,908,680
Project 05-017 - Update Airfield Guidance Sign System (1)	105,911	3,040	36	759	2	3,837	109,748
Project 05-018 - Upper Level Roadway Canopy	5,351,871	-	-	-	-	-	5,351,871
Project 05-019 - West Terminal Expansion (1)	22,666,115	679,261	7,627	160,562	365	847,815	23,513,930
Project 05-020 - West Terminal Utilities Expansion (1)	7,137,502	213,336	2,531	53,292	121	269,280	7,406,782
Total Application - 02-05	88,318,279	2,057,234	24,408	513,865	1,168	2,596,675	90,914,954
Application 02-06							
Project 06-001 - Aircraft Loading Bridges	4,278,575	482,509	29,012	289,910	(133)	801,298	5,079,873
Project 06-002 - Airfield Lighting Control Vault Alternative Power Source (2)	588,086	-	-	-	-	-	588,086
Project 06-004 - Airport Trench Drains (2)	1,886,917	-	-	-	-	-	1,886,917
Project 06-006 - Concourse C Reconstruction (2)	23,689,436	-	-	-	-	-	23,689,436
Project 06-007 - Environmental Impact Study for New Air Carrier Runway (2)	756,632	-	-	-	-	-	756,632
Project 06-008 - Expansion of Concourse D (2)	6,532,065	142,441	103,851	28,478	24,259	299,029	6,831,094
Project 06-010 - New Aircraft Rescue and Fire Fighting (ARFF) Station (2)	1,647,066	379,516	1,654,669	1,119,388	2,137,641	5,291,214	6,938,280
Project 06-011 - Rehabilitate Rotating Beacon (2)	348,560	-	-	-	-	-	348,560
Project 06-012 - Rehabilitate Runway 1/19 (2)	4,247,324	-	-	-	-	-	4,247,324
Project 06-013 - Rehabilitate Runway 10/28 (2)	12,844,937	2,244,973	64,544	1,384,491	3,090	3,697,098	16,542,035
Project 06-014 - Rehabilitate Taxiway Sierra (2)	1,405,541	-	-	-	-	-	1,405,541
Project 06-015 - South Lafon Airpark Land Purchase	5,062,117	-	-	-	-	-	5,062,117
Project 06-017 - Terminal HVAC Rehabilitation	1,278,665	-	-	-	-	-	1,278,665
Project 06-018 - West Air Cargo Complex Land Acquisition Program	1,050,244	-	-	-	-	-	1,050,244
Total Application - 02-06	65,616,165	3,249,439	1,852,076	2,822,267	2,164,857	10,088,639	75,704,804

(Continued)

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
Schedule of Revenues and Expenditures of Passenger Facility Charges
Year ended December 31, 2010

	Program Total December 31, 2009	Quarter 1 January - March 2010	Quarter 2 April - June 2010	Quarter 3 July - September 2010	Quarter 4 October - December 2010	Quarters 1-4 January - December 2010	Program Total December 31, 2010
Application 04-07							
Project 07-001 - Airport Master Plan	1,121,565	-	12,402	-	-	12,402	1,133,967
Project 07-002 - Airport Interior Signage	1,298,209	-	-	-	-	-	1,298,209
Project 07-004 - Concourse C Checkpoint Expansion	1,230,667	-	-	-	-	-	1,230,667
Project 07-005 - Construct Connector Taxiway - Taxiway Uniform	4,651,018	-	-	-	-	-	4,651,018
Project 07-006 - Construct Holding Bay - Runway End 19	1,067,802	-	-	-	-	-	1,067,802
Project 07-007 - Exterior Terminal Renovations - Lower Roadway	4,995,000	-	-	-	-	-	4,995,000
Project 07-008 - FIS Facility	8,083,512	-	-	-	-	-	8,083,512
Project 07-009 - Gate Utilization Study	455,662	-	-	-	-	-	455,662
Project 07-011 - Part 1542 Security System	6,321,218	269,634	1,934,747	425,829	1,182,991	3,813,201	10,134,419
Project 07-013 - Residential Sound Insulation Program /Land Acquisition	2,399,042	359,172	135,528	58,930	355,062	908,692	3,307,734
Project 07-014 - TSA - Related Terminal Modification and Airline Relocations	5,918,809	-	-	-	-	-	5,918,809
Project 07-016 - Terminal HVAC Rehabilitation - Phase II	2,101,018	-	-	-	-	-	2,101,018
Project 07-017 - Terminal HVAC Rehabilitation - Phase III	1,449,000	-	-	-	-	-	1,449,000
Project 07-018 - Terminal Interior and Exterior Improvements	7,185,590	260,515	886,463	774,900	676,867	2,598,745	9,784,335
Project 07-019 - Terminal Pedestrian Access Enhancements	1,381,705	-	-	-	-	-	1,381,705
Total Application - 04-07	49,659,817	889,321	2,969,140	1,259,659	2,214,920	7,333,040	56,992,857
Application 06-08							
Project 08-003 - Noise Level Mapping Study	-	-	-	-	-	-	-
Project 08-004 - Acquire 3,000 Gallon ARFF Vehicle	742,165	-	-	-	-	-	742,165
Total Application - 06-08	742,165	-	-	-	-	-	742,165
Application 09-09							
Project 09-001 - Hazardous Wildlife Study	10,303	4,325	1,170	7,278	-	12,773	23,076
Project 09-004 - Taxiway G Extension - East	-	-	25,564	8,751	16,390	50,705	50,705
Total Application - 09-09	10,303	4,325	26,734	16,029	16,390	63,478	73,781
Application 09-10							
Project 10-001 - Terminal Apron Rehabilitation	-	347,213	915,774	586,613	916,155	2,765,755	2,765,755
Project 10-002 - Northwest Service (Perimeter) Road	-	32,796	37,409	10,028	5,537	85,770	85,770
Project 10-005 - Baggage Handling System	-	-	5,796	12,948	13,143	31,887	31,887
Project 10-007 - Airfield Lighting Vault	-	14,914	33,190	26,373	2,565	77,042	77,042
Project 10-008 - Runway 06/24 Downgrade	-	-	-	-	83,614	83,614	83,614
Total Application - 09-10	-	394,923	992,169	635,962	1,021,014	3,044,068	3,044,068
Total Expenditures	204,346,729	6,595,242	5,864,527	5,247,782	5,418,349	23,125,900	227,472,629
PFC revenues in excess of (under) expenditures	$ 40,118,446	$ (2,733,457)	$ (1,576,773)	$ (1,425,953)	$ (341,828)	$ (6,078,011)	$ 34,040,435

