LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

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

Financial Statements and Supplemental Schedules

December 31, 2019

(With Independent Auditors' Report Thereon)

P&N
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A Professional Accounting Corporation
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LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Proprietary Component Unit of the City of New Orleans)

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A Professional Accounting Corporation

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Louis Armstrong New Orleans International Airport (the Airport), a proprietary component unit of the City of New Orleans, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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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, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 13, during 2019 management noted errors that resulted in a misstatement of the 2018 financial statements. Accordingly, the financial position as of December 31, 2018, and the changes in financial position for the year then ended, have been restated to correct these errors.

As discussed in Note 16 to the financial statements, the Board was impacted by disruptions in the economy and business operations associated with the coronavirus ("COVID-19") pandemic.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 18 and the schedules presented on pages 59 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
October 28, 2020

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, 2019 and 2018, with selected comparative information for the fiscal year ended December 31, 2017. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information in this report.

Financial Highlights

- The assets and deferred outflows of the Louis Armstrong New Orleans International Airport (the Airport) exceeded its liabilities and deferred inflows at December 31, 2019 by $624,102,692 (net position).
- The Airport's total net position increased by $66,511,869 or 11.9%.
- During 2017 the Airport entered into a Service Concession Arrangement with New Orleans Fuel Facilities LLC (NOFF). As of December 31, 2019, $39,118,194 had been incurred in cumulative construction costs for the Airport Tank Farm and Hydrant System, and this project was substantially completed and operational by November 30, 2019. During the fiscal year 2019, the Airport recorded a capital asset for costs incurred by NOFF in the amount of $38,490,470 as a deferred inflow of resources. See Note 15.
- In November 2019 the New Orleans Aviation Board opened the new Louis Armstrong New Orleans International Airport terminal. The activity relating to the opening of the new facility caused significant changes in the Airport's financial statements.

Overview of the Financial Statements

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

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

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

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

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

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

Financial Position

Total assets and deferred outflows of resources increased by $46,733,074 (2.4%) this year due primarily to the increase in net capital projects by $179,730,061 and the decrease in investments by $141,957,042, related to use of capital fund investments. Total liabilities and deferred inflows decreased by $19,778,795 (1.4%) primarily resulting from a decrease in bonds payable by $45,389,746 and capital projects payable of $19,659,819, offset by an increase in deferred inflows of $39,902,529 primarily relating to the addition of deferred amounts related to a service concession arrangement.

The largest portion of the Airport's net position, at $360,688,128 (57.8%) at 2019 and $295,016,030 (52.9%) at 2018, represents its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Airport uses these assets to provide services to its passengers, visitors, and tenants of the airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operations, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Airport's net position, $272,925,435 (43.7%) at 2019 and $231,048,405 (41.4%) at 2018, represents resources that are subject to restrictions from contributors, bond indentures, and state and federal regulations on how they may be used. The remaining balance of unrestricted net position, $(9,510,871) (-1.5%) at 2019 and $31,526,388 (5.7%) at 2018, may be used to meet the Airport's ongoing obligations.

Summary of Net Position (in thousands)

	2019	(Restated) 2018	2017
Assets:			
Current assets:			
Unrestricted assets	$ 111,620	$ 142,167	$ 102,695
Restricted assets	57,373	56,176	85,968
Noncurrent assets:			
Unrestricted assets	1,625	1,564	1,343
Restricted assets	264,471	369,678	592,552
Net capital assets	1,567,665	1,387,935	1,054,049
Total assets	$ 2,002,754	$ 1,957,520	$ 1,836,607
Deferred Outflows of Resources:			
Deferred amounts related to pension liability	$ 9,167	$ 8,974	$ 4,003
Deferred amounts related to OPEB liability	1,155	-	
Deferred losses on advance refunding	4,933	4,782	14,260
Total deferred outflows	$ 15,255	$ 13,756	$ 18,263
Liabilities:			
Current liabilities	$ 101,090	$ 116,292	$ 114,537
Noncurrent liabilities	1,250,988	1,295,468	1,253,031
Total liabilities	$ 1,352,078	$ 1,411,760	$ 1,367,568
Deferred Inflows of Resources:			
Deferred amounts related to pension liability	$ 2,751	$ 1,294	$ 1,733
Deferred amounts related to OPEB liability	586	631	-
Deferred amounts related to service concession arrangement	38,491	-	-
Total deferred inflows	$ 41,828	$ 1,925	$ 1,733
Net Position:			
Net investment in capital assets	$ 360,688	$ 295,016	$ 166,410
Restricted	272,925	231,049	263,157
Unrestricted	(9,510)	31,526	56,002
Total net position	$ 624,103	$ 557,591	$ 485,569

During the year ended December 31, 2019, the Airport identified an understatement of expenditures and a correction related to the airline year end settlement adjustment, which resulted in a restatement of 2018 net position (Note 13).

Debt Activity

At December 31, 2019 and 2018, the Airport had total debt outstanding of $1,242,154,057 and $1,283,319,454, respectively. The Airport's debt represents bonds secured solely by operating, Passenger Facility Charge (PFC) and Customer Facility Charges (CFC) revenue. As of the date of the audit all required bond and loan principal and interest payments have been made.

Outstanding Debt (in thousands)

	2019	2018	2017
Bonds payable:			
Revenue Refunding Bonds 2009A-C	$ -	$ 11,225	$ 21,915
GO Zone CFC Revenue Bonds 2009A	-	-	91,270
GO Zone PFC Revenue Bonds 2010A-B	-	53,640	53,640
Revenue Bonds 2015A-B	565,325	565,325	565,325
Revenue Bonds 2017A-D	416,930	420,690	420,690
GO Zone CFC Revenue Bonds 2018	82,565	82,564	-
GO Zone Revenue Bonds 2019	23,800	-	-
Unamortized bond discount	(312)	(750)	(2,251)
Unamortized bond premium	94,800	95,803	93,321
Loans payable:			
Series 2017 Interim Drawdown Notes	59,046	54,822	516
	$ 1,242,154	$ 1,283,319	$ 1,244,426

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

Capital Assets

The Airport's investment in capital assets for the years ended December 31, 2019 and 2018 is presented in the following tables. The total increase for the year ended December 31, 2019 and 2018 was 9.8% and 20.7%, respectively, before accumulated depreciation. The increase is related to completion of the new terminal during 2019. The significant increase in assets was offset by a decrease in construction in progress during the year for the following major projects:

Project	Approximate cost during FY 2019 (not including capitalized interest)
North Terminal Project Design/Construction	$110 million
Roadways Development Program	$30 million

Project	Approximate cost during FY 2018 (not including capitalized interest)
North Terminal Project Design/Construction	$224 million
Roadways Development Program	$83 million

More detailed information on capital assets can be found in Note 6 of the accompanying financial statements.

Net Capital Assets (in thousands)

	2019	2018	2017
Land	$ 78,031	$ 77,980	$ 77,980
Air rights	22,282	22,282	22,282
Land improvements	505,452	505,322	505,322
Buildings and furnishings	1,596,091	420,969	420,819
Equipment	10,983	10,764	9,934
Computers	1,535	1,359	1,190
Utilities	57,030	53,413	53,413
Heliport	3,073	3,074	3,074
Fuel Tank Farm	39,118	-	-
Construction in progress	24,851	1,034,709	670,635
Total capital assets	2,338,446	2,129,872	1,764,650
Less accumulated depreciation	770,781	741,937	710,601
Net capital assets	$ 1,567,665	$ 1,387,935	$ 1,054,049

Airlines Rates and Charges

As previously discussed, an Airline Airport Use and Lease Agreement became effective January 1, 2009. The final rates for 2019, 2018, and 2017 are as follows:

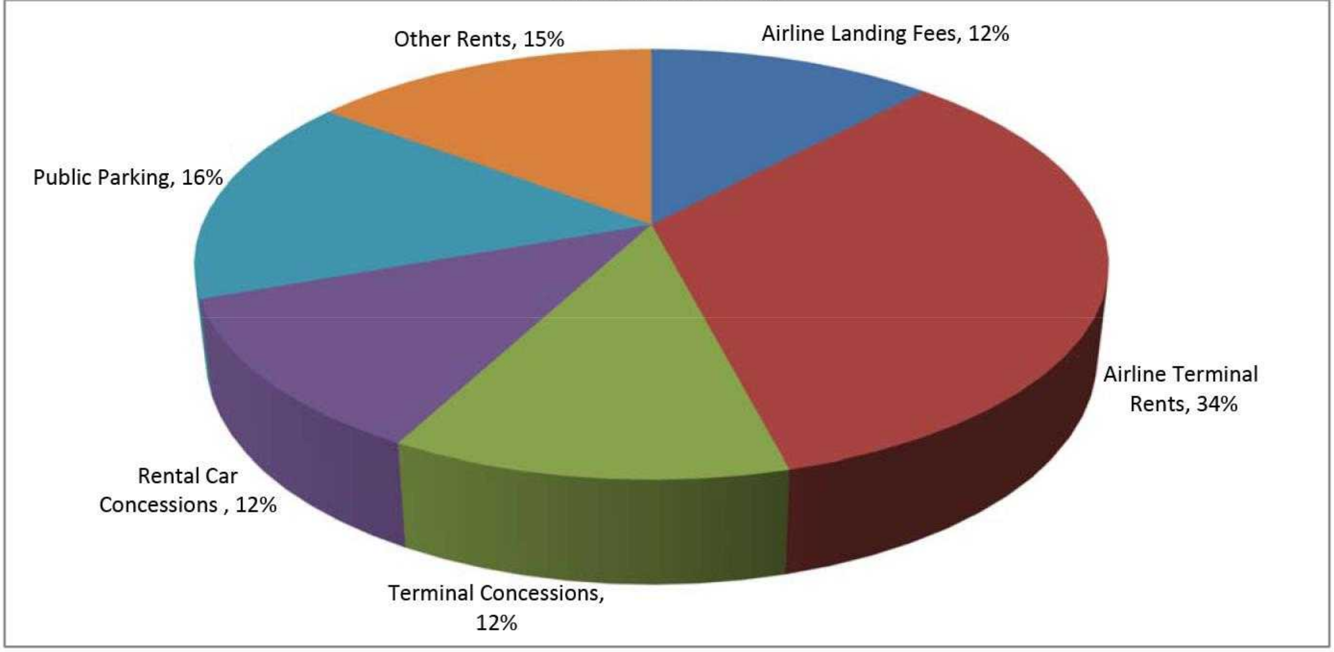
	2019	Restated 2018	2017
Terminal building rental rates (per sq. ft.)	$101.92	$66.69	$ 74.62
Landing fee rate (per 1,000 lbs.)	1.30	0.49	1.13
Apron use fee rate (per sq. ft.)	1.68	1.25	1.20
Loading bridge use fee (per bridge)	4,523	10,855	10,265
Enplaned passenger use fee (per passenger)	6.84	6.57	6.22

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

Revenues

The following chart shows major sources and the percentage of operating revenues for the year ended December 31, 2019.

Operating Revenue



Operating Revenues (in thousands)

	2019	2018	2017
Passenger and cargo airlines:			
Airline landing fees	$ 11,591	$ 4,807	$ 8,799
Airline terminal rents	32,480	22,792	24,587
Land rents	76	76	98
Other rents	3,646	3,206	4,598
Total passenger and cargo airlines	47,793	30,881	38,082
Non airline rentals:			
Terminal concessions	11,376	10,520	9,655
Car rental concessions	11,232	10,805	9,958
Public parking	15,098	15,073	13,913
Other rents	10,411	9,604	6,877
Total nonairline revenues	48,117	46,002	40,403
Total operating revenues	$ 95,910	$ 76,883	$ 78,485

2019 vs. 2018

Total passenger and cargo airline revenue for 2019 increased by $17 million (55%) compared to 2018 primarily due to increased costs related to the North Terminal. Non-airline revenues increased by $2.1 million (4.5%) due primarily to a 4.0% increase in passengers.

