

ANNUAL REPORT
REQUIRED BY SEC RULE 15c2-12(b)(5)
DATED AUGUST 31, 2023
NEW ORLEANS AVIATION BOARD
OF THE
CITY OF NEW ORLEANS, LOUISIANA

| | | | |
|--|---|---|---------------------|
| \$54,590,000 | | \$510,735,000 | |
| New Orleans Aviation Board General Airport Revenue Bonds (North Terminal Project) Series 2015A (Non-AMT) | | New Orleans Aviation Board General Airport Revenue Bonds (North Terminal Project) Series 2015B (AMT) | |
| \$100,010,000 | | \$219,390,000 | \$46,995,000 |
| New Orleans Aviation Board General Airport Revenue Bonds (North Terminal Project) Series 2017A (Non-AMT) | New Orleans Aviation Board General Airport Revenue Bonds (North Terminal Project) Series 2017B (AMT) | New Orleans Aviation Board General Airport Revenue Refunding Bonds Series 2017C (Taxable) | |
| \$4,150,000 | | \$50,145,000 | |
| New Orleans Aviation Board General Airport Revenue Refunding Bonds Series 2017D-1 (Non-AMT) | | New Orleans Aviation Board General Airport Revenue Refunding Bonds Series 2017D-2 (AMT) | |
| \$23,800,000 | | | |
| New Orleans Aviation Board General Airport Revenue Refunding Bonds (Gulf Opportunity Zone Projects) Series 2019 (Non-AMT) | | | |

The New Orleans Aviation Board (the “**Board**”) of the City of New Orleans, Louisiana, which administers the Louis Armstrong New Orleans International Airport, submits its Annual Report pursuant to SEC Rule 15c2-12 with respect to the above captioned series of bonds (collectively, the “**Bonds**” or “**GARBs**”) for the fiscal year ending December 31, 2022 (“**FY 2022**”):

1. **Audited Financial Statements.** The audited financial statements for the Board for the FY 2022 are attached hereto as **Exhibit “A.”**
2. **Material Accounting Changes.** The Board follows GAAP principles and mandated Louisiana statutory accounting requirements as in effect from time to time. Material accounting changes can be found in the Audit attached hereto as **Exhibit “A** under Note 1: “**Summary of Significant Accounting Policies.**”

3. **Total Amount Outstanding General Airport Revenue Secured Debt.**

(a) **1st Lien Debt.** The total aggregate amount of GARBs of the Issuer secured by a 1st lien on the “Net Revenues” (as defined in the General Revenue Bond Trust Indenture (the “**Indenture**”) for GARBs) issued and outstanding as of the end of FY 2022, was **\$949,760,000** consisting of the remaining outstanding amounts of the following GARBs:

| <u>Series Designation</u> | <u>FY 2022 Ending Balance</u> |
|---------------------------|-------------------------------|
| Series 2015A | \$54,590,000 |
| Series 2015B | \$510,735,000 |
| Series 2017A | \$96,085,000 |
| Series 2017B | \$210,690,000 |
| Series 2017C | \$12,190,000 |
| Series 2017D-2 | \$43,050,000 |
| Series 2019 (GO Zone) | \$22,420,000 |
| TOTAL: | \$949,760,000 |

Principal payments on the GARBs were made on January 1, 2022 as follows:

| <u>Series Designation</u> | <u>January 1, 2022 Principal Payment</u> |
|---------------------------|--|
| Series 2017A | \$1,315,000 |
| Series 2017B | \$2,905,000 |
| Series 2017C | \$12,190,000 |
| Series 2017D-2 | \$1,820,000 |
| Series 2019 (GO Zone) | \$745,000 |
| TOTAL: | \$18,975,000 |

Accordingly, as of January 1, 2023 the total aggregate amount of 1st Lien GARBs was **\$930,785,000**. On April 17, 2023, the Board issued additional Series 2023 GARBs in the following principal amounts: \$4,245,000 Series 2023A and \$18,365,000 Series 2023B. Principal payments on 1st Lien GARBS will continue to be made on January 1 of each year until the year 2048.

(b) **Subordinate Debt.** On September 29, 2022, the Board issued a General Airport Revenue Interim Drawdown Note (AMT) (North Terminal Project) Series 2022 (the “**Series 2022 Note**”) payable to Regions Bank in a principal amount not to exceed \$75,000,000 to refinance a prior Series 2017A Note. The Series 2022 Note is a Subordinate Obligation to GARBs that matures on October 1, 2025. As of January 31, 2023, the Board drew down \$61,053,500.

4. **Total Amount of Net Debt Service Coverage for Fiscal Year 2012 through 2022.** The following table illustrates the Net Revenues, together with the sum on deposit in the rollover coverage account on the last day of the immediately preceding fiscal year, Debt Service on GARBs and debt service coverage ratio (“**DSCR**”) with respect to GARBs by Fiscal Year:

| <u>Fiscal Year</u> | <u>Net Revenues</u> | <u>Debt Service</u> | <u>DSCR</u> |
|--------------------|---------------------|---------------------|-------------|
| 2012 | \$31,858,523 | \$14,879,840 | 2.14 |
| 2013 | \$30,208,411 | \$14,881,328 | 2.03 |
| 2014 | \$37,786,400 | \$14,876,328 | 2.54 |
| 2015 | \$38,539,015 | \$14,879,950 | 2.59 |
| 2016 | \$41,480,612 | \$14,879,400 | 2.79 |
| 2017 | \$40,664,085 | \$13,170,475 | 3.09 |
| 2018 | \$37,319,774 | \$19,475,434 | 1.92 |
| 2019 | \$88,265,627 | \$68,073,534 | 1.30 |
| 2020 | \$91,427,234 | \$66,017,558 | 1.38 |
| 2021 | \$89,458,975 | \$66,016,271 | 1.36 |
| 2022 | \$85,640,471 | \$66,264,529 | 1.29 |

5. **Total Amount of Released Revenues.** There were no Released Revenues, as such term is used in the Indenture, during FY 2022.

6. **Significant Events concerning the Capital Improvement Program for the Airport.**

The Airline-Airport Use and Lease Agreement between the Aviation Board and Signatory Airlines dated and effective as of January 1, 2009 (the “**Airline Agreement**”), as amended, establishes rentals, fees, and charges payable by all airlines which execute an Airline Agreement with the Aviation Board (the “**Signatory Airlines**”) during the term of the Airline Agreement.

The list below represents all of the Signatory Airlines currently operating at the Airport:

Southwest Airlines, Co.
Delta Air Lines, Inc.
American Airlines, Inc.
United Airlines, Inc.
JetBlue Airways Corporation
Federal Express Corp.
United Parcel Service, Inc.
Spirit Airlines Inc.
Breeze Aviation Group, Inc.

Other Airlines operating at the Airport who are not party to the January 1, 2009 Airline Agreement are:

Air Canada Inc. (Jazz Air)
Air Transat
Alaska Airlines, Inc.
Allegiant Air, LLC.
British Airways
Frontier Airlines Inc.

Silver Airways
Sun Country Airlines and Sun Country - Prime Air
Kalitta Air and Kalitta Charter (DHL)
Swift Air
ABX Air (DHL)
Ameriflight (DHL)

The Airlines approved the Airport's 2019-2023 capital improvement program (ACIP) intended to preserve and enhance the airside infrastructure which is separate from the North Terminal Project. The following projects are programmed for implementation in the 2019-2023 ACIP:

| NEW ORLEANS AIRPORT CAPITAL PLAN 2019-2023 (ACIP) |
|--|
| TAXIWAY G EXTENSION (WEST) |
| TAXIWAY REHABILITATION -E&S |
| AIRFIELD REHABILITATION PROGRAM- RWY. 11-29 |
| AIRFIELD REHABILITATION PROGRAM- RWY. 2-20 |
| ALP UPDATE |

Funding for the ACIP is expected to be from available FAA Airport Improvement Program Grants, state grants, third parties and/or Airport resources. The ACIP is an exhibit to the 2018 Amendment and will be considered to be included in the Airline rate base.