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

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

Note to Schedule of Revenues and Expenditures of Passenger Facility Charges

Year ended December 31, 2010

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

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

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

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

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

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

None.

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

Schedule of Prior Year Findings and Questioned Costs

Year ended December 31, 2010

None.

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To the City of New Orleans Aviation Board
Louis Armstrong International Airport
New Orleans, Louisiana

In planning and performing our audit of the financial statements of the New Orleans Aviation Board (NOAB) as of December 31, 2010, we considered the NOAB's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the NOAB's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the NOAB's internal control in our reported dated June 24, 2011. This letter does not affect our report dated June 24, 2011 on the consolidated financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the NOAB personnel and we will be pleased to discuss these comments in further detail at your convenience to perform any additional study of these matters, or to assist you in implementing the recommendations.

Our comments are summarized in Appendix A which also contains management's responses to the current year comments.

We wish to thank the Airport Financial Manager and her department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board, management, and others within the NOAB.

Postlethwaite & Netterville

Metairie, Louisiana
November 30, 2011

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CURRENT YEAR COMMENTS AND MANAGEMENT'S RESPONSE

Payroll

There is no policy regarding review of overtime and variable work schedules. In addition, some departments use a manual system to record time worked. Management should consider establishing a preventive control requiring a formal overtime policy and time recordation system, as well as a documentation system requiring sign offs and review of overtime.

Management's Response

In May 2010, the Aviation Board retained new management at the Airport. At that time, the issue that took precedence over all other maters was to access the potential privatization of the Airport. While this strategic issue was resolved in October 2010, it took attention away from other governance activities. Once the Board decided not to privatize the Airport, new management redirected its attention to internal policy matters. In September 2010, a road map for a path forward was established by new management in a 100 day report and published on the Airport's website. This report included management's recommendations on matters regarding automated time recording and additional internal controls.

During 2010, the Aviation Board operated a manual payroll system under City of New Orleans policy memorandums and Civil Service Commission rules. To strengthen its internal controls, new management initiated the search and selection of an automated time recording system and issued the attached supplemental procedural memorandum, which became effective in September 2010. Subsequently, management has implemented an automated time recording system with formal overtime review and sign-off procedures.

Travel and Entertainment and Credit Cards

There is no formal policy regarding travel and entertainment and credit card transactions. In addition, significant travel expenses by several employees were incurred without adequate documentation relating to the parties or purpose. Management should consider establishing a preventative control with a formal travel and entertainment and credit card policy requiring forms to be filled out by the personnel using the credit card documenting the function, personnel involved, and GL coding, with support provided and reviewed by another management level individual.

Management's Response

In May 2010, the Aviation Board retained new management at the Airport. At that time, the issue that took precedence over all other maters was to access the potential privatization of the Airport. While this strategic issue was resolved in October 2010, it took attention away from other governance activities. Once the Board decided not to privatize the Airport, new management redirected its attention to internal policy matters. In September 2010, a road map for a path forward was established by management in a 100 day report and published on the Airport's website. This report included management's recommendations on matters regarding additional internal controls. During 2010, new management reviewed the Board's policies and procedures concurrent with City-wide policy review initiatives and established the attached new policies and procedures for travel, business expenses and credit card use, which became effective in January 2011.