2018 vs. 2017

Total passenger and cargo airline revenue for 2018 decreased by $7.2 million (19%) compared to 2017 primarily due to decreased airline landing fees which reduces the amount of revenues received from the airlines, and increased non-airline revenues which reduces the amount of revenues received from the airlines. Non-airline revenues increased by $5.6 million (13.9%) due primarily to a 9.3% increase in passengers.

Cost per enplaned passenger (CPE) is a measure used by the airline industry to reflect the costs an airline pays to operate at an airport based upon the number of enplaned passengers for that airport. The cost per enplaned passenger decreased from $5.92 in 2017 to $4.48 in 2018 and increased to $6.71 in 2019.

	2019	Restated 2018	2017
Cost per enplaned passenger:			
Airline revenues	$ 45,824	$ 29,425	$ 35,482
Enplaned passengers	6,832	6,565	5,998
Cost per enplaned passenger	$ 6.71	$ 4.48	$ 5.92

Non-Operating Revenues and Capital Contributions (in thousands)

The following chart shows major sources of non-operating revenues for the years ended December 31, 2019, 2018, and 2017.

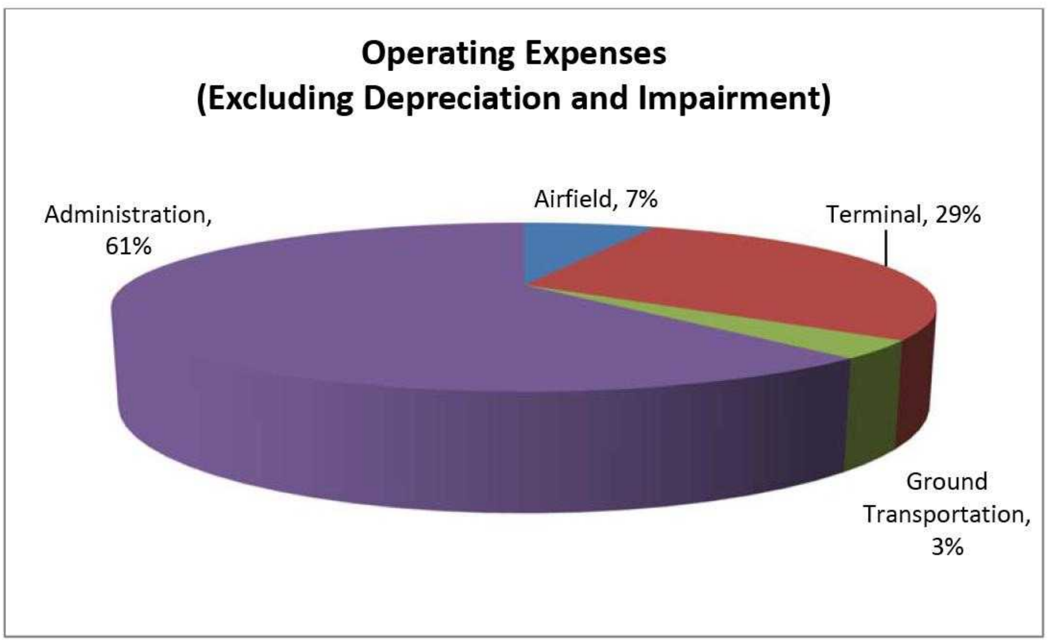
	2019	2018	2017
Investment income	$ 8,587	$ 6,982	$ 2,316
Passenger facility charges	27,711	26,410	24,446
Customer facility charges	17,597	17,269	17,038
Capital contributions	21,191	49,029	29,780
Gain on disposal of assets	-	3	-
Other	-	-	3,183
	$ 75,086	$ 99,693	$ 76,763

2019 vs. 2018
Non-operating revenues for 2019 decreased by approximately $24.7 million compared to 2018, due primarily to a reduction in capital contributions. The majority of grant eligible construction work was performed in 2018, compared to 2019 so less revenues were received.

2018 vs. 2017
Non-operating revenues for 2018 increased by approximately $22.9 million compared to 2017, due primarily to investment income generated from interest earned from deposits and investments at financial institutions. In addition, capital contributions significantly increased due to the significant increase in the ATF grant revenue of $19.2 million.

Expenses

The following chart shows major expense categories and the percentage of operating expenses for the year ended December 31, 2019.



Operating Expenses before Depreciation and Impairment

	2019	Restated 2018	2017
Direct			
Airfield	$ 3,531	$ 3,688	$ 3,637
Terminal	15,117	14,836	14,514
Ground transportation	1,769	1,273	1,173
Administration	32,495	31,408	26,856
	$ 52,912	$ 51,205	$ 46,180

2019 vs. 2018
The operating expenses, before depreciation and impairment, increased by approximately $1.7 million compared to the prior year, due primarily to an increase in administration expenses of $1.1 million, primarily due to operating expenses for planning of the new terminal.

2018 vs. 2017
The operating expenses, before depreciation and impairment, increased by approximately $5.0 million compared to the prior year, due primarily to an increase in administration expenses of $4.6 million, primarily due to operating expenses for planning of the new terminal.

Non-Operating Expenses

The following chart shows major expense categories of non-operating expenses for the years ended December 31, 2019, 2018, and 2017 (in thousands).

	2019	2018	2017
Interest Expense	$ 9,283	$ 19,923	$ 17,864
Other	6,389	2,091	5,473
Total Non-operating Expense	$ 15,672	$ 22,014	$ 23,337

2019 vs. 2018
Interest expense decreased by approximately 10.6 million due to a reduction in Loss on Defeasance expenses related to the Series 2009, and 2017C GARB bonds which ended in 2018. Other expenses increased by $4.3 million in 2019 compared to 2018, due primarily to terminal transportation costs related to the opening of the North Terminal.

2018 vs. 2017
Non-operating expenses decreased by approximately $1.3 million in 2018 compared to 2017, due primarily to the change in cost of issuance of bonds.

Total Revenues and Expenses (in thousands)

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

	2019	(Restated) 2018	2017
Total operating revenues	$ 95,910	$ 76,883	$ 78,485
Total non-operating revenues	75,086	99,693	76,763
Total revenues	$ 170,996	$ 176,576	$ 155,248
Total operating expenses	$ 88,811	$ 82,541	$ 80,161
Total non-operating expenses	15,672	22,014	23,337
Total expenses	$ 104,482	$ 104,555	$ 103,498

Summary of Changes in Net Position (in thousands)

	2019	(Restated) 2018	2017
Summary of changes in net position:			
Operating revenues	$ 95,910	$ 76,883	$ 78,486
Operating expenses before depreciation and impairment	52,912	51,205	46,180
Operating income before depreciation and impairment	42,998	25,678	32,306
Depreciation	28,845	31,336	33,981
Impairment	7,055	-	-
Operating income (loss)	7,098	(5,658)	(1,675)
Non-operating revenues, net	38,222	28,650	23,646
Income before capital contributions and transfers	45,321	22,992	21,971
Capital contributions	21,191	49,029	29,780
Change in net position	$ 66,512	$ 72,021	$ 51,751

Operating income before depreciation and impairment increased $17.3 million (67%) in 2019 compared to 2018. Depreciation expenses decreased $2.5 million (7.9%) due to certain assets being fully depreciated in 2019, and the impairment of projects related to the opening of the North Terminal. Capital contributions decreased by $27.8 million (56.7%) due primarily to a decrease in contribution from the Federal Aviation Administration (FAA), Transportation Security Administration (TSA), and Aviation Trust Fund (ATF) related to the North Terminal project.

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 ratio requirement of 105.0% or greater obtained by dividing the available amount by the cumulative debt amount. Coverage ratios for the past three years are shown in the following table.

Revenue Refunding Bonds	2019	2018	2017
GARB Series Bonds	130.0%	191.6%	309.0%
PFC Series Bonds	N/A	973.6%	553.8%

During 2019, the Series 2010 PFC Bonds were fully refunded by the Series 2019 GARB Bonds. Following the defeasance of the Series 2010 Bonds, no other PFC bonds are outstanding under the PFC Indenture.

The Board approved the Rollover Coverage for fiscal years 2012-2019 in the amounts of, $3,719,960, $3,720,332, $3,719,082, $3,721,446, $3,729,060, $3,740,582, $3,290,643 and $13,586,508 respectively. The funds are transferred monthly, in ratable portions of the total, to the NOAB Rollover Coverage Account held by the City of New Orleans, and then transferred to the Airport Operating Account, held by the City of New Orleans. The Airport's calculation of the historical debt service coverage ratio, as presented in Supplemental Schedule 3 to the financial statements is 130% for the year ended December 31, 2019 and 191.6% for the year ended December 31, 2018.

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.

Airport Activities and Highlights

Passenger totals for 2019 increased by 521,904 (4.0%), from 13,122,762 passengers in 2018 to 13,644,666 passengers in 2019, due to increased demand for both tourism and business travel. Passenger aircraft operations increased slightly from 113,182 operations in 2018 to 116,809 in 2019 (3.2%). Aircraft landed weights increased from 7,888,855 in 2018 to 8,232,139 in 2019 (4.4%).

Passenger totals for 2018 increased by 1,113,250 (9.3%), from 12,009,512 passengers in 2017 to 13,122,762 passengers in 2018, due to larger aircrafts such as Boeing 767 and 787 used by the carriers serving the Airport.

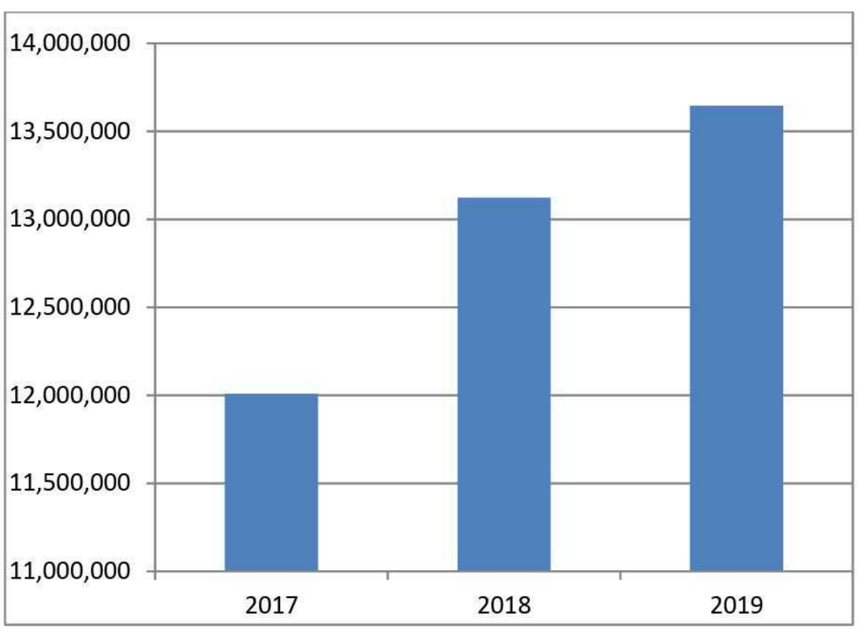
Passenger aircraft operations increased slightly from 108,847 operations in 2017 to 113,182 in 2018 (4.0%). Aircraft landed weights increased from 7,328,602 in 2017 to 7,888,855 in 2018 (7.6%).