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7. **Airport Revenues and Expenses for 2018-2022.** The revenues and expenses for the Airport in each fiscal year from 2018 through 2022 were as follows:

| | 2018 (Restated) | 2019 | 2020 | 2021 | 2022 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| OPERATING REVENUES | | | | | |
| Airfield | \$ 8,788,109 | \$ 16,326,127 | \$ 10,793,044 | \$ 5,119,634 | \$ 13,318,164 |
| Terminal | 63,843,800 | 75,684,027 | 46,915,895 | 57,264,182 | 89,734,495 |
| Ground transportation | 4,250,908 | 3,899,800 | 2,663,618 | 2,852,023 | 3,153,429 |
| Total Operating Revenues | 76,882,817 | 95,909,954 | 60,372,557 | 65,235,839 | 106,206,088 |
| OPERATING EXPENSES | | | | | |
| Direct | 19,796,747 | 20,416,506 | 23,796,860 | 28,320,555 | 34,773,381 |
| Depreciation and Impairment Write-Down | 31,336,453 | 28,844,649 | 62,093,921 | 63,260,011 | 62,871,663 |
| Impairment | - | 7,055,108 | - | - | - |
| Administrative | 31,407,879 | 32,495,114 | 32,416,828 | 31,419,413 | 36,733,959 |
| Total Operating Expenses | 82,541,079 | 88,811,377 | 118,307,609 | 122,999,979 | 134,379,003 |
| Operating Loss | (5,658,262) | 7,098,577 | (57,935,052) | (57,764,140) | (28,172,915) |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Investment Income | 6,982,457 | 8,586,537 | 5,290,437 | (159,008) | (2,021,452) |
| Interest Expense | (19,922,753) | (9,283,271) | (47,931,364) | (47,149,095) | (47,289,530) |
| Passenger Facility Charge | 26,409,515 | 27,710,457 | 9,828,383 | 17,869,002 | 24,152,258 |
| Customer Facility Charge | 17,268,862 | 17,597,150 | 8,405,392 | 10,776,062 | 14,030,057 |
| Gain/(Loss) on Disposal of Assets | 3,194 | 341 | - | - | - |
| Cost of issuance of bonds | (997,998) | (708,412) | (133,141) | - | - |
| Terminal transportation costs | (203,365) | (3,573,294) | (5,015,217) | (7,304,396) | (7,566,255) |
| Federal grants - COVID-10 related | - | - | 41,677,226 | 41,413,062 | 4,300,020 |
| Other, Net | (889,538) | (2,107,384) | (621,856) | 2,366,456 | 13,461,075 |
| Total Non-Operating Revenues, Net | 28,650,374 | 38,222,124 | 11,499,860 | 17,812,083 | (933,827) |
| Loss before Capital Contributions | 22,992,112 | 45,320,701 | (46,435,192) | (39,952,057) | (29,106,742) |
| Capital Contributions | 49,029,172 | 21,191,168 | 12,552,069 | 29,361,133 | 15,661,829 |
| Change in Net Position | 72,021,284 | 66,511,869 | (33,883,123) | (10,590,924) | (13,444,913) |
| Net Position, Beginning of Year (Restated) | 485,569,539 | 557,590,823 | 624,102,692 | 590,219,569 | 579,628,645 |
| Total Net Assets, End of Year | \$ 557,590,823 | \$ 624,102,692 | \$ 590,219,569 | \$ 579,628,645 | \$ 566,183,732 |

Source: Postlethwaite & Netterville Audited Financial Statements and Supplemental Schedules December 31, 2018 and December 31, 2019. Carr, Riggs & Ingram, LLC Audited Financial Statements and Supplemental Schedules December 31, 2020, December 31, 2021, and December 31, 2022.

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8. **Airport Enplaned Passengers for FYs 2006-2022.** The total enplaned passengers at the Airport in each fiscal year from 2006 through 2022 were as follows:

HISTORICAL ENPLANEMENTS
Louis Armstrong New Orleans International Airport
FY 2006-2022

| <u>Fiscal Years</u> | <u>Airport Enplanements</u> | <u>Airport Growth</u> |
|--------------------------------|--|----------------------------------|
| 2006 ² | 3,108,617 | -20.4% |
| 2007 | 3,762,955 | 21.0% |
| 2008 | 3,973,167 | 5.6% |
| 2009 | 3,908,416 | -1.7% |
| 2010 | 4,102,138 | 5.0% |
| 2011 | 4,280,910 | 4.4% |
| 2012 | 4,306,707 | 0.6% |
| 2013 | 4,598,213 | 6.8% |
| 2014 | 4,892,302 | 6.4% |
| 2015 | 5,344,625 | 9.2% |
| 2016 | 5,579,577 | 4.4% |
| 2017 | 6,005,027 | 7.6% |
| 2018 | 6,564,742 | 9.3% |
| 2019 | 6,832,401 | 4.1% |
| 2020 | 2,652,126 | -61.2% |
| 2021 | 4,018,897 | 51.5% |
| 2022 | 5,946,283 | 47.8% |

12-month period ending December 31.

² First full year following Hurricane Katrina.

Source: New Orleans Aviation Board

Prepared by: Accounting Department of the New Orleans Aviation Board

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9. **Airline Market Share of Enplaned Passengers FYs 2018-2022.** Airline market shares of enplaned passengers in each fiscal year from FY 2018 through FY 2022 were as follows:

| | FY 2018 | | FY 2019 | | FY 2020 | | FY 2021 | | FY 2022 | |
|-----------------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| Airlines | Enplanements | Share | Enplanements | Share | Enplanements | Share | Enplanements | Share | Enplanements | Share |
| Alaska Airlines | 96,783 | 1.47% | 123,568 | 1.81% | 46,124 | 1.74% | 45,646 | 1.13% | 59,937 | 1.01% |
| Allegiant Air | 73,276 | 1.12% | 55,018 | 0.81% | 19,485 | 0.73% | 24,249 | 0.60% | 22,700 | 0.38% |
| American | 985,738 | 15.02% | 1,030,785 | 15.09% | 486,628 | 18.35% | 786,083 | 19.54% | 965,362 | 16.23% |
| Boutique Air | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 45 | 0.00% | 0 | 0.00% |
| BreezeAirlines | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 28,279 | 0.70% | 56,562 | 0.95% |
| Delta | 1,088,809 | 16.59% | 1,132,008 | 16.57% | 395,592 | 14.92% | 579,093 | 14.40% | 898,116 | 15.10% |
| Frontier | 185,487 | 2.83% | 170,070 | 2.49% | 55,938 | 2.11% | 81,147 | 2.02% | 114,466 | 1.93% |
| JetBlue | 203,278 | 3.10% | 198,866 | 2.91% | 56,089 | 2.11% | 97,766 | 2.43% | 183,329 | 3.08% |
| Silver Airways | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 2,201 | 0.05% | 7,599 | 0.13% |
| Southwest | 2,339,168 | 35.63% | 2,373,445 | 34.74% | 924,343 | 34.85% | 1,364,856 | 33.93% | 2,092,392 | 35.19% |
| Spirit | 636,257 | 9.69% | 770,239 | 11.27% | 325,358 | 12.27% | 494,018 | 12.28% | 727,911 | 12.24% |
| Sun Country | 5,325 | 0.08% | 16,313 | 0.24% | 5,426 | 0.20% | 3,021 | 0.08% | 13,462 | 0.23% |
| Sunwing/Swift | 0 | 0.00% | 703 | 0.01% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| United | 836,437 | 12.74% | 846,090 | 12.38% | 303,745 | 11.45% | 504,613 | 12.54% | 749,881 | 12.61% |
| Air Canada | 28,424 | 0.43% | 29,193 | 0.43% | 8,155 | 0.31% | 0 | 0.00% | 15,886 | 0.27% |
| All Others | 85,760 | 1.31% | 86,103 | 1.26% | 25,418 | 0.96% | 11,570 | 0.29% | 38,680 | 0.65% |
| TOTALS: | 6,564,742 | 100% | 6,832,401 | 100% | 2,652,301 | 100% | 4,022,587 | 100% | 5,946,283 | 100% |

Source: New Orleans Aviation Board

10. **Airport Revenues and Expenses Related to GARB Debt Service Schedule FYs 2018-2022.** The Airport revenues and expenses related to debt service coverage in each fiscal year from FY 2018 through FY 2022 were as follows:

REVENUES, EXPENSES, AND DEBT SERVICE COVERAGE

Louis Armstrong New Orleans International Airport

Fiscal Years Ended December 31, 2018, 2019, 2020, 2021, and 2022

| Revenues: | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------------|---------------|---------------|---------------|---------------|
| Airline rentals and landing fees | \$ 27,406,081 | \$ 47,793,220 | \$ 38,535,498 | \$ 28,488,751 | \$ 49,808,633 |
| Other operating revenues | 46,001,179 | 48,116,723 | 21,837,059 | 36,747,088 | 56,397,455 |
| Nonoperating revenues | 4,638,628 | 5,049,046 | 3,323,784 | 2,079,699 | 6,174,810 |
| Transferred PFCs | 6,474,750 | 26,631,750 | 25,764,204 | 23,963,000 | 23,766,100 |
| Federal grants- COVID-19 related | - | - | 41,677,226 | 41,413,062 | 4,300,020 |
| Rollover coverage | 3,290,643 | 13,586,508 | 16,505,151 | 16,508,343 | 16,701,793 |
| Total revenues | 87,811,281 | 141,177,247 | 147,642,922 | 149,199,943 | 157,148,811 |
| Less expenses: | | | | | |
| Operation and maintenance expenses | 50,491,507 | 52,911,620 | 56,213,688 | 59,740,968 | 71,508,340 |
| Net revenues | \$ 37,319,774 | \$ 88,265,627 | \$ 91,429,234 | \$ 89,458,975 | \$ 85,640,471 |
| Debt service fund requirement: | | | | | |
| Principal payments | \$ 14,985,000 | \$ 20,220,000 | \$ 17,740,000 | \$ 18,335,000 | \$ 18,975,000 |
| Interest expense | 4,490,434 | 47,853,534 | 48,277,558 | 47,681,271 | 47,289,529 |
| Total debt service fund requirement | \$ 19,475,434 | \$ 68,073,534 | \$ 66,017,558 | \$ 66,016,271 | \$ 66,264,529 |
| Historical debt service coverage ratio | 1.92 | 1.30 | 1.38 | 1.36 | 1.29 |

Source: New Orleans Aviation Board

11. **Origin-Destination Patterns.** The domestic passenger origin-destination patterns by city for calendar year 2022 were as follows:

| 2022 MSY Top 25 O&D Airport Destinations | | | | PAX | Daily Avg | |
|--|------|----------------|-------|-----------------|-------------|---------------|
| Rank | Dest | City | State | (1000s) | (1000s) | Share |
| 1 | ATL | Atlanta | GA | 478.0 | 1.3 | 4.6% |
| 2 | MCO | Orlando | FL | 429.8 | 1.2 | 4.1% |
| 3 | LAX | Los Angeles | CA | 420.6 | 1.2 | 4.0% |
| 4 | DEN | Denver | CO | 365.8 | 1.0 | 3.5% |
| 5 | DAL | Dallas | TX | 343.5 | 0.9 | 3.3% |
| 6 | LGA | Queens | NY | 330.7 | 0.9 | 3.2% |
| 7 | EWR | Newark | NJ | 321.9 | 0.9 | 3.1% |
| 8 | ORD | Chicago | IL | 319.1 | 0.9 | 3.0% |
| 9 | FLL | Ft. Lauderdale | FL | 294.6 | 0.8 | 2.8% |
| 10 | DCA | Arlington | VI | 285.7 | 0.8 | 2.7% |
| 11 | LAS | Las Vegas | NV | 282.4 | 0.8 | 2.7% |
| 12 | IAH | Houston | TX | 280.4 | 0.8 | 2.7% |
| 13 | BOS | Boston | MA | 252.3 | 0.7 | 2.4% |
| 14 | BWI | Baltimore | MD | 243.4 | 0.7 | 2.3% |
| 15 | PHL | Philadelphia | PA | 238.5 | 0.7 | 2.3% |
| 16 | AUS | Austin | TX | 233.1 | 0.6 | 2.2% |
| 17 | DFW | Dallas | TX | 231.0 | 0.6 | 2.2% |
| 18 | JFK | New York | NY | 230.6 | 0.6 | 2.2% |
| 19 | MIA | Miami | FL | 228.7 | 0.6 | 2.2% |
| 20 | TPA | Tampa | FL | 226.0 | 0.6 | 2.2% |
| 21 | HOU | Houston | TX | 209.9 | 0.6 | 2.0% |
| 22 | DTW | Romulus | MI | 209.0 | 0.6 | 2.0% |
| 23 | MDW | Chicago | IL | 206.3 | 0.6 | 2.0% |
| 24 | BNA | Nashville | TN | 184.2 | 0.5 | 1.8% |
| 25 | SEA | Seattle | WA | 165.5 | 0.5 | 1.6% |
| Top 25 Subtotal | | | | 7,010.9 | 19.2 | 66.9% |
| Other | | | | 3,473.8 | 9.5 | 33.1% |
| Total | | | | 10,484.7 | 28.7 | 100.0% |

Source: DB1B

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12. **Percentage Total Aircraft Landed Weight by Carrier.** The percent of total aircraft landed weight by Carrier in each fiscal year from FY 2018 through FY 2022, is as follows:

AIRLINE MARKET SHARES OF AIRCRAFT LANDED WEIGHT

Louis Armstrong New Orleans International Airport

FYs 2018-2022

(percentage of total aircraft landed weight)

| Major and other airlines(a) | <u>FY 2017</u> | <u>FY2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> | <u>FY 2022</u> |
|-------------------------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Southwest Airlines | 33.86 | 33.65 | 33.46 | 34.54 | 29.10 | 31.79 |
| Delta Airlines | 17.26 | 15.74 | 15.93 | 13.22 | 14.65 | 14.14 |
| American Airlines/US Airways | 15.45 | 14.71 | 14.55 | 15.96 | 17.46 | 15.03 |
| United Airlines | 12.32 | 12.30 | 12.20 | 10.15 | 12.20 | 12.30 |
| Spirit | 6.82 | 9.01 | 9.56 | 9.97 | 10.12 | 10.54 |
| Cargo | 4.90 | 4.94 | 4.77 | 9.08 | 9.39 | 7.39 |
| JetBlue | 3.03 | 3.00 | 2.79 | 2.13 | 2.42 | 2.90 |
| Breeze Airways | 0.00 | 0.00 | 0.00 | 0.00 | 1.09 | 1.00 |
| Scheduled Int. (Other) | 2.26 | 2.27 | 2.13 | 0.95 | 0.06 | 1.76 |
| Frontier | 1.84 | 2.29 | 1.92 | 1.46 | 1.61 | 1.69 |
| Allegiant | 1.32 | 1.01 | 1.70 | 0.68 | 0.70 | 0.32 |
| Alaska/Virgin | 0.96 | 1.38 | 0.75 | 1.66 | 1.03 | 0.80 |
| Sun Country | 0.00 | 0.10 | 0.25 | 0.20 | 0.12 | 0.22 |
| Boutique Air | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Silver Airways | 0.00 | 0.00 | 0.00 | 0.00 | 0.05 | 0.11 |
| Totals | 100 | 100 | 100 | 100 | 100 | 100 |

^(a) major airlines are defined for this analysis as scheduled airlines operating aircraft with more than 60 seats.

Source: New Orleans Aviation Board

Prepared by: New Orleans Aviation Board

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13. **Total Aircraft Landed Weight.** The total aircraft landed weight at the Airport for fiscal years 2009 through 2022 was as follows:

HISTORICAL AIRCRAFT LANDED WEIGHT
Louis Armstrong New Orleans International Airport
Fiscal Years 2009 through 2022 (Weight in Thousand Pounds)

| <u>Fiscal Year</u> | <u>Landed Weight</u> |
|--------------------|----------------------|
| 2009 | 5,174,944 |
| 2010 | 5,501,940 |
| 2011 | 5,613,632 |
| 2012 | 5,479,289 |
| 2013 | 6,032,372 |
| 2014 | 6,122,519 |
| 2015 | 6,499,788 |
| 2016 | 6,771,515 |
| 2017 | 7,328,602 |
| 2018 | 7,888,855 |
| 2019 | 8,232,139 |
| 2020 | 4,479,734 |
| 2021 | 5,365,624 |
| 2022 | 7,352,552 |

Source: New Orleans Aviation Board

14. **Ratings Changes.** On March 21, 2022, Moody's updated AGM from "A-2" to "A-1" and Moody's insured rating on the Bonds is now "A-1".

IN FAITH WHEREOF, witness my official signature on this, the 30th day of August, 2023.

NEW ORLEANS AVIATION BOARD

By:


Kevin Dolliole, Director of Aviation

EXHIBITS

Exhibit A Audited Financial Statements for Airport for Fiscal Year 2022
81887040.v3

Exhibit A

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

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

Financial Statements

December 31, 2022



**FINANCIAL SECTION**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Louis Armstrong New Orleans International Airport (the Airport), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport, as of December 31, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2022 the Board adopted new accounting guidance, GASBS No. 87, *Leases*, which resulted in no cumulative effect of change to the June 30, 2021 net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Airport's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and the GASB-required pension and OPEB supplementary information, on pages 4-17 and 59-61, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The Supplemental Schedule of Investments, Supplemental Schedule of Operating Revenues and Expenses by Area of Activity, Supplemental Schedule of Historical Debt Service Coverage Ratio as Required Under the General Revenue Trust Indenture dated February 1, 2009, and Schedule of Compensation, Benefits and Other Payments to the Director of Aviation are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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, the Supplemental Schedule of Investments, Supplemental Schedule of Operating Revenues and Expenses by Area of Activity, Supplemental Schedule of Historical Debt Service Coverage Ratio as Required Under the General Revenue Trust Indenture dated February 1, 2009, and Schedule of Compensation, Benefits and Other Payments to the Director of Aviation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Airport's 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.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
June 30, 2023

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

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 year ended December 31, 2022. 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, 2022 by \$566,183,734.
- The Airport's total net position decreased by \$13,444,911 or 2.33% for 2022
- In 2022, the US Government provided the Airport with \$4.3 million in emergency airport improvement funds under the American Rescue Plan Act. These funds are being used consistently with the priorities of the federal government.

Overview of the Financial Statements

The Louis Armstrong New Orleans International Airport (the Airport) is structured as an enterprise component unit. 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 reported at their historical cost, which is reported as depreciation expense over the course of their useful lives, except for land and easements. 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 (including notes to 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 statement 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 statement 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 this statement 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 statement 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 this statement. A reconciliation is a part

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

of this statement 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 \$8,836,796 (0.46%) from 2021 to 2022 due primarily to the decrease in net capital projects by \$14,886,653, a decrease in cash and cash equivalents by \$6,047,276, but an increase in investments by \$1,840,559 and an increase in Lease receivable of 55,861,855. Capital projects decreased because depreciation expense exceeded current year fixed asset additions. Investments increased as a result of volatile market conditions during 2022 and cash decreased due to in 2022 primarily due to the increased passenger activity. Total liabilities and deferred inflows increased by \$23,825,764 (1.76%) primarily resulting from a decrease in bonds payable of \$23,625,075 and net decrease on accounts payable and accrued expenses of \$13,100,770 and an increase in deferred leases of \$53,131,352. Bonds payable decreased as a result of principal payments made in 2022 exceeding new debt issued. Accounts payable increased due to the timing of payments made on outstanding payable balances before the end of the fiscal year.

The largest portion of the Airport's net position, at \$309,646,609 (54.69%) at 2022, represents its net investment in capital assets (e.g., land, buildings, machinery, and equipment, less the debt incurred to construct or acquire them). 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, \$246,742,106 (43.58%) at 2022, 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, \$9,795,019 (1.73%) at may be used to meet the Airport's ongoing obligations.

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Summary of Net Position (in thousands)

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Assets: | | |
| Current assets: | | |
| Unrestricted assets | \$ 78,586 | \$ 98,475 |
| Restricted assets | 57,366 | 58,314 |
| Noncurrent assets: | | |
| Unrestricted assets | 49,651 | 1,581 |
| Restricted assets | 225,794 | 227,895 |
| Net capital assets | 1,514,620 | 1,529,507 |
| Total assets | <u>\$ 1,926,018</u> | <u>\$ 1,915,772</u> |
| Deferred Outflows of Resources: | | |
| Deferred amounts related to pension liability | \$ 4,743 | \$ 4,033 |
| Deferred amounts related to OPEB liability | 1,580 | 1,896 |
| Deferred losses on advance refunding | 4,157 | 4,416 |
| Total deferred outflows | <u>\$ 10,480</u> | <u>\$ 10,345</u> |
| Liabilities: | | |
| Current liabilities | \$ 91,503 | \$ 161,362 |
| Noncurrent liabilities | 1,184,232 | 1,142,544 |
| Total liabilities | <u>\$ 1,275,735</u> | <u>\$ 1,303,906</u> |
| Deferred Inflows of Resources: | | |
| Deferred amounts related to pension liability | \$ 1,411 | \$ 5,376 |
| Deferred amounts related to leases | 54,637 | - |
| Deferred amounts related to OPEB liability | 1,841 | 646 |
| Deferred amounts related to service concession arrangement | 36,688 | 36,559 |
| Total deferred inflows | <u>\$ 94,578</u> | <u>\$ 42,582</u> |
| Net Position: | | |
| Net investment in capital assets | \$ 309,647 | \$ 301,627 |
| Restricted | 246,742 | 249,128 |
| Unrestricted | 9,795 | 28,873 |
| Total net position | <u>\$ 566,184</u> | <u>\$ 579,628</u> |

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Debt Activity

At December 31, 2022 and 2021, the Airport had total debt outstanding of \$1,171,871,806 and \$1,194,994,243, respectively. The Airport's debt represents bonds secured solely by operating, Passenger Facility Charges (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)

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|---------------------|---------------------|
| Bonds payable: | | |
| Revenue Bonds 2015A-B | \$ 565,325 | \$ 565,325 |
| Revenue Bonds 2017A-D | 362,015 | 379,640 |
| GO Zone CFC Revenue Bonds 2018 | 82,565 | 82,565 |
| GO Zone Revenue Bonds 2019 | 22,420 | 23,130 |
| Unamortized bond discount | (243) | (266) |
| Unamortized bond premium | 78,737 | 84,050 |
| Loans payable: | | |
| Series 2017 Interim Drawdown Notes | - | 60,551 |
| Series 2022 | 61,054 | - |
| | <u>\$ 1,171,872</u> | <u>\$ 1,194,994</u> |

More detailed information on long-term debt can be found in Note 6 of the accompanying financial statements.

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Capital Assets

The Airport's investment in capital assets for the years ended December 31, 2022 and 2021 is presented in the following tables. The total increase for the years ended December 31, 2022 and 2021 was 1.98% and 2.12%, respectively, before accumulated depreciation. The increase is due to the completion of the last remaining items related to the new terminal. A majority of these items were completed in 2021, which caused a greater increase in 2021. The significant increase in assets was offset by a decrease in construction in progress during the year for the following major projects:

| | Approximate cost during FY 2022 |
|--|------------------------------------|
| Project | |
| North Terminal Project Design/Construction | \$19 million |
| Taxiway Construction | \$15 million |
| Planning Services | \$9 million |
| | |
| | Approximate cost during FY 2021 |
| Project | |
| North Terminal Project Design/Construction | \$23 million |
| Roadways Development Program | \$1 million |
| Planning Services | \$4 million |

More detailed information on capital assets can be found in Note 5 of the accompanying financial statements.

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Net Capital Assets (in thousands)

| | 2022 | 2021 |
|-------------------------------|---------------------|---------------------|
| Land | \$ 78,139 | \$ 78,139 |
| Air rights | 22,282 | 22,282 |
| Land improvements | 513,101 | 508,955 |
| Buildings and furnishings | 1,650,816 | 1,649,144 |
| Utilities | 57,029 | 57,029 |
| Fuel Tank Farm | 39,118 | 39,118 |
| Equipment | 11,336 | 11,298 |
| Computers | 1,535 | 1,535 |
| Heliport | 3,074 | 3,074 |
| HP Finance Lease | 908 | 908 |
| Construction in progress | 96,297 | 54,159 |
| Total capital assets | <u>2,473,635</u> | <u>2,425,641</u> |
| Less accumulated depreciation | <u>959,015</u> | <u>896,135</u> |
| Net capital assets | <u>\$ 1,514,620</u> | <u>\$ 1,529,506</u> |

Airlines Rates and Charges

An Airline Airport Use and Lease Agreement became effective January 1, 2009. Actual rates for 2022 and 2021 are included in the table below.