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

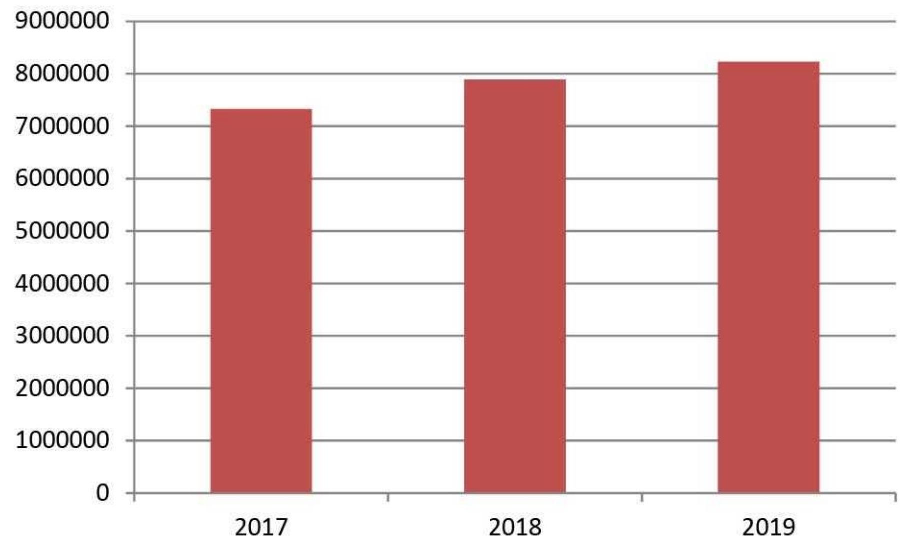
Fiscal year	Total passengers	Landed weight (1,000 pound units)	Air carrier operations
2017	12,009,512	7,328,602	108,847
2018	13,122,762	7,888,855	113,182
2019	13,644,666	8,232,139	116,809

Fiscal year	Number of daily departures	Number of destinations	Average daily seats
2017	140	49	18,400
2018	151	53	22,222
2019	163	55	24,065

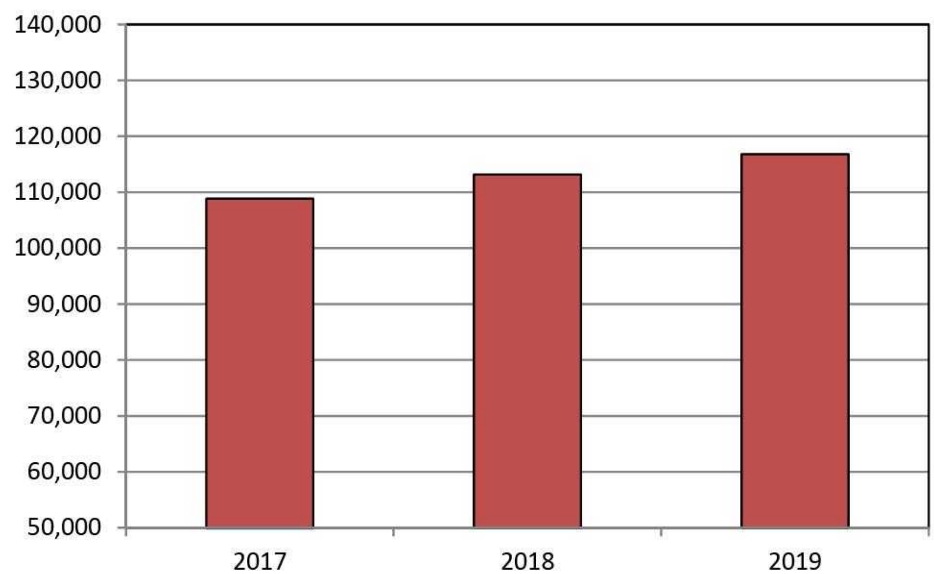
Total Passengers for the Year



Landed Weight per 1,000 pounds



Number of Passenger Flight Operations



Economic Factors and Next Year's Budget

The Airport budgeted for an increase in 2020 non-airline revenue from $48.1 million to $56.6 million, tallying to an $8.6 million (17.8%) addition to last year's budget. This is driven by a projected increase in enplaned passengers of approximately 3.0% over 2019 budgeted enplaned passengers, and due to the new enhanced concessions program found in the new terminal.

Compared to the 2019 budget, the Airport proposed an increase in the 2020 operating expenses of $6.8 million. This increase will address staffing, safety and security, maintenance, planning, and customer service. The Airport continues to budget and maintain a competitive total cost per enplanement (CPE) rate. The 2020 budgeted CPE of $6.78 is well under the Airport's goal of maintaining a CPE of less than $10.

Due to COVID-19 the Aviation Board committed to a FY2020 operations and maintenance budget reduction that is currently in effect and allows the Airport to remain open and operating. The budget reduction is approximately $9.5M or 14.6% and consists of non-essential items that do not compromise safety, security, critical operations, and customer service.

In addition to reducing the budget, the Aviation Board is expected to receive approximately $42.793 million in federal funding from the CARES Act. The CARES Act funds will support critical operations, including workforce retention and debt service, and can only be used for airport-related purposes.

Requests for Information

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

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

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

Statements of Net Position

December 31, 2019 and 2018

		2019		Restated 2018
Assets and Deferred Outflows of Resources				
Current assets:				
Unrestricted assets:				
Cash and cash equivalents (note 2)	$	13,597,421	$	20,941,896
Accounts receivable, less allowance for doubtful accounts		18,739,462		6,240,207
Passenger facility charges receivable		3,281,849		3,540,682
Capital grant receivable		18,261,337		18,343,932
Investments (note 2)		57,161,506		92,595,706
Interest receivable		56,112		60,242
Prepaid expenses and deposits		522,119		444,751
Total current unrestricted assets		111,619,806		142,167,416
Restricted assets (notes 2 and note 5):				
Cash and cash equivalents		6,022,672		3,024,359
Investments (note 2)		49,312,361		50,628,516
Customer facility charges receivable		2,037,744		2,522,686
Total current restricted assets		57,372,777		56,175,561
Total current assets		168,992,583		198,342,977
Noncurrent assets:				
Capital assets (note 6):				
Capital assets not being depreciated		125,164,296		1,134,971,081
Capital assets being depreciated		2,213,282,367		994,900,869
Less accumulated depreciation		(770,781,190)		(741,936,538)
Net capital assets		1,567,665,473		1,387,935,412
Prepaid insurance on revenue bonds, less accumulated amortization of $2,642,204 in 2019; $2,634,271 in 2018		613,984		636,287
Advances to related facility management company		1,011,301		927,956
Total noncurrent unrestricted assets		1,569,290,758		1,389,499,655
Restricted assets (note 2 and note 5):				
Investments		264,470,379		369,677,066
Total noncurrent restricted assets		264,470,379		369,677,066
Total noncurrent assets		1,833,761,137		1,759,176,721
Total assets		2,002,753,720		1,957,519,698
Deferred outflows of resources				
Deferred amounts related to net pension liability		9,167,114		8,974,501
Deferred amounts related to total OPEB liability		1,155,105		-
Deferred losses on advance refunding		4,932,900		4,781,566
Total deferred outflows of resources		15,255,119		13,756,067
Total assets and deferred outflows of resources	$	2,018,008,839	$	1,971,275,765

(Continued)

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Proprietary Component Unit of the City of New Orleans)
Statements of Net Position
December 31, 2019 and 2018

	2019	Restated 2018
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	$ 30,159,354	$ 29,383,322
Due to City of New Orleans	1,106,375	3,619,325
Accrued salaries and other compensation	4,823,706	3,768,148
Capital projects payable	9,375,666	2,776,025
Total OPEB liability, due within one year	414,000	383,000
Total unrestricted current liabilities	45,879,101	39,929,820
Payable from restricted assets:		
Capital projects payable	8,769,509	35,028,969
Bonds payable, current portion (note 7)	20,220,000	14,985,000
Accrued bond interest payable	26,221,325	26,348,286
Total restricted current liabilities	55,210,834	76,362,255
Total current liabilities	101,089,935	116,292,075
Noncurrent liabilities:		
Bonds payable, less current portion and unamortized discount/premium (note 7)	1,162,887,531	1,213,512,277
Loans payable (note 7)	59,046,526	54,822,177
Total OPEB liability	6,345,827	5,244,011
Net pension liability	22,708,632	21,889,235
Total noncurrent liabilities	1,250,988,516	1,295,467,700
Total liabilities	1,352,078,451	1,411,759,775
Deferred inflows of resources		
Deferred amounts related to net pension liability	2,751,173	1,294,039
Deferred amounts related to total OPEB liability	586,053	631,128
Deferred amounts related to service concession arragement	38,490,470	-
Total deferred inflows of resources	41,827,696	1,925,167
Total liabilities and deferred inflows of resources	1,393,906,147	1,413,684,942
Net investment in capital assets	360,688,128	295,016,030
Restricted for:		
Debt service	123,465,543	122,975,390
Capital acquisition	126,518,110	96,514,378
Operating reserve	22,941,782	11,558,637
Unrestricted	(9,510,871)	31,526,388
Total net position	624,102,692	557,590,823
Total liabilities, deferred inflows of resources, and net position	$ 2,018,008,839	$ 1,971,275,765

See accompanying notes to financial statements.

(Concluded)

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2019 and 2018

		2019		Restated 2018
Operating revenues:				
Airfield	$	16,326,127	$	8,788,109
Terminal		75,684,027		63,843,800
Ground transportation		3,899,800		4,250,908
Total operating revenues		95,909,954		76,882,817
Operating expenses:				
Direct:				
Airfield		3,530,735		3,688,095
Terminal		15,116,572		14,835,934
Ground Transportation		1,769,199		1,272,718
Depreciation		28,844,649		31,336,453
Impairment		7,055,108		-
Administrative		32,495,114		31,407,879
Total operating expenses		88,811,377		82,541,079
Operating income (loss)		7,098,577		(5,658,262)
Nonoperating revenues (expenses):				
Investment income		8,586,537		6,982,457
Interest expense		(9,283,271)		(19,922,753)
Passenger facility charges		27,710,457		26,409,515
Customer facility charges		17,597,150		17,268,862
Gain on disposal of assets		341		3,194
Cost of issuance of bonds		(708,412)		(997,998)
Terminal transportation costs		(3,573,294)		(203,365)
Other, net		(2,107,384)		(889,538)
Total nonoperating revenues, net		38,222,124		28,650,374
Change in net position before capital contributions		45,320,701		22,992,112
Capital contributions (note 8)		21,191,168		49,029,172
Change in net position		66,511,869		72,021,284
Net position, beginning of year		557,590,823		485,569,539
Total net position, end of year, as restated	$	624,102,692	$	557,590,823

See accompanying notes to financial statements.