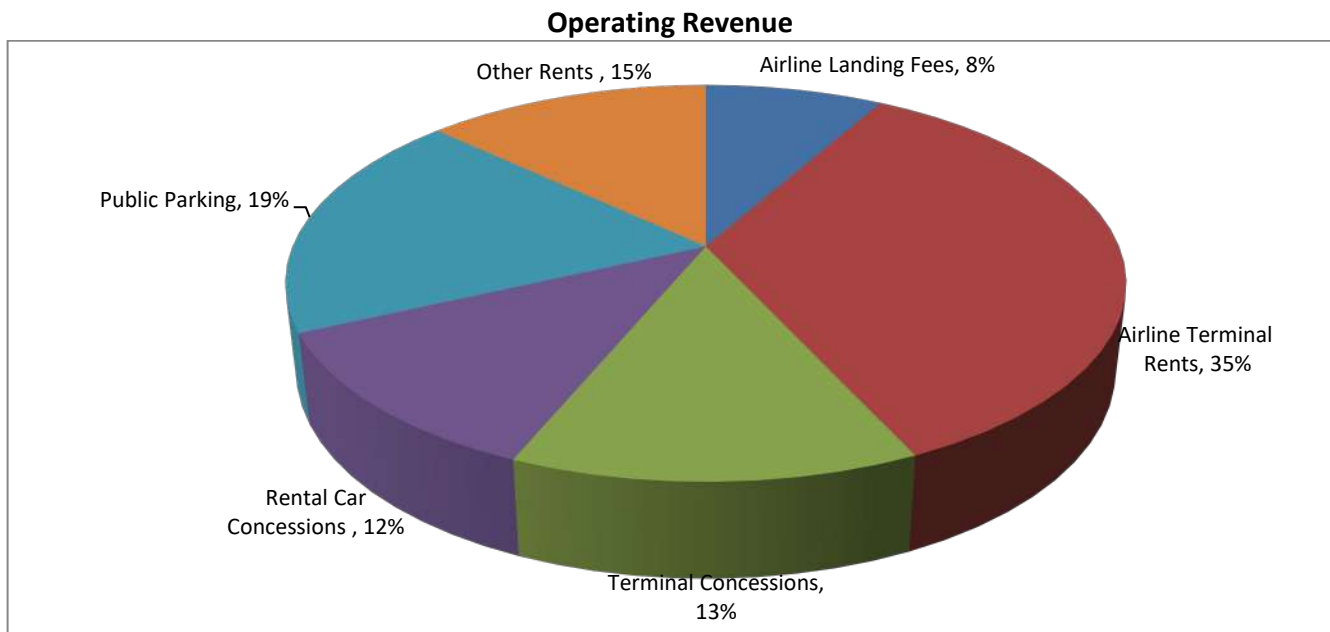
| | 2022 | 2021 |
|--|-------------|-------------|
| Terminal building rental rates (per sq. ft.) | \$147.84 | \$91.30 |
| Landing fee rate (per 1,000 lbs.) | 1.11 | 0.27 |
| Apron use fee rate (per sq. ft.) | 2.43 | 1.72 |
| Loading bridge use fee (per bridge) | - | - |
| Enplaned passenger use fee (per passenger) | 9.01 | 8.79 |

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. The loading bridge use fee ended in 2019.

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Revenues

The following chart shows major sources and the percentage of operating revenues for the year ended December 31, 2022.



Operating Revenues (in thousands)

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|--------------------------|-------------------------|
| Passenger and cargo airlines: | | |
| Airline landing fees | \$ 8,684 | \$ 2,136 |
| Airline terminal rents | 37,069 | 23,233 |
| Land rents | 134 | 131 |
| Other rents | 3,922 | 2,990 |
| Total passenger and cargo airlines | <u>49,809</u> | <u>28,490</u> |
| Non airline rentals: | | |
| Terminal concessions | 14,057 | 5,499 |
| Car rental concessions | 12,561 | 9,346 |
| Public parking | 19,936 | 15,213 |
| Other rents | 9,843 | 6,688 |
| Total nonairline revenues | <u>56,397</u> | <u>36,746</u> |
| Total operating revenues | <u><u>\$ 106,206</u></u> | <u><u>\$ 65,236</u></u> |

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

2022 vs. 2021

Total passenger and cargo airline revenue for 2022 increased by \$21 million (74.8%) compared to 2021 due to increased Airline terminal rent, which was a result of increased passenger activity in 2022. Non-airline revenues increased by \$20 million (40.5%) due to increased terminal and car rental concessions, which is a result of increased passenger activity in 2022

| | <u>2022</u> | <u>2021</u> |
|------------------------------|----------------|----------------|
| Cost per enplaned passenger: | | |
| Airline revenues | \$ 49,173 | \$ 27,359 |
| Enplaned passengers | 5,946 | 4,019 |
| Cost per enplaned passenger | <u>\$ 8.27</u> | <u>\$ 6.81</u> |

Non-Operating Revenues and Capital Contributions (in thousands)

The following chart shows major sources of non-operating revenues for the years ended December 31, 2022, and 2021.

| | <u>2022</u> | <u>2021</u> |
|----------------------------|------------------|-------------------|
| Investment income, net | \$ (2,021) | \$ (159) |
| Passenger facility charges | 24,152 | 17,869 |
| Customer facility charges | 14,030 | 10,776 |
| Capital contributions | 15,662 | 29,361 |
| Federal grants | 4,300 | 41,413 |
| Other, net | 13,365 | 2,366 |
| | <u>\$ 69,488</u> | <u>\$ 101,626</u> |

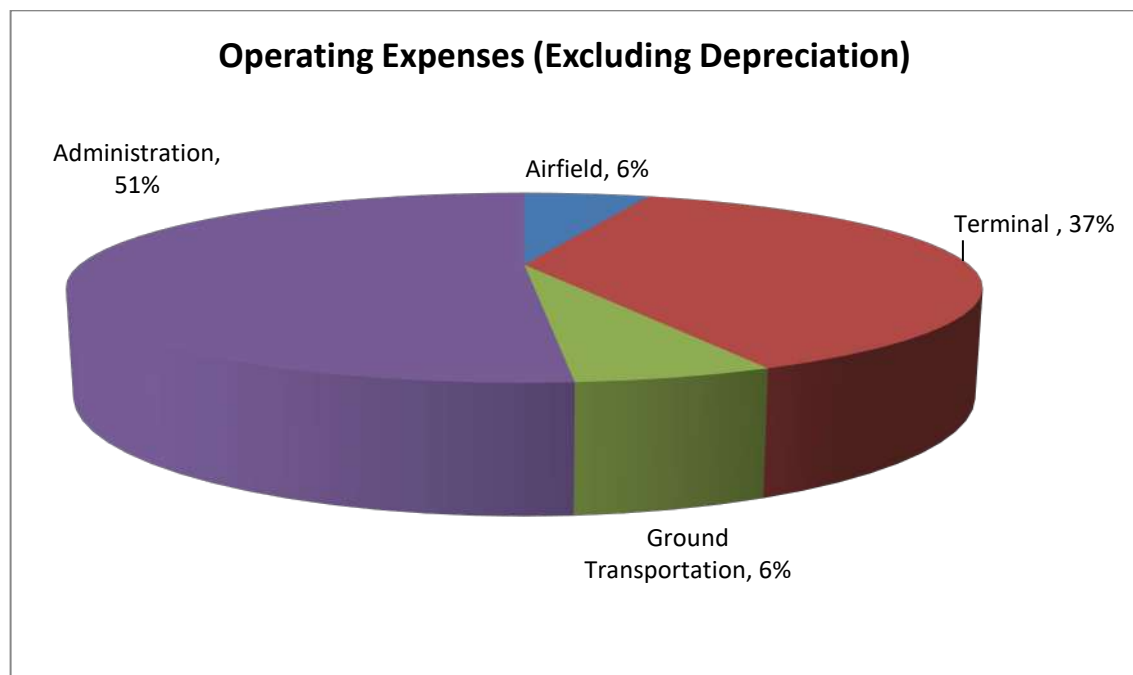
2022 vs. 2021

Non-operating revenues decreased for 2022 by \$32 million (32%) primarily due to an decrease in capital contributions and federal grants.

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Expenses

The following chart shows major expense categories and the percentage of operating expenses for the year ended December 31, 2022.



Operating Expenses before Depreciation and Impairment

| | 2022 | 2021 |
|-----------------------|------------------|------------------|
| Direct | | |
| Airfield | \$ 3,989 | \$ 4,843 |
| Terminal | 26,737 | 20,779 |
| Ground transportation | 4,048 | 2,699 |
| Administration | 36,734 | 31,419 |
| | <u>\$ 71,508</u> | <u>\$ 59,740</u> |

2022 vs. 2021

The operating expenses, before depreciation and impairment, increased by approximately \$11.8 million compared to the prior year. This increase was primarily due to Hurricane Ida repairs and increased utility expenses.

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Non-Operating Expenses

The following chart shows major expense categories of non-operating expenses for the years ended December 31, 2022 and 2021 (in thousands).

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|------------------|------------------|
| Interest expense | \$ 47,290 | \$ 47,149 |
| Terminal transportation costs | <u>7,566</u> | <u>7,304</u> |
| Total Non-operating Expense | <u>\$ 54,856</u> | <u>\$ 54,453</u> |

2022 vs. 2021

The Non-operating expense increased by approximately \$403 thousand due to the increase in the terminal transportation costs due to the increase in passenger traffic between the South and North Terminal.

Total Revenues and Expenses (in thousands)

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

| | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------------|-------------------|
| Total operating revenues | \$ 106,206 | \$ 65,236 |
| Total non-operating revenues | <u>69,584</u> | <u>101,626</u> |
| Total revenues | <u>\$ 175,790</u> | <u>\$ 166,862</u> |
| Total operating expenses | \$ 134,379 | \$ 123,000 |
| Total non-operating expenses | <u>54,856</u> | <u>54,453</u> |
| Total expenses | <u>\$ 189,235</u> | <u>\$ 177,453</u> |

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Summary of Changes in Net Position (in thousands)

| | <u>2022</u> | <u>2021</u> |
|---|---------------------------|---------------------------|
| Summary of changes in net position: | | |
| Operating revenues | \$ 106,206 | \$ 65,236 |
| Operating expenses before depreciation and impairment | <u>71,499</u> | <u>59,739</u> |
| Operating income before depreciation and impairment | 34,707 | 5,497 |
| Depreciation | <u>62,783</u> | <u>63,260</u> |
| Operating income (loss) | <u>(28,076)</u> | <u>(57,764)</u> |
| Non-operating revenues, net | <u>(1,030)</u> | <u>17,812</u> |
| Income before capital contributions and transfers | (29,106) | (39,952) |
| Capital contributions | <u>15,662</u> | <u>29,361</u> |
| Change in net position | <u><u>\$ (13,444)</u></u> | <u><u>\$ (10,591)</u></u> |

Operating income before depreciation and impairment decreased \$29 million (532%) in 2022 compared to 2021. Depreciation expenses decreased \$.5 million (.75%) due to timing of when projects in construction in progress being completed and transferred to depreciated fixed assets in 2022 and minimal assets being fully depreciated or disposed of. Non-operating revenues, net decreased \$18 million (106%) primarily due to an increase in in passenger facility charges and customer facility charges as a result of the increased passenger activity and a \$37 million decrease in federal grants. Capital contributions decreased by \$13.7 million (47%) due to the decrease in funding received from TSA, FAA and other grants.

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. Coverage ratios for the past three years are shown in the following table.

| <u>Revenue Refunding Bonds</u> | <u>2022</u> | <u>2021</u> |
|--------------------------------|-------------|-------------|
| GARB Series Bonds | 130.0% | 136.0% |

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.

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

The Board approved the Rollover Coverage for fiscal years 2012-2021 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, \$13,586,508, \$16,505,151, and \$16,508,343, 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 129% for the year ended December 31, 2022 and 136.0% for the year ended December 31, 2021.

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 2022 increased to 11,864,527 (47.08%), from 8,066,869 passengers in 2021, due to increases in air travel. Aircraft landed weights total for 2022 increased to 7,352,552 (37.03%), from 5,365,624 in 2021.

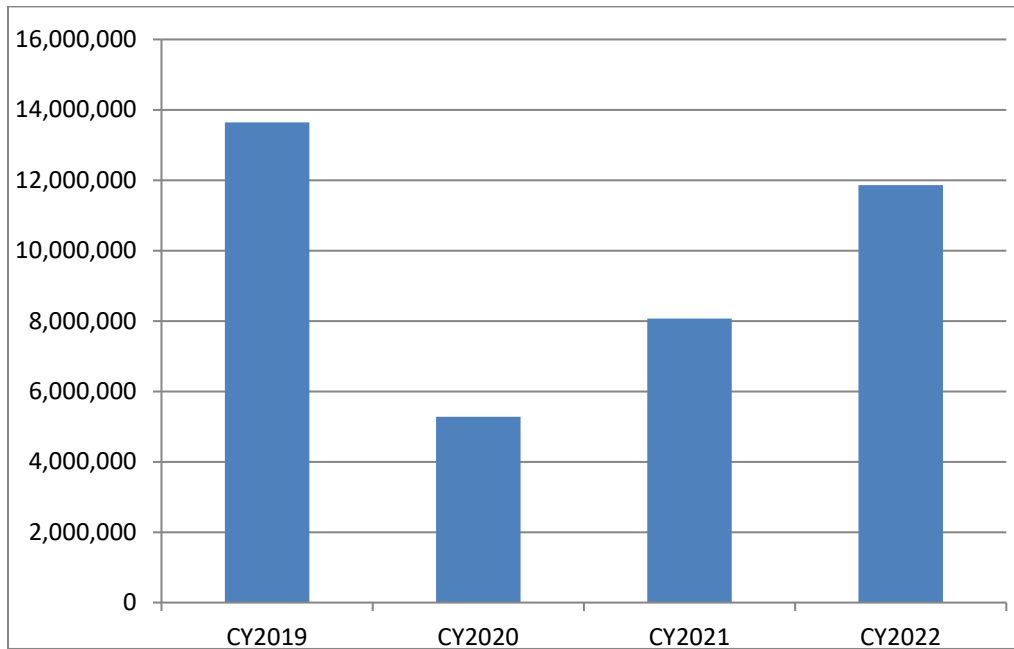
Selected statistical information about total passengers, aircraft landed weight, and air carrier operations for the past two years are presented in the table below.

| Fiscal year | Total passengers | Landed weight (1,000 pound units) | Air carrier operations |
|--------------------|-----------------------------|--|-----------------------------------|
| 2021 | 8,066,869 | 5,365,624 | 74,040 |
| 2022 | 11,864,527 | 7,352,552 | 98,567 |

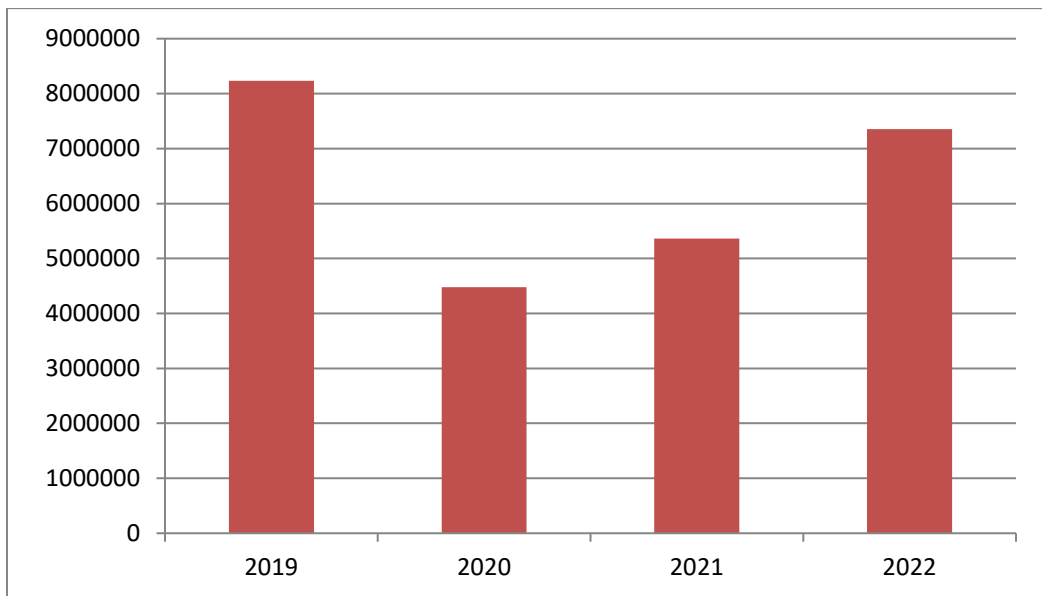
| Fiscal year | Number of daily departures | Number of destinations | Average daily seats |
|--------------------|---|-----------------------------------|--------------------------------|
| 2021 | 106 | 54 | 15,416 |
| 2022 | 137 | 60 | 20,989 |

Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Total Passengers for the Year

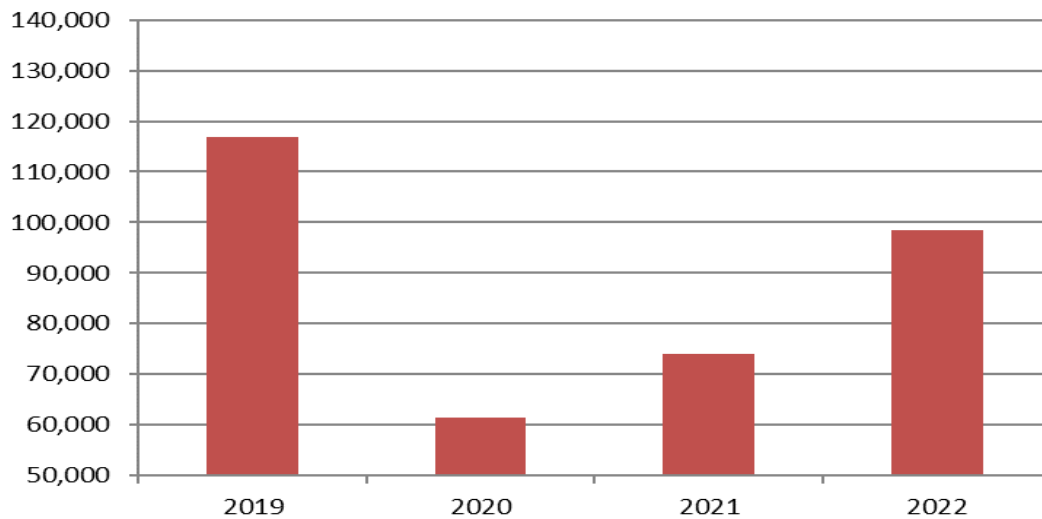


Landed Weight per 1,000 pounds



Louis Armstrong New Orleans International Airport Management's Discussion and Analysis

Number of Passenger Flight Operations



Economic Factors and Next Year's Budget

The Airport budgeted for an increase in 2023 non-airline revenue compared to 2022, going from \$50.3 million to \$62.5 million, tallying to a \$12.2 million (approx. 24.25%) increase over the previous year's budget. This is attributed to the expectation that passenger traffic will return to pre-pandemic levels soon.

Compared to the 2022 budget, the Airport proposed an increase in the 2023 operating expenses of \$4.333 million (approx. 6.0%). This is driven primarily by an increase in utility costs; an increase in property insurance, general liability, and cyber policies based on the current insurance market; and the employee shuttle being reinstated. Employee shuttle costs decreased during the pandemic because employee parking was temporarily moved to the north side as a cost saving measure when passenger traffic decreased. Now that passenger traffic has increased and expected to return to pre-pandemic levels soon, employee parking has resumed on the south side, thus an increase in employee shuttle costs.

The Airport continues to budget and maintain a competitive total cost per enplanement (CPE) rate. The Airport is projecting that the CPE for the 2023 will be \$5.99. This CPE is well under the Airport's goal of maintaining a CPE of less than \$10.

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

Statement of Net Position

December 31,

2022

Assets

Current assets

| | |
|---|---------------|
| Cash and cash equivalents | \$ 12,113,275 |
| Accounts receivable, less allowance for doubtful accounts | 10,360,940 |
| Capital grant receivable | 12,798,432 |
| Investments | 35,453,543 |
| Interest receivable | (539,188) |
| Lease receivable | 7,769,698 |
| Prepaid expenses and deposits | 629,459 |

| | |
|-----------------------------------|------------|
| Total current unrestricted assets | 78,586,159 |
|-----------------------------------|------------|

Restricted assets

| | |
|---------------------------------------|------------|
| Cash and cash equivalents | 1,716,146 |
| Investments | 51,293,017 |
| Passenger facility charges receivable | 3,286,137 |
| Customer facility charges receivable | 1,071,151 |

| | |
|---------------------------------|------------|
| Total current restricted assets | 57,366,451 |
|---------------------------------|------------|

| | |
|----------------------|-------------|
| Total current assets | 135,952,610 |
|----------------------|-------------|

Noncurrent assets

| | |
|---|---------------|
| Restricted investments | 225,794,026 |
| Lease receivable, non-current | 48,092,157 |
| Prepaid insurance on revenue bonds, less accumulated amortization | 547,075 |
| Advances to related facility management company | 1,011,301 |
| Capital assets | |
| Capital assets not being depreciated | 196,718,040 |
| Capital assets being depreciated | 2,276,917,099 |
| Less accumulated depreciation | (959,014,681) |
| Net capital assets | 1,514,620,458 |

| | |
|-------------------------|---------------|
| Total noncurrent assets | 1,790,065,017 |
|-------------------------|---------------|

| | |
|--------------|---------------|
| Total assets | 1,926,017,627 |
|--------------|---------------|

Deferred Outflows of Resources

| | |
|--|-----------|
| Deferred amounts related to net pension liability (note 8) | 4,742,522 |
| Deferred amounts related to total OPEB liability (note 9) | 1,579,964 |
| Deferred losses on advance refunding | 4,157,298 |

| | |
|--------------------------------------|------------|
| Total deferred outflows of resources | 10,479,784 |
|--------------------------------------|------------|

| | |
|---|------------------|
| Total assets and deferred outflows of resources | \$ 1,936,497,411 |
|---|------------------|

The accompanying notes are an integral part of these financial statements.

Louis Armstrong New Orleans International Airport

Statement of Net Position

| December 31, | 2022 |
|---|-------------------------|
| Liabilities | |
| Current liabilities: | |
| Payable from unrestricted assets: | |
| Accounts payable and accrued expenses | \$ 26,591,541 |
| Due to City of New Orleans | 2,678,016 |
| Accrued salaries and other compensation | 3,384,490 |
| Capital projects payable | 9,413,340 |
| Total OPEB liability, due within one year (note 9) | 478,998 |
| Total unrestricted current liabilities | 42,546,385 |
| Payable from restricted assets: | |
| Capital projects payable | 4,293,897 |
| Finance lease payable, current portion (note 7) | 171,160 |
| Accrued bond interest payable | 25,517,182 |
| Bonds payable, current portion (note 6) | 18,975,000 |
| Total restricted current liabilities | 48,957,239 |
| Total current liabilities | 91,503,624 |
| Noncurrent liabilities: | |
| Loans payable (note 6) | 61,053,500 |
| Finance lease payable, less current portion (note 7) | 400,105 |
| Bonds payable, less current portion and unamortized discount/premium (note 6) | 1,091,843,306 |
| Net pension liability (note 8) | 25,409,487 |
| Total OPEB liability, due beyond one year (note 9) | 5,525,878 |
| Total noncurrent liabilities | 1,184,232,276 |
| Total liabilities | 1,275,735,900 |
| Deferred Inflows of Resources | |
| Deferred amounts related to net pension liability (note 8) | 1,411,028 |
| Deferred amounts related to total OPEB liability (note 9) | 1,841,891 |
| Deferred amounts related to leases (note 12) | 54,636,783 |
| Deferred amounts related to service concession arrangement (note 10) | 36,688,077 |
| Total deferred inflows of resources | 94,577,779 |
| Net Position | |
| Net investment in capital assets | 309,646,609 |
| Restricted for: | |
| Debt service | 117,345,205 |
| Capital acquisition | 103,191,113 |
| Operating reserve | 26,205,788 |
| Unrestricted | 9,795,017 |
| Total net position | 566,183,732 |
| Total liabilities, deferred inflows of resources, and net position | \$ 1,936,497,411 |

The accompanying notes are an integral part of these financial statements.