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

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

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	Restated 2018
Cash flows from operating activities:		
Cash received from customers	$ 83,410,699	$ 78,407,948
Cash paid to suppliers for goods and services	(34,727,062)	(26,414,803)
Cash paid to employees and on behalf of employees for services	(16,926,732)	(15,029,526)
Net cash provided by operating activities	31,756,905	36,963,619
Cash flow from noncapital financing activities:		
Sales tax receipts	1,174,080	1,144,863
Operating grants and reimbursements from other governments	2,697,016	695,913
Advance to related facility management company	(83,345)	-
Other payments	(9,529,468)	(3,155,332)
Net cash used in noncapital financing activities	(5,741,717)	(1,314,556)
Cash flows from capital and related financing activities:		
Passenger facility charges collected	27,969,290	25,617,185
Customer facility charges collected	18,082,092	16,033,758
Acquisition and construction of capital assets	(156,101,007)	(328,495,952)
Capital grants received	21,273,763	55,919,467
Issuance of revenue bonds	28,024,349	143,758,796
Principal paid on loan and revenue bond maturities	(68,625,000)	(101,960,000)
Interest paid on bonds and loans	(50,824,134)	(59,272,087)
Cost of bond issuance and insurance	(708,412)	(997,998)
Net cash used in capital and related financing activities	(180,909,059)	(249,396,831)
Cash flows from investing activities:		
Sales of investments	747,677,360	1,039,069,950
Purchases of investments	(605,720,318)	(828,488,316)
Interest and dividends on investments	8,590,667	7,763,261
Net cash provided by investing activities	150,547,709	218,344,895
Net (decrease) increase in cash and cash equivalents	(4,346,162)	4,597,127
Cash and cash equivalents at beginning of year	23,966,255	19,369,128
Cash and cash equivalents at end of year (note 2)	$ 19,620,093	$ 23,966,255
Cash, current unrestricted	$ 13,597,421	$ 20,941,896
Cash, current restricted	6,022,672	3,024,359
Cash and cash equivalents at end of year (note 2)	$ 19,620,093	$ 23,966,255

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Proprietary Component Unit of the City of New Orleans)
Statements of Cash Flows
Years ended December 31, 2019 and 2018

	2019	Restated 2018
Reconciliation of operating loss to net cash provided by operating activities:		
Operating income (loss)	$ 7,098,577	$ (5,658,262)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	28,844,649	31,336,453
Impairment	7,055,108	-
Change in allowance for doubtful accounts	251,959	(206,486)
Changes in assets and liabilities:		
Accounts receivable	(12,751,214)	1,731,617
Prepaid expenses and deposits	(77,368)	(10,173)
Due from City of New Orleans	-	51,435
Deferred outflows of resources related to net pension liability	(1,347,718)	(4,972,209)
Accounts payable	776,032	6,622,682
Accrued salaries and other compensation	1,055,558	1,717,697
Total OPEB liability	1,132,816	(754,699)
Net pension liability	819,397	7,050,704
Due to City of New Orleans	(2,512,950)	(137,570)
Deferred inflows of resources related to net pension and total OPEB liability	1,412,059	192,430
Total adjustments	24,658,328	42,621,881
Net cash provided by operating activities	$ 31,756,905	$ 36,963,619

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 fund 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 (U.S. GAAP) as applicable to proprietary component units of governmental entities.

In November 2019, the New Orleans Aviation Board opened the new Louis Armstrong New Orleans International Airport terminal. All 16 commercial airlines at the Airport now operate from the new terminal located at 1 Terminal Drive, Kenner, LA. The new Airport is an approximately 972,000 square-foot terminal featuring three concourses, 35 gates, two new parking garages, a surface parking lot next to the terminal and a remote economy garage with shuttle service. It was built with the passenger experience in mind, and contains state-of-the-art elements such as an efficient inline baggage screening system and a consolidated checkpoint through which all passengers will have access to more than 40 different food and retail concessions once beyond security.

(b) Basis of Presentation

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

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

(c) Basis of Accounting

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

(d) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Allowance for Uncollectible Accounts Receivable

An allowance for estimated uncollectible accounts receivable is established at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The Airport estimates the allowance balance based on specific identification of at-risk receivables.

(f) Investments

Investments are carried at fair value in the financial statements. Unrealized gains and losses on investments are reflected in the Statements of Revenues, Expenses, and Changes in Net Position. Short-term and money market investments with a maturity of one year or less and investments in an external investment pool are reported at net asset value (NAV) or amortized cost.

(g) Capital Assets

Capital assets are carried at cost. An item is classified as an asset if the initial, individual cost is $5,000 or greater. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. In situations involving the construction of certain assets financed with the proceeds of tax-exempt borrowings, interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining the amount of interest to be capitalized. Capitalized interest, net totaled $41,664,579 in 2019 and $44,112,350 in 2018.

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

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

The estimated useful lives by major classification are as follows:

	Estimated useful lives (years)
Fuel farm	27
Land improvements	10 – 25
Buildings and furnishings	3 – 25
Equipment	3 – 15
Utilities	5 – 25
Heliport	5 – 15

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

Amounts recorded as due from and due to the City of New Orleans primarily relate to amounts paid by the City on behalf of the Airport. In addition, the City provides certain administrative services to the Airport. The cost of such services was $1,753,520 for the years ended December 31, 2019 and 2018, and is recorded in administrative expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

(i) Restricted Assets

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

(j) Long-term Debt

Long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs, excluding any prepaid bond insurance, are reported as expense in the year of debt issuance. Bonded debt premiums, discounts, and gains (loss) or refunding are deferred and amortized over the life of the bonds using the effective interest method. Bond payable is reported net of the applicable bond premium or discount. Gains (losses) on refunding are reported as deferred outflows/inflows of resources.

In conjunction with bonds issued in 2018, and 2015 insurance was purchased which guarantees the payment of bond principal and interest and expires with the final principal and interest payment on the bonds. The insurance costs were capitalized at the dates of issuance and are being amortized over the life of the bonds. During 2018, the Series 2009 CFC Bonds were fully refunded by the Series 2018 Customer Facility Charges (CFC) Bonds.

(k) Revenue Recognition

Landing and airfield fees, terminal building, rental building, and leased areas rentals are recorded as revenues during the year in which earned. All signatory airlines pay signatory airline rates and charges according to the 2016 use and lease agreement. The final rates for 2019 and 2018 are as follows:

	2019	Restated 2018
Terminal building rental rates (per sq. ft.)	$ 101.92	$ 66.69
Landing fee rate (per 1,000 lbs.)	1.30	0.49
Apron use fee rate (per sq. ft.)	1.68	1.25
Loading bridge use fee (per bridge)	4,523	10,855
Enplaned passenger use fee (per passenger)	6.84	6.57

Under the terms of the agreement, these rates are subject to a year-end settlement. The Airport is required to use its best efforts such that within the later of (i) one hundred twenty (120) days following the close of each fiscal year or (ii) within sixty (60) days of receipt of audited financial statements, rates for rentals, fees, and charges for the preceding fiscal year shall be recalculated using available financial data and the methods. For the fiscal years ended December 31, 2019 and 2018, the Airport's final rate structure varied from the rates in effect during the year.

(l) Passenger Facility Charges

On June 1, 1993, the Airport began imposing, upon approval of the Federal Aviation Administration (the FAA), a $3.00 Passenger Facility Charge (PFC) on each passenger enplaned at the Airport. On April 1, 2002, the FAA approved an increase in the amount of this fee to $4.50. As of December 31, 2019, the Airport is authorized to collect up to $965,553,986 of PFC revenue of which $457,100,307 has been collected. As of December 31, 2019, the legal expiration date and projected expiration date on PFC revenue collection is August 1, 2034 and August 1, 2033, respectively. During 2019, the Series 2010 PFC Bonds were fully refunded by the Series 2019 GARB Bonds. Following the defeasance of the Series 2010 Bonds, no other PFC bonds are outstanding under the PFC Indenture. The Aviation Board has covenanted and agreed that no additional PFC bonds will be issued under the PFC Indenture; however, the PFC Indenture will not be cancelled or discharged, but will remain intact to receive all PFC's for deposit to the funds established within the PFC Indenture. PFC revenues will be used to fund the local share of various near-term infrastructure improvements, and to pay debt service on the PFC eligible portion of the Series 2015, 2017, and 2019 Bonds.

(m) Customer Facility Charges

On November 1, 2008, the Airport began imposing a $5.50 Customer Facility Charge (CFC) on a per transaction day basis to all the On-Airport Rental Car Companies. On May 13, 2009, the Board approved an increase in the CFC charge to $6.20 which became effective June 1, 2009. On May 19, 2016, the Board approved an increase from $6.20 to $7.95 which became effective July 1, 2016. CFC revenues are pledged to secure the Series 2018 Gulf Opportunity Zone CFC Revenue Refunding Bonds, which were issued to refund the Series 2009 Gulf Opportunity Zone CFC Revenue Bonds, which were originally issued to fund construction of the Consolidated Rental Car Facility (CONRAC) garage.

(n) Federal Financial Assistance

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

(o) Vacation and Sick Leave

All full-time classified employees of the Airport hired prior to January 1, 1979 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Employees hired after December 31, 1978 can accrue a maximum of 45 days annual leave and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Upon termination of employment, an employee is paid for their accrued annual leave based on their current hourly rate of pay and for their accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting their accrued annual and sick leave to additional pension credits. Annual leave and sick leave liabilities are accrued when incurred.

(p) Statements of Cash Flows

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

(q) Net Position

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

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

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

(r) Deferred Outflows/Inflows of Resources

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

Deferred inflows and outflows have been recognized for the net difference between the project and actual investment earnings, this amount is deferred and amortized over a period of five years. In addition, deferred inflows and outflows have been recognized for the differences between the actuarial expectation and the actual economic experience and changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. See Note 9 for additional information on deferred inflows and outflows related to the pension plan.

Deferred inflows for a service concession arrangement have been recognized for the amount of cumulative construction costs and amortized. See note 15 for additional information.

(s) Pension

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

(t) Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. This reclassification had no effect on previously reported change in net position.

(2) Cash and Investments

Included in the Airport's cash balances are amounts deposited with commercial banks in interest bearing and noninterest bearing demand accounts. The commercial bank balances of cash and cash equivalents total $14,440,725 and $20,893,193 at December 31, 2019 and 2018, respectively. The commercial bank balances are entirely insured by federal depository insurance or by collateral held by the financial institution in the Airport's name.

The Airport is authorized to invest in securities as described in its investment policy, in each bond resolution and state statue. As of December 31, 2019 and 2018, the Airport held the following investments as categorized below:

Investment Maturities at December 31, 2019

Investment type	Less than 1 year	1 to 5 Years	Total
U.S. government obligations	$ 5,431,849	$ 33,688,912	$ 39,120,761
U.S. agency obligations	4,241,072	3,172,489	7,413,561
Local government investment pool	27,553,824	-	27,553,824
Money market funds	296,856,100	-	296,856,100
	$ 334,082,845	$ 36,861,401	$ 370,944,246

Investment Maturities at December 31, 2018

Investment type	Less than 1 year	1 to 5 Years	Total
U.S. government obligations	$ 69,764,589	$ 54,418,450	$ 124,183,039
U.S. agency obligations	1,981,270	9,659,829	11,641,099
Local government investment pool	52,047,168	-	52,047,168
Money market funds	325,029,982	-	325,029,982
	$ 448,823,009	$ 64,078,279	$ 512,901,288

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 Resolutions relating to the specific bond issue.

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

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

In accordance with the Airport's investment policy and bond resolutions, the assets shall be invested in the following:

- Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States.
- Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the United States of America.
- Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored.

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

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

Louisiana Asset Management Pool (LAMP) Investment: Unrestricted and restricted investments of $13,967,316 and $13,586,508, respectively, at December 31, 2019 and $48,756,525 and $3,290,643, respectively, at December 31, 2018 are invested in LAMP. LAMP is considered to be an external investment pool administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local Louisiana government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

The following facts are relevant for LAMP:

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

For purposes of determining participants' shares, investments are valued at fair value. The fair value of the participant's position is the same as the value of the pool shares.

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

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

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

(3) Fair Value Measurement

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

		Fair Value Hierarchy		
	Total at December 31, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by fair value level:				
U.S. government obligations	$ 39,120,761	$ -	$ 39,120,761	$ -
U.S. agency obligations	7,413,561	-	7,413,561	-
Total investments at fair value level	46,534,322	$ -	$ 46,534,322	$ -
Investment measured at net asset value (NAV) or amortized cost:				
Money market funds	296,856,100			
LAMP	27,553,824			
Total investments at NAV or amortized cost	324,659,729			
Total investments	$ 370,944,246			

		Fair Value Hierarchy		
	Total at December 31, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by fair value level:				
U.S. government obligations	$ 124,183,039	$ -	$ 124,183,039	$ -
U.S. agency obligations	11,641,099	-	11,641,099	-
Total investments at fair value level	135,824,138	$ -	$ 135,824,138	$ -
Investment measured at net asset value (NAV) or amortized cost:				
Money market funds	325,029,982			
LAMP	52,047,168			
Total investments at NAV or amortized cost	377,077,150			
Total investments	$ 512,901,288			

Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

There are no unfunded commitments at December 31, 2019 and 2018.

(4) Accounts Receivable

Accounts receivable as of December 31 consist of the following:

	2019	2018
Due (to) from tenants	$ 9,603,752	$ 2,869,317
Parking garage	4,491,219	3,676,385
Accrued receivables –		
Airline terminal construction costs	3,379,974	-
Rent receivable –		
Service concession arrangement	1,821,957	-
Other	6,386	6,372
	19,303,288	6,552,074
Less: allowance for doubtful accounts	(563,826)	(311,867)
	$ 18,739,462	$ 6,240,207

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Proprietary Component Unit of the City of New Orleans)
Notes to Financial Statements
December 31, 2019 and 2018

(5) Summary of Restricted Assets

Assets restricted for specific purposes in accordance with bond indentures and other legal restrictions are composed of the following at December 31, 2019 :

	Cash and certificates of deposits	Dreyfus Treasury Prime Cash Management	JPM U.S. Treasury and U.S. money market fund	Customer facility charges receivable	Total
Debt service fund	$ 98,295	$ 53,086,278	$ -	$ -	$ 53,184,573
Debt service reserve fund	477,047	12,556,128	82,275,715	-	95,308,890
Capitalized interest	2,581	786,504	-	-	789,085
Coverage account	-	1,985,016	-	-	1,985,016
Operations and maintenance reserve fund	-	9,355,273	-	-	9,355,273
Capital improvement fund	66,451	97,201,829	-	-	97,268,280
GARB restricted	4,188,147	9,606,261	-	-	13,794,408
Receipts fund	276,464	622,698	-	-	899,162
Rollover fund	-	13,586,508	-	-	13,586,508
PFC collect	649,288	-	-	-	649,288
CFC collect	264,399	26,913,300	-	-	27,177,699
Bond costs	-	4,660,078	-	-	4,660,078
Parking Facility Reserve	-	-	1,147,152	-	1,147,152
Receivables	-	-	-	2,037,744	2,037,744
Total	$ 6,022,672	$ 230,359,873	$ 83,422,867	$ 2,037,744	$ 321,843,156

Assets restricted for specific purposes in accordance with bond indentures and other legal restrictions are composed of the following at December 31, 2018:

	Cash and certificates of deposits	Dreyfus Treasury Prime Cash Management	JPM U.S. Treasury and U.S. money market fund	Customer facility charges receivable	Total
Debt service fund	$ 112,738	$ 21,300,564	$ -	$ -	$ 21,413,302
Debt service reserve fund	516,441	18,357,260	82,081,458	-	100,955,159
Capitalized interest	170,148	26,767,134	-	-	26,937,282
Coverage account	-	1,949,312	-	-	1,949,312
Ineligible sub-account	-	938	-	-	938
Operations and maintenance reserve fund	-	8267994	-	-	8,267,994
Capital improvement fund	2,018,610	124,158,291	-	-	126,176,901
GARB restricted	-	110,528,537	-	-	110,528,537
Receipts fund	-	700,241	-	-	700,241
Rollover fund	158	3,290,643	-	-	3,290,801
PFC collect	206,264	-	-	-	206,264
CFC collect	-	21,133,249	-	-	21,133,249
Bond costs	-	646,242	-	-	646,242
Parking Facility Reserve	-	-	1,123,719	-	1,123,719
Receivables	-	-	-	2,522,686	2,522,686
Total	$ 3,024,359	$ 337,100,405	$ 83,205,177	$ 2,522,686	$ 425,852,627

(6) Capital Assets

Capital assets include assets acquired with the Airport's own funds, those acquired through resources externally restricted for capital acquisition, and those capitalized due to a service concession arrangement. A summary of changes in capital assets for the years ended December 31, 2019 and 2018 is as follows:

	Balance December 31, 2018	Additions during year	Deletions/ transfers during year	Balance December 31, 2019
Capital assets not being depreciated:				
Land	$ 77,979,721	$ 50,786	$ -	$ 78,030,507
Air rights	22,282,449	-	-	22,282,449
Construction in progress	1,034,708,911	182,510,083	(1,192,367,654)	24,851,340
Total capital assets not being depreciated	1,134,971,081	182,560,869	(1,192,367,654)	125,164,296
Capital assets being depreciated:				
Land improvements	505,321,935	129,469	-	505,451,404
Buildings and furnishings	420,968,358	1,182,177,613	(7,055,108)	1,596,090,863
Equipment	10,764,260	219,071	-	10,983,331
Computers	1,359,362	175,624	-	1,534,986
Utilities	53,412,775	3,616,635	-	57,029,410
Heliport	3,074,179			3,074,179
Fuel tank farm	-	39,118,194	-	39,118,194
Total capital assets being depreciated	994,900,869	1,225,436,606	(7,055,108)	2,213,282,367
Total capital assets	2,129,871,950	1,407,997,475	(1,199,422,762)	2,338,446,663
Less accumulated depreciation:				
Land improvements	342,539,160	16,060,089	-	358,599,249
Buildings and furnishings	372,107,324	9,992,041	-	382,099,365
Equipment	8,586,922	401,383	-	8,988,305
Computers	1,045,648	144,935	-	1,190,583
Utilities	14,583,305	2,164,708	-	16,748,013
Heliport	3,074,179	-	-	3,074,179
Fuel tank farm	-	81,496	-	81,496
Total accumulated depreciation	741,936,538	28,844,652	-	770,781,190
Total capital assets, net	$ 1,387,935,412	$ 1,379,152,823	$ (1,199,422,762)	$ 1,567,665,473

	Balance December 31, 2017	Additions during year	Deletions/ transfers during year	Balance December 31, 2018
Capital assets not being depreciated:				
Land	$ 77,979,721	$ -	$ -	$ 77,979,721
Air rights	22,282,449	-	-	22,282,449
Construction in progress	670,634,717	365,222,417	(1,148,223)	1,034,708,911
Total capital assets not being depreciated	770,896,887	365,222,417	(1,148,223)	1,134,971,081
Capital assets being depreciated:				
Land improvements	505,321,935	-	-	505,321,935
Buildings and furnishings	420,819,569	148,789	-	420,968,358
Equipment	9,933,857	830,403	-	10,764,260
Computers	1,190,327	169,035	-	1,359,362
Utilities	53,412,775	-	-	53,412,775
Heliport	3,074,179	-	-	3,074,179
Total capital assets being depreciated	993,752,642	1,148,227	-	994,900,869
Total capital assets	1,764,649,529	366,370,644	(1,148,223)	2,129,871,950
Less accumulated depreciation:				
Land improvements	325,565,648	16,973,512	-	342,539,160
Buildings and furnishings	360,454,665	11,652,659	-	372,107,324
Equipment	8,158,457	428,465	-	8,586,922
Computers	914,927	130,721	-	1,045,648
Utilities	12,432,397	2,150,908	-	14,583,305
Heliport	3,073,991	188	-	3,074,179
Total accumulated depreciation	710,600,085	31,336,453	-	741,936,538
Total capital assets, net	$ 1,054,049,444	$ 335,034,191	$ (1,148,223)	$ 1,387,935,412

For the year ended December 31, 2019, an impairment expense of $7,055,108 was recorded which relates to South Terminal assets that are considered impaired due to the opening of the North Terminal in 2019.

Construction in progress is composed of the following at December 31, 2019:

Description		12/31/2019		Remaining Commitments at 2019
Airfield Lighting Vault	$	1,803,807	$	6,714,322
Airside Development		331,970		16,803,545
Landside Development		254,039		13,761,687
New Terminal Development		10,948,656		45,721,940
Expansion Taxiway Gulf Phase 1		-		830,231
NAVAIDS Project		1,043		-
Loading Bridges		-		412,203
LTDP-Hotel Development		-		2,178
Stormwater Pump Station		9,187		-
Miscellaneous Projects		4,985,630		2,563,680
Roadways Development		5,327,033		(2)
Parking - Structures		223,818		-
Parking - Surface		190,124		-
Parking - Circulation Bridge		31,489		-
Roadways Aberdeen		15,450		-
Southside Redevelopment		715,311		4,939,468
Workforce Development		13,783		-
Total	$	24,851,340	$	91,749,252

(7) Long-term Debt

Long-term debt activity for the years ended December 31, 2019 and 2018 was as follows:

Long-Term Debt	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019	Principal due within one year
Bonds Payable:					
Series 2009A-1 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	$ 8,555,000	$ -	$ (8,555,000)	$ -	$ -

Long-Term Debt	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019	Principal due within one year
Bonds Payable, (continued):					
Series 2009A-2 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	$ 2,670,000	$ -	$ (2,670,000)	$ -	$ -
Series 2010A GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2041 at 4.25% final maturity	52,355,000	-	(52,355,000)	-	-
Series 2010B GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2038 at 5.125% final maturity	1,285,000	-	(1,285,000)	-	-
Series 2015A Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2045 at 5.0% final maturity	54,590,000	-	-	54,590,000	-
Series 2015B Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2045 at 5.0% final maturity	510,735,000	-	-	510,735,000	-
Series 2017A Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2038 at 5.0% final maturity	100,010,000	-	-	100,010,000	1,485,000
Series 2017B Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2038 at 5.0% final maturity	219,390,000	-	-	219,390,000	3,295,000
Series 2017C Revenue Refunding Bonds (North Terminal Project), variable interest rate between 2.227% and 2.949%; January 1, 2023 at 2.949% final maturity	46,995,000	-	-	46,995,000	11,335,000
Series 2017D-1 Revenue Refunding Bonds (North Terminal Project), fixed interest rate; January 1, 2020 at 5.0% final maturity	4,150,000	-	(1,615,000)	2,535,000	2,535,000
Series 2017D-2 Revenue Refunding Bonds (North Terminal Project), fixed interest rate; January 1, 2038 at 5.0% final maturity	50,145,000	-	(2,145,000)	48,000,000	1,570,000
Series 2018 Go Zone CFC Bonds Revenue Refunding Bonds, fixed interest rate ranging from 4% - 5% ; January 1, 2040	82,565,000	-	-	82,565,000	-
Series 2019 GO ZONE Revenue Bonds, fixed interest rate, January 1, 2041 at 5% final maturity	-	23,800,000	-	23,800,000	

Long-Term Debt	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019	Principal due within one year
	$ 1,133,445,000	$ 23,800,000	$ (68,625,000)	$ 1,088,620,000	$ 20,220,000
Unamortized discount on bonds	(750,984)	26,961	411,563	(312,460)	-
Unamortized premium on bonds	95,803,261	4,246,848	(5,250,118)	94,799,991	-
	1,228,497,277	28,073,809	(73,463,555)	1,183,107,531	20,220,000
Loans Payable:					
2017 Revenue Interim Drawdown Note; variable interest rate of 65.001% of one-month ICE LIBOR plus 0.79% final maturity of October 1, 2022	54,822,177	4,224,349	-	59,046,526	-
	54,822,177	4,224,349	-	59,046,526	
	$ 1,283,319,454	$ 32,298,158	$ (73,463,555)	$ 1,242,154,057	$ 20,220,000