Louis Armstrong New Orleans International Airport

Statement of Revenues, Expenses, and Changes in Net Position

| <i>For the year ended December 31,</i> | 2022 |
|--|-----------------------|
| Operating revenues | |
| Airfield | \$ 13,318,164 |
| Terminal | 89,734,495 |
| Ground transportation | 3,153,429 |
| Total operating revenues | 106,206,088 |
| Operating expenses | |
| Direct: | |
| Airfield | 3,988,984 |
| Terminal | 26,736,611 |
| Ground transportation | 4,047,786 |
| Depreciation | 62,871,663 |
| Administrative | 36,733,959 |
| Total operating expenses | 134,379,003 |
| Operating (loss) income | (28,172,915) |
| Nonoperating revenues (expenses) | |
| Investment income, net | (2,021,452) |
| Interest expense | (47,289,530) |
| Passenger facility charges | 24,152,258 |
| Customer facility charges | 14,030,057 |
| Terminal transportation costs | (7,566,255) |
| Federal grants - COVID-19 related | 4,300,020 |
| Other, net | 13,461,075 |
| Total nonoperating (expenses) revenues, net | (933,827) |
| Change in net position before capital contributions | (29,106,742) |
| Capital contributions (note 12) | 15,661,829 |
| Change in net position | (13,444,913) |
| Net position, beginning of year (as restated) | 579,628,645 |
| Total net position, end of year | \$ 566,183,732 |

The accompanying notes are an integral part of these financial statements.

Louis Armstrong New Orleans International Airport
Statement of Cash Flows

| <i>For the years ended December 31,</i> | 2022 |
|---|--------------------|
| Cash flows from Operating activities | |
| Cash received from customers | \$ 113,966,951 |
| Cash paid to suppliers for goods and services | (63,517,838) |
| Cash paid to employees and on behalf of employees for services | (16,344,263) |
| Net cash provided by (used in) operating activities | 34,104,850 |
| Cash flow from Noncapital financing activities | |
| Sales tax receipts | 1,347,067 |
| Operating grants and reimbursements from other governments | 5,200,226 |
| Other payments | 3,806,635 |
| Net cash provided by (used in) noncapital financing activities | 10,353,928 |
| Cash flows from Capital and related financing activities | |
| Passenger facility charges collected | 23,976,833 |
| Customer facility charges collected | 14,017,535 |
| Acquisition and construction of capital assets | (47,264,821) |
| Capital grants received | 28,988,972 |
| Issuance of revenue bonds | 502,638 |
| Principal paid on loan and revenue bond maturities | (25,566,341) |
| Interest paid on bonds and loans | (45,383,498) |
| Issuance of finance equipment lease purchase agreement | (197,185) |
| Cost of bond issuance and insurance | - |
| Net cash provided by (used in) capital and related financing activities | (50,925,867) |
| Cash flows from Investing activities | |
| Sales of investments | 494,746,845 |
| Purchases of investments | (492,906,286) |
| Interest and dividends on investments | (1,420,739) |
| Net cash provided by (used in) investing activities | 419,820 |
| Net change in cash and cash equivalents | (6,047,269) |
| Cash and cash equivalents at beginning of year | 19,876,690 |
| Cash and cash equivalents at end of year | \$ 13,829,421 |
| Cash, current | \$ 12,113,275 |
| Cash, current restricted | 1,716,146 |
| Cash and cash equivalents at end of year | \$ 13,829,421 |

The accompanying notes are an integral part of these financial statements.

Louis Armstrong New Orleans International Airport
Statement of Cash Flows

| <i>December 31,</i> | 2022 |
|---|-----------------|
| <hr/> | |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | |
| Operating loss | \$ (28,172,915) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| Depreciation | 62,871,663 |
| Deferred outflows of resources | |
| Related to net pension liability | (393,507) |
| Deferred inflows of resources | |
| Related to net pension and total OPEB liability | (2,769,754) |
| Related to leases | 54,636,783 |
| Net pension liability | 6,841,164 |
| Total OPEB liability | (1,720,455) |
| Change in allowance for doubtful accounts | (317,546) |
| Changes in assets and liabilities: | |
| Accounts receivable | (46,558,374) |
| Prepaid expenses and deposits | 93,349 |
| Accounts payable | (13,100,770) |
| Accrued salaries and other compensation | 717,288 |
| Due to City of New Orleans | 1,977,924 |
| <hr/> | |
| Total adjustments | 62,277,765 |
| <hr/> | |
| Net cash provided by (used in) operating activities | \$ 34,104,850 |
| <hr/> | |

The accompanying notes are an integral part of these financial statements.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Louis Armstrong New Orleans International Airport (the Airport) is a proprietary component unit of the City of New Orleans, Louisiana. The New Orleans Aviation Board (the NOAB) 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 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 have access to more than 40 different food and retail concessions once beyond security.

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.

Basis of Presentation

The Airport is a proprietary component unit and accounts for operations (a) 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. Accordingly, the Airport's financial statements have been prepared using the economic resources measurement focus.

The principal operating revenues of the Airport are from sources such as airlines, concessions, rental cars, and parking. Revenues from landing and airfield fees, terminal building, rental building, and leased areas are reported as operating revenues. Transactions, which are capital, financing, or investing related, such as investment income, passenger facility charges, customer facility charges, federal and state grants, and other revenues not related to the operations of the Airport are reported as non-operating revenues.

Operating expenses include the cost of airport and related facilities maintenance, administrative expenses, and depreciation on capital assets. Expenses from employee wages and benefits, purchase of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Grants are recorded as revenues when all eligibility requirements have been met.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates. Actual results could differ from those estimates. Estimate that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, pension liability and OPEB liability.

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.

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.

Capital Assets

Capital assets are carried at cost. An item is classified as a capital asset if the initial, individual cost is \$5,000 or greater. Additions, improvements, and other capital outlays that significantly extend the useful life or service utility of a capital asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

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

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The estimated useful lives by major classification are as follows:

| | <u>Estimated useful lives (years)</u> |
|---------------------------|---|
| Land improvements | 10 – 25 |
| Buildings and furnishings | 3 – 25 |
| Fuel farm | 27 |
| Heliport | 5 – 15 |
| Utilities | 5 – 25 |
| Equipment | 3 – 15 |

Due to the City of New Orleans and Cost of City Services

Amounts recorded as 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 \$2,145,866 for the year ended December 31, 2022 and is recorded in administrative expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

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.

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.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2022 are as follows:

| | 2022 |
|--|-----------|
| Terminal building rental rates (per sq. ft.) | \$ 147.84 |
| Landing fee rate (per 1,000 lbs.) | 1.11 |
| Apron use fee rate (per sq. ft.) | 2.43 |
| Enplaned passenger use fee (per passenger) | 9.01 |

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 year ended December 31, 2022, the Airport's final rate structure varied from the rates in effect during the year.

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, 2022, the Airport is authorized to collect up to \$965,553,986 of PFC revenue through the expiration of the PFC, of which \$509,894,715 has been collected. As of December 31, 2022, 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, 2019, and 2022 Bonds.

Customer Facility Charges

On November 1, 2008, the Airport began imposing a Customer Facility Charge (CFC) on a per transaction day basis to all the On-Airport Rental Car Companies. On May 19, 2016, the Board approved an increase to \$7.95, which became effective July 1, 2016.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Customer Facility Charges (continued)

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.

Federal Financial Assistance

The Airport receives financial assistance for costs of construction and improvements to airport facilities through grants from the FAA. The Airport receives funds from the FAA on a reimbursement basis for expenses incurred. In 2020, due to the COVID-19 Pandemic, the Airport began receiving COVID-19 related federal assistance, which was also received on a reimbursement basis.

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.

Statement of Cash Flows

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

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.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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.

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 statement of net position results from the amount by which the reacquisition price of refunded debt exceeded its carrying value. 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 differences between the actuarial expectation and the actual economic experience, net difference between projected and actual earnings on pension plan investments, and changes in assumptions related to the defined benefit pension plan. In addition, deferred inflows and outflows have been recognized for the net difference between the projected and actual experience and changes in assumptions related to the OPEB liability. These amounts are deferred and amortized over the average of the expected service lives of the respective pension and OPEB plan members. See Notes 8 and 9 for additional information on deferred inflows and outflows related to the pension and OPEB liabilities, respectively.

Deferred inflows for a service concession arrangement have been recognized for the amount of cumulative construction costs and amortized. See note