Long-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

Long-Term Debt	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Principal due within one year
Bonds Payable:					
Series 2009A-1 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	$ 16,705,000	$ -	$ (8,150,000)	$ 8,555,000	$ 8,555,000
Series 2009A-2 Revenue Refunding bonds, fixed interest rate January 1, 2023 at 4.25% final maturity	5,210,000	-	(2,540,000)	2,670,000	2,670,000
Series 2009A GO ZONE CFC Revenue bonds, fixed interest rate; January 1, 2040 at 4.625% final maturity; Refunded in 2018	91,270,000	-	(91,270,000)	-	-
Series 2010A GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2041 at 4.25% final maturity	52,355,000	-	-	52,355,000	-
Series 2010B GO ZONE PFC Revenue Bonds, fixed interest rate, January 1, 2038 at 5.125% final maturity	1,285,000	-	-	1,285,000	-
Series 2015A Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2045 at 5.0% final maturity	54,590,000	-	-	54,590,000	-
Series 2015B Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2045 at 5.0% final maturity	510,735,000	-	-	510,735,000	-

Long-Term Debt	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Principal due within one year
Bonds Payable, (continued):					
Series 2017A Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2038 at 5.0% final maturity	100,010,000	-	-	100,010,000	-
Series 2017B Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2038 at 5.0% final maturity	219,390,000	-	-	219,390,000	-
Series 2017C Revenue Refunding Bonds (North Terminal Project), fixed interest rate; January 1, 2023 at 2.949% final maturity	46,995,000	-	-	46,995,000	-
Series 2017D-1 Revenue Refunding Bonds (North Terminal Project), fixed interest rate; January 1, 2020 at 5.0% final maturity	4,150,000	-	-	4,150,000	1,615,000
Series 2017D-2 Revenue Refunding Bonds (North Terminal Project), fixed interest rate; January 1, 2038 at 5.0% final maturity	50,145,000	-	-	50,145,000	2,145,000
Series 2018 Go Zone CFC Bonds Revenue Refunding Bonds, fixed interest rate ranging from 4% - 5% ; January 1, 2040	-	82,565,000	-	82,565,000	-
	$ 1,152,840,000	$ 82,565,000	$ (101,960,000)	$ 1,133,445,000	$ 14,985,000
Unamortized discount on bonds	(2,250,898)	(339,421)	1,839,335	(750,984)	-
Unamortized premium on bonds	93,320,563	7,227,050	(4,744,352)	95,803,261	-
	1,243,909,665	89,452,629	(104,865,017)	1,228,497,277	14,985,000
Loans Payable:					
2017 Revenue Interim Drawdown Note; variable interest rate of 65.001% of one-month ICE LIBOR plus 0.79% final maturity of October 1, 2022	516,010	54,306,167	-	54,822,177	-
	516,010	54,306,167	-	54,822,177	
	$ 1,244,425,675	$ 143,758,796	$ (104,865,017)	$ 1,283,319,454	$ 14,985,000

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

	Interest	Principal	Total
Bonds Payable:			
December 31:			
2020	$ 52,550,536	$ 20,220,000	$ 72,770,536
2021	51,842,227	17,740,000	69,582,227
2022	52,050,239	77,381,526	129,431,766
2023	50,242,875	30,215,000	80,457,875
2024	47,452,413	18,695,000	66,147,413
2025-2029	230,005,300	125,530,000	355,535,300
2030-2034	194,011,125	162,875,000	356,886,125
2035-2039	146,989,050	223,105,000	370,094,050
2040-2044	78,660,463	267,415,000	346,075,463
2045-2049	24,511,977	204,490,000	229,011,977
	$ 928,316,205	$ 1,147,666,526	$ 2,072,982,732

In 2019, the Airport issued $23,800,000 of New Orleans Aviation Board Gulf Opportunity Zone General Airport Revenue Refunding Bonds, Series 2019 with an original issue premium of $4,246,849. The purpose of the issue was to advance refund a portion of the outstanding balance of the Gulf Opportunity Zone PFC Revenue Bonds, Series 2010A in the amount of $52,355,000, and $1,285,000 for the Series 2010B. The Airport had a PFC cash contribution in the amount of $1,181,119. The refunding was entered into for the reason of future interest savings. As a result of the advance refunding, gross debt service payments through January 1, 2041 for the Series 2010A were reduced by $49,034,914 with an estimated economic gain of $14,006,686. Gross debt service payments through January 1, 2038 for the Series 2010B were reduced by $2,470,413 with an estimated economic gain of $566,648. The deferred loss on defeasance in the amount of $392,855 will be amortized over the shorter of the life of the refunded or refunding bonds. The unamortized loss is included in deferred loss on advance refunding on the statements of net position.

In 2018, the Airport issued $82,565,000 of New Orleans Aviation Board Gulf Opportunity Zone CFC Revenue Refunding Bonds, Series 2018 with an original issue premium and discount of $7,227,050 and $339,421, respectively. The purpose of the issue was to advance refund the outstanding balance of the Gulf Opportunity Zone CFC Revenue Bonds, Series 2009A in the amount of $89,345,000. The refunding was entered into for the reason of future interest savings. As a result of the advance refunding, gross debt service payments through January 1, 2040 were reduced by $21,452,793 with an estimated economic gain of $18,508,000. The deferred loss on defeasance in the amount of $2,287,192 will be amortized over the shorter of the life of the refunded or refunding bonds. The unamortized loss is included in deferred loss on advance refunding on the statements of net position.

(8) Capital Contributions

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, 2019, the Federal Aviation Administration (FAA) contributed $16,314,810, the Aviation Trust Fund (ATF) contributed $4,371,451, and the Transportation Security Administration (TSA) contributed $504,907. During the year ended December 31, 2018, the FAA contributed $25,961,708, the ATF contributed $17,999,950, and the TSA contributed $5,067,514.

(9) Pension Plan

Plan Descriptions

Employees and officers of the Airport are eligible for membership in the Employees' Retirement System of the City of New Orleans (the Plan), a defined benefit retirement plan. A separate financial report on the plan for the year ended December 31, 2019 and 2018 are available from the City of New Orleans Director of Finance, 1300 Perdido Street, Room 1E12, New Orleans, Louisiana 70112, (504) 658-1850.

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

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

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

Funding Policy

Employee Contributions

The effective rate for employee contributions is 6% for 2018 and 2019.

Employer Contributions

A certain percentage of earnable compensation of each member, known as "normal contributions," determined on the basis of regular interest and mortality tables adopted by the Board, and additional percentage of earnable compensation, known as "Accrued Liability contributions," determined by an actuary on the basis of the amortization period adopted by the Board of Trustees from time to time. Actual contributions by the Airport were approximate 23.0% and 23.4% of covered payroll for the years ended December 31, 2019 and 2018, respectively.

Benefits Provided

Retirement

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

1. An annuity, which is the actuarial equivalent of the employee's accumulated contribution; plus

2. Effective for members retiring on or after January 1, 2002, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2.5% of average compensation times first 25 years, plus 4% of average compensation times creditable service over 25 years.

3. Effective for members retiring before 2002, but on or after January 1, 1983, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2% of average compensation times first 10 years, plus 2 1/2% of average compensation times next 10 years, plus 3% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years.

4. Effective January 1, 1983, additional pension equal to 2% of $1,200 times first 10 years, plus 2 1/2% of $1,200 times next 10 years, plus 3% of $1,200 times next 10 years, plus 4% of $1,200 times service over 30 years. Ceases at 62 or at eligibility for Social Security, whichever comes first. Effective January 1, 2002, the $1,200 exclusion will not apply.

5. Additional pension for member who reaches age 65 with 20 or more years and the retirement allowance under (1) and (2) above is less than $1,200 per year; to produce total retirement allowance of $1,200 per year.

6. Effective January 1, 1982, for service retirement prior to age 62 with less than 30 years of Service, (3) and (4) above are reduced by 3% for each year below 62. However, effective January 1, 1996, this reduction is not made if employee has at least 30 years of service. Effective January 1, 2002, no reduction if age and service total at least 8 0.

7. Maximum Benefit: Benefit not to be greater than 100% of average compensation, unless member has already accrued a larger benefit as of April 1978.

8. Minimum Benefit: Effective June 1, 1999, benefit of $300 per month for retirees with 10 years of service at retirement.

9. Form of Benefit: Modified cash refund annuity - If a member dies after retirement and before receiving the amount of his accumulated contributions in annuity payments, then the lump sum balance of his contributions is paid to beneficiary.

10. Cost-of-Living: Board of Trustees retains excess over average 3 1/2% interest earnings to provide Cost-of-Living increases in benefits to retirees (past or future) not to exceed 3% of original benefit per each year of retirement. Effective January 1, 2001, additional one-time increase of 1 % times member's or beneficiary's current monthly benefit times whole calendar years from date benefit commenced.

Deferred Retirement Option Program (DROP)

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

1. Interest is earned on the DROP account at an annual rate set by the Board. Members of the DROP receive cost-of-living increases, as if they would have received such raises as a retiree.

2. Upon termination of employment at the end of the specified period of DROP participation, the DROP account is paid out. After his DROP period ends and upon continued or re-employment, the member may resume contributions and earn a supplemental benefit based on current covered compensation.

3. If at the end of a members' period of DROP participation he does not terminate employment, payments into DROP shall cease and no further interest shall be earned or credited to the account. Payments shall not be made until employment is terminated

Net Pension Liability

The Airport's Net Pension Liability of $22,708,632 and $21,889,235 were measured as of December 31, 2019 and 2018. The Total Pension Liability used to calculate the Net Pension Liability was also determined as of that date.

The following schedule lists the Airport's proportionate share of the Net Pension Liability allocated by the pension plan for based on the December 31, 2019 measurement date. The Airport uses this measurement to record its Net Pension Liability and associated amounts as of December 31, 2019 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at December 31, 2019 along with the change compared to December 31, 2018 rate. The Airport's proportion of the Net Pension Liability was based on a projection of the City of New

Orleans' long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

	Net Pension Liability at December 31, 2019	Allocation Rate at December 31, 2019	Increase (Decrease) to December 31, 2018 Rate
Employees' Retirement System of the City of New Orleans	$ 22,708,632	7.4657%	(0.0149%)

	Net Pension Liability at December 31, 2018	Allocation Rate at December 31, 2018	Increase (Decrease) to December 31, 2017 Rate
Employees' Retirement System of the City of New Orleans	$ 21,889,235	7.4806%	1.1627%

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the years ended December 31, 2019 and 2018, the Airport recognized a pension expense of $4,656,586 and $5,613,253, respectively, in payroll related expense on the statements of revenues, expenses, and changes in net position.

On December 31, 2019 and 2018, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,739,311	$ 1,167,796
Net difference between projected and actual earnings on pension plan investments	4,064,708	656,851
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,363,095	926,526
Total	$ 9,167,114	$ 2,751,173

	December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,930,786	$ 285,149
Net difference between projected and actual earnings on pension plan investments	2,010,907	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,032,808	1,008,890
Total	$ 8,974,501	$ 1,294,039

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	$ 2,235,266
2021	2,290,632
2022	1,787,898
2023	113,273
2024	(11,128)
	$ 6,415,941

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2019 and 2018, using the following actuarial assumptions:

	Employees' Retirement System
Valuation date	December 31, 2019 and 2018
Actuary cost method	Entry age normal
Actuarial assumption:	
Expected remaining service live	8 years
Investment rate of return	7.50%, net of investment expense, including inflation
Inflation rate	2.50%
Mortality	RP 2000 Group Annuity Mortality Table
Salary increases	5.00%
Cost of living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the pension trust funds and includes previously granted cost of living increases. The present values do not include previsions for potential future increases not yet authorized by the Board of Trustees.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are development for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Trust Fund's current and expected asset allocation as of December 31, 2019 are summarized in the following table:

	Employees' Retirement System		
Asset Class	Target Asset Allocation	Long-term expected portfolio real rate of return	Weighted Rate of Return
Cash equivalents	2.00%	0.65%	0.01%
Equity securities	56.50%	13.45%	3.70%
Fixed income	22.00%	1.15%	0.25%
Real Estate	5.00%	4.50%	0.23%
Other alternative investments	14.50%	13.72%	0.84%
Inflation			2.25%
Expected arithmetic nominal rate			7.29%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for the Employees' retirement System for 2019, and 7.50% for 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that the plan's contributions will be made at rates equal to the difference between actuarially determined contribution rate sand the member rate. Based on those assumptions, the Employees' Retirement System pension trust funds' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the years ended December 31, 2019 and 2018, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, was 7.29% and 5.57%, respectively for the Employees' Retirement System.

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

The following presents the net pension liability of the Airport as of December 31, 2019 and 2018, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

Net pension liability	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
December 31, 2019	$ 28,662,868	$ 22,708,632	$ 17,731,734
December 31, 2018	28,045,695	21,889,235	17,773,823

Payables to the Plan

The Airport recorded accrued liabilities of $425,377 and $292,396 to the Plan for the years ended December 31, 2019 and 2018, respectively, mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries and other payables.

Schedule of Louis Armstrong New Orleans International Airport's Proportionate Share of the Net Pension Liability

	For the Year Ended December 31		
	2019	2018	2017
Employer's Proportion of the Net Pension Liability (Asset)	7.4657%	7.4806%	6.3179%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 22,708,632	$ 21,889,235	$ 14,838,531
Employer's Covered Payroll	$ 11,164,015	$ 9,614,757	$ 7,632,578
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	203.41%	227.66%	194.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.94%	55.55%	64.66%

(10) Other Post-Employment Benefits

Plan description – The Airport provides certain continuing health care and life insurance benefits for its retired employees through the City of New Orleans. The City of New Orleans's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust.

The City-Parish OPEB Plan is a single-employer defined benefit plan. The OPEB plan does not issue a stand-alone financial report.

Benefits Provided – Medical benefits are provided through a self-insured comprehensive health benefit program. Full details are contained in the official plan documents. Medical benefits are provided to employees upon actual retirement (that is, at the end of the DROP period, if applicable) according to the retirement eligibility provisions of the System by which the employee is covered. Most Airport employees are covered by The Employees' Retirement System of the City of New Orleans (NOMERS). The maximum DROP period is five years. Retirement (DROP entry) eligibility is as follows: the earliest of 30 years of service at any age; age 60 and 10 years of service; age 65 and 20 years of service; or, satisfaction of the "Rule of 80" (age plus service equals or exceeds 80).

Employees covered by benefit terms – At December 31, 2019, 166 active employees were covered by the benefit terms. There is a total of 1,553 inactive employees or beneficiaries currently receiving benefit payments under the OPEB plan. These inactive employees are not specifically identified as the Airport's inactive employees.

The Airport's portion of the annual premium base is paid by the City on behalf of the Airport. The contributions by the City for the year ended December 31, 2019 is estimated to be approximately $414,000. The Airport reimburses the City for the contribution paid by the City.

Total OPEB Liability

The Airport's proportional share (3.89%) of the total OPEB liability of $6,759,827 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019 for the year ended December 31, 2019. The Airport's proportional share (3.89%) of the total OPEB liability of $5,627,011 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018 for the year ended December 31, 2018. The proportion of the total OPEB liability was based on a percentage of payroll of active employees of the Airport in proportion to total payroll of active employees for all participating employers. There was no change to the Airport's proportionate share since the prior measurement period.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	2.74% annually (Beginning of Year to Determine ADC) (2019)
	3.44% annually (Beginning of Year to Determine ADC) (2018)
	4.10%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2019 and 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2019.

Changes in the Total OPEB Liability during 2019:

Balance at December 31, 2018	$ 5,627,011
Changes for the year:	
Service cost	80,941
Interest	222,214
Differences between expected and actual experience	203,246
Changes in assumptions	996,935
Current Year Amortization	43,773
Benefit payments and net transfers	(414,293)
Net changes	1,132,816
Balance at December 31, 2019	$ 6,759,827

Changes in the Total OPEB Liability during 2018:

Balance at December 31, 2017	$ 6,381,710
Changes for the year:	
Service cost	91,236
Interest	212,949
Differences between expected and actual experience	(209,788)
Changes in assumptions	(466,422)
Benefit payments and net transfers	(382,674)
Net changes	(754,699)
Balance at December 31, 2018	$ 5,627,011

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

December 31, 2019	**1.0% Decrease (1.74%)**	**Current Discount Rate (2.74%)**	**1.0% Increase (3.74%)**
Total OPEB liability	$ 5,283,565	$ 6,759,827	$ 5,786,292

December 31, 2018	**1.0% Decrease (3.10%)**	**Current Discount Rate (4.10%)**	**1.0% Increase (5.10%)**
Total OPEB liability	$ 6,343,048	$ 5,627,011	$ 5,029,285

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

December 31, 2019	**1.0% Decrease (4.5%)**	**Current Trend (5.5%)**	**1.0% Increase (6.5%)**
Total OPEB liability	$ 6,099,270	$ 6,759,827	$ 8,250,906

December 31, 2018	**1.0% Decrease (4.5%)**	**Current Trend (5.5%)**	**1.0% Increase (6.5%)**
Total OPEB liability	$ 5,011,729	$ 5,627,011	$ 6,358,596

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Airport recognized its proportionate share (3.89%) of OPEB expense of $346,927. At December 31, 2019, the Airport reported proportionate share (3.89%) of deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 189,261	$ (181,818)
Changes in assumptions	965,844	(404,235)
Total	$1,155,105	$ (586,053)

For the year ended December 31, 2018, the Airport recognized its proportionate share (3.89%) of OPEB expense of $259,103. At December 31, 2018, the Airport reported proportionate share (3.89%) of deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (195,802)
Changes in assumptions	-	(435,326)
Total	$ -	$ (631,128)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	$ 43,772
2021	43,772
2022	43,772
2023	43,772
2024 and thereafter	393,964
	$ 569,052

(11) 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 some leases require the payment of minimum annual rentals. On January 1, 2009, an Airline Lease and Use Agreement went into effect with all Signatory airlines paying signatory airlines rates and charges in accordance with the lease agreement.

The Airport parking garage facility (the "Facility") was constructed on land leased by a 501(c) 3 nonprofit corporation (the Corporation) from the Airport pursuant to a parking garage ground lease (the "ground lease") dated January 1, 2001. The 648 acres of property were purchased back in 1941 for $52,000 and the current carrying value is $1,192. The commencement date as defined in the ground lease went into effect January 1, 2002, and the ground rental term began. In accordance with the ground lease, the Corporation was required to design, finance, construct, and operate the Facility. The Facility was financed by the Corporation with $39.4 million of tax-exempt bonds which were refinanced in 2012. The bonds were not an obligation of the Airport. The initial term of the ground lease is ten years with three renewal periods of ten years at the option of the Corporation. During the term of the ground lease, the Corporation will pay the Airport $10,624 a month plus percentage rent of 6.0% of gross revenues generated from the Facility in excess of $7.0 million per year plus net cash flow rent, as defined in the ground lease.

The Consolidated Ground Lease, effective October 1, 2018, shall expire on the later to occur of thirty (30) years from the effective Date or the date the Bonds issued to finance the Consolidated Garage System are fully paid and discharged. Under the lease, the Airport receives 100% of net cash flow.

The payment of rent is subject to a minimum annual guarantee payment, as defined in the ground lease. The fixed rent shall increase by 3.0% per annum, effective on the first day of each lease year during the term. The 2019 monthly ground rent was $0 and 2018 monthly ground rent was $17,049.

Effective during 2018, with the issuance of bonds for the East garage, and the execution of the Consolidated Ground Lease, the monthly payment ended.

The following is a schedule by year of aggregate future minimum rental payments on noncancelable operating leases as of December 31, 2019:

2020	$	40,962,542
2021		49,548,094
2022		40,134,608
2023		39,435,848
2024		12,690,381
2025 and thereafter		136,298,656
	$	319,070,129

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 $5,171,538 in 2019 and $4,912,345 in 2018.

(12) 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. Amounts paid to the City by the Airport totaled $1,728,162 and $1,649,519 for the years ended December 31, 2019 and 2018.

(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 review and evaluation of such lawsuits and the advice of legal counsel, management does not believe that the ultimate outcome of such litigation will be material to the Airport's financial position.

(d) Federal Financial Assistance

The Airport participates in a number of federal financial assistance programs. These programs are subject to financial and compliance audits by governmental agencies.

(13) Restatement

(a) Correction of an Error

During the year ended December 31, 2019, the Airport identified an understatement of expenditures and a correction related to the airline year end settlement adjustment for the year ended December 31, 2018, which impacted prior year financial statements.

The impact of the restatement is as follows:

Previously reported net position as of December 31, 2018	$	554,828,385
Adjustment to accounts payable as a result of a change in the annual airline settlement adjustment		3,475,557
Adjustment to accounts payable as a result of invoices that the Airport received after the audit		(713,119)
Net position as of December 31, 2018, as restated	$	557,590,823

Previously reported changes in net position for the year ended December 31, 2018	$	69,258,846
Adjustment to operating revenues as a result of a change in the annual airline settlement adjustment		3,475,557
Adjustment to operating expenses as a result of invoices that the Airport received after the audit		(713,119)
Change in net position for the year ended December 31, 2018, as restated	$	72,021,284

(14) Recent Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be recorded in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be recorded, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Therefore, if applicable, the Airport will implement this guidance in 2020.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement will improve the information that is disclosed in notes of governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2019. The Airport will implement this guidance in 2020.

GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*. The Statement objectives include (1) enhancing the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplifying accounting for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Airport will implement this guidance in 2021.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This is a significant change in accounting principles and may impact the net position of the Board. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The Airport will implement this guidance in 2022.

Management is reviewing these pronouncements to assess the financial statement impact.

(15) Service Concession Arrangement

In April 2017, the City of New Orleans and the Airport entered into a 29-year lease with New Orleans Fuel Facilities LLC (NOFF) to lease the fuel system, provide for the continued operations, improvement, maintenance and management of the fuel system, and allow NOFF to make a significant capital investment in and improvement to the fuel system in connection with the Airport's development, construction and operation of the new passenger terminal at the Airport.

The Airport has determined that the cooperative endeavor agreement (CEA) between NOFF and the Airport meets the four criteria of a service concession arrangement (SCA) per GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements"*. SCAs are defined as a contract between a government and an operator, another government or private entity, in which the operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still retains control over the services provided and the government retains ownership of the assets at the end of the contract.

As part of the lease between the Airport and NOFF, NOFF agreed to pay rent, totaling a minimum of $3.2 million over the term of the agreement. In addition, any improvements constructed on the leased premises become the property of the Airport upon installation. As of December 31, 2019, $39,118,194 had been incurred in cumulative construction costs for the Airport Tank Farm and Hydrant System, and this project was substantially completed and operational by November 30, 2019.

During the fiscal year 2019, the Airport recorded a capital asset and deferred inflow of resources for costs incurred by NOFF in the amount of $38,490,470. Revenue will be recognized over the course of the agreement. The Airport has recorded a rent receivable as of December 31, 2019 for approximately $1,892,000 for the minimum payments expected to be received over the remaining 27 years of the lease.

(16) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 28, 2020, and determined that the following item require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global health pandemic and recommended containment and mitigation measures worldwide. As a result, the Airport experienced a significant decrease in operations from a decline in passenger travel and Airline services. The Airport has gone through a process of budget revisions for the 2020 budget, making reductions in non-essential items that do not compromise safety, security, critical operations, and customer service. In addition, the Airport expected to receive additional federal funding under the provisions of the CARES Act to support critical operations, including workforce retention and debt service. At this time, we cannot reasonably predict the extent to which the disruption may impact business operations or financial position over the long term.

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

Required Supplementary Information

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

	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	7.4657%	7.4806%	6.3179%	6.9590%	6.7349%	6.7349%
Employer's proportionate share of the net pension liability	$ 22,708,632	$ 21,889,235	$ 14,838,531	$ 17,778,160	$ 15,058,503	$ 11,410,715
Employer's covered payroll	$ 11,164,015	$ 9,614,821	$ 7,632,578	$ 8,037,960	$ 7,118,288	$ 6,549,317
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	203.41%	227.66%	194.41%	221.18%	211.55%	174.23%
Plan fiduciary net position as a percentage of the total pension liability	57.94%	55.55%	62.22%	58.06%	60.26%	68.64%

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

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

Required Supplementary Information

Schedule of Contributions to Defined Benefit Plan
Last 10 Years*

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 2,529,718	$ 2,095,713	$ 1,716,570	$ 1,900,122	$ 1,511,811	$ 1,784,790
Contributions in related to the contractually required contributions	(2,569,097)	(2,249,395)	(1,761,937)	(1,666,973)	(1,603,282)	(1,533,954)
Contribution deficiency (excess)	$ (39,379)	$ (153,682)	$ (45,367)	$ 233,149	$ (91,471)	$ 250,836
Employers' covered payroll	$ 11,164,015	$ 9,614,821	$ 7,632,578	$ 8,037,960	$ 7,118,288	$ 6,549,317
Contributions a a percentage of covered payroll	23.01%	23.40%	23.08%	20.74%	22.52%	23.42%

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

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

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 Years*

	2019	**2018**
Total OPEB liability		
Service cost	$ 80,941	$ 91,236
Interest	222,214	212,949
Current Year Amortization	43,774	-
Differences between expected and actual experience	203,246	(209,788)
Change s of assumptions or other inputs	996,934	(466,422)
Benefit payments	(414,293)	(382,674)
Net change in total OPEB liability	1,132,816	(754,699)
Total OPEB liability - beginning	5,627,011	6,381,710
Total OPEB liability - ending	$ 6,759,827	$ 5,627,011
Covered payroll	$ 9,982,277	$ 9,614,757
Total OPEB liability as a percentage of covered payroll	67.72%	58.52%

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

Notes to Schedule:
- Information is presented using measurement date which is the same as the fiscal year end.
- No assets are accumulated in a trust to pay related benefits.
- Benefit Changes: There were no changes of benefit terms for the year ended December 31, 2019.
- Changes of Assumptions or other inputs: Changes of assumptions and other inputs reflect the changes in the discount rate each period. The following are the discount rates used in

End of FY2019: 2.74%
Beginning of FY2019: 4.10%

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

Supplemental Schedule of Investments

Year ended December 31, 2019

Description	Year Aquired	Maturity date	Book value	Fair value
Unrestricted investments:				
Special Receipts:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	$ 452,851	$ 452,851
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2009	N/A	938,198	938,198
			1,391,049	1,391,049
City of New Orleans:				
LAMP - Sales Tax/General Purpose	2003	N/A	13,966,072	13,966,072
LAMP - Revolving			1,244	1,244
LAMP - Use & Lease General Purpose	2011	N/A	9	9
			13,967,325	13,967,325
New Orleans Aviation Board:				
Whitney Custody Account			41,803,132	41,803,132
Total unrestricted investments			57,161,506	57,161,506
Restricted investments:				
City of New Orleans:				
LAMP - Rollover Coverage	2009	N/A	13,586,508	13,586,508
CIF-Parking Facility Loan:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2010	N/A	1,147,152	1,147,152
Debt Service Fund:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	53,693,983	53,693,983
Debt Service Reserve Fund:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	12,556,128	12,556,128
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2009	N/A	82,275,715	82,275,715
			94,831,843	94,831,843
Capitalized Interest:				
Dreyfus Treasury Prime				
Cash Management:				
The Bank of New York Mellon	2015	N/A	178,787	178,787

(Continued)

Schedule 1

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Proprietary Component Unit of the City of New Orleans)
Supplemental Schedule of Investments
Year ended December 31, 2019

Description	Year Acquired	Maturity date	Book value	Fair value
Operations and Maintenance:				
Reserve fund:				
JPM U.S. Treasury Plus				
Cash Management				
The Bank of New York Mellon	2009	N/A	9,355,273	9,355,273
Receipts Fund:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2007	N/A	579,020	579,020
CFC Restricted:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2010	N/A	33,558,394	33,558,394
Time Reimbursement:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	1,188,850	1,188,850
Project Account:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	6,447,659	6,447,659
PFC Restricted:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2009	N/A	89,565,321	89,565,321
GARB Restricted:				
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2015	N/A	9,606,261	9,606,261
Vendor Payment:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2015	N/A	43,689	43,689
Total restricted investments			313,782,740	313,782,740
Total all investments			$ 370,944,246	$ 370,944,246

See accompanying independent auditors' report

(Concluded)

Schedule 2

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

Supplemental Schedule of Operating Revenues and Expenses by Area of Activity

Year ended December 31, 2019

	Airfield	Terminal buildings	Ground transportation	Total
Operating revenues	$ 16,326,127	$ 75,684,027	$ 3,899,800	$ 95,909,954
Direct expenses	3,530,735	15,116,572	1,769,199	20,416,506
Operating revenues, less direct expenses	12,795,392	60,567,455	2,130,601	75,493,448
Depreciation of cost center assets	18,095,669	8,700,756	126,976	26,923,401
Operating revenues, less direct expenses and depreciation	$ (5,300,277)	$ 51,866,699	$ 2,003,625	48,570,047
Other operating expenses:				
Depreciation of non-cost center assets				1,921,248
Impairment				7,055,108
Administrative				32,495,114
Total other operating expenses				41,471,470
Operating income				$ 7,098,577

See accompanying independent auditors' report.

Schedule 3

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

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

Year ended December 31, 2019

(Unaudited)

Revenues:		
Airline rentals and landing fees	$	47,793,220
Other operating revenues		48,116,723
Nonoperating revenues		5,049,046
Transferred PFCs		26,631,750
Rollover coverage		13,586,508
Total revenues		141,177,247
Less expenses:		
Operation and maintenance expenses		52,911,620
Net revenues	$	88,265,627
Debt service fund requirement:		
Principal payments	$	20,220,000
Interest expense		47,853,534
Total debt service fund requirement	$	68,073,534
Historical debt service coverage ratio		1.30

(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 Airport annually approves Rollover Coverage, in which the funds are transferred monthly, in ratable portions of the total, to the NOAB Rollover Coverage Account held by the City of New Orleans, and then transferred to the airport operating account, held by the City of New Orleans.

See accompanying independent auditors' report.

Schedule 4

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

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

Year ended December 31, 2019

Director of Aviation

Purpose	Kevin Dolliole
Salary	$ 288,337
Benefits-retirement contribution	66,749
Benefits-Medicare, Social Security, Workman's Compensation	21,506
Benefits-insurance contribution	74
Travel*	5,253
Conference registration fees*	270
Reimbursements*	-

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

See accompanying independent auditors' report.

P&N
Postlethwaite & Netterville

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A Professional Accounting Corporation

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louis Armstrong New Orleans International Airport (the "Airport"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued our report thereon dated October 28, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Postlethwaite & Netterville

Metairie, Louisiana
October 28, 2020

P&N
Postlethwaite & Netterville

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A Professional Accounting Corporation

To the City Council of the City of New Orleans
and the New Orleans Aviation Board

In planning and performing our audit of the financial statements of the Louis Armstrong New Orleans International Airport (the Airport) for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Airport's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

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

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

In accordance with *Government Auditing Standards*, we considered 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.

During the course of our audit, we became aware of a certain matter that is an opportunity for strengthening internal controls. Our comments regarding this matter are set forth below. This letter does not affect our reports dated October 28, 2020, on the financial statements of the Airport and the Airport's internal control over financial reporting.

Postlethwaite & Netterville

Prior Year Restatement

Condition:	The Airport had a restatement of the December 31, 2018 audited financial statements as a result of an error in the settlement adjustment caused by a significant credit given to the Airlines in error. It was discovered by management when reviewing the settlement adjustment prior to issuing the credit, which was subsequent to the issuance of the December 31, 2018 audited financial statements.
Recommendation:	We recommend that the Airport ensure proper controls are in place to timely review the settlement adjustment to prevent significant adjustments in the future.

We will review the status of this matter during our next audit engagement. We have already discussed this matter with personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of the New Orleans Aviation Board and management, and others within, and is not intended to be, and should not be, used by anyone other than these specified parties.

Postlethwaite & Netterville

Metairie, Louisiana
October 28, 2020

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

REPORT ON STATEWIDE AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL AREAS

FOR THE YEAR ENDED DECEMBER 31, 2019

Postlethwaite & Netterville
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To New Orleans Aviation Board and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Louis Armstrong New Orleans International Airport (the Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule A either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
October 28, 2020

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted"*. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   Procedures were not performed on items 1(a) through (j) due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

   c) ***Disbursements***, including processing, reviewing, and approving

   d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

   e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

   f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

   g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

   h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We performed the above procedure for Disaster Recovery/Business Continuity, noting no exceptions.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions noted.

b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions noted.

c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

No exceptions noted.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

   Procedures were not performed on items 3(a) through (c) due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

   a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

   b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

   c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections

Procedures were not performed on items 4 through 7 due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

4. Obtain a listing of <u>deposit sites</u> for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

5. For each deposit site selected, obtain a listing of <u>collection locations</u> and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

   a) Employees that are responsible for cash collections do not share cash drawers/registers.

   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

   c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

   a) Observe that receipts are sequentially pre-numbered.

   b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

   c) Trace the deposit slip total to the actual deposit per the bank statement.

   d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).

   e) Trace the actual deposit per the bank statement to the general ledger.

Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

Procedures were not performed on items 8 through 10 due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

   b) At least two employees are involved in processing and approving payments to vendors.

   c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

    a) Observe that the disbursement matched the related original invoice/billing statement.

    b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

Procedures were not performed on items 11 through 13 due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

    a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

    b) Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, <u>excluding fuel cards</u>, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

    Procedures were not performed on items 14(a) through 14(d) due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

    a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

    b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

    c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

    d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

    Procedures were not performed on items 15(a) through 15(d) due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

    a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

    b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

    c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

    d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

Procedures were not performed on items 16 through 19 due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

    b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

    c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

Procedures were not performed on items 20(a) through 20(b) due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

    a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

    b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

Procedures were not performed on items 21 through 22 due to no exceptions occurring for these procedures in the prior year or the existence of mitigating internal controls as asserted by the entity.

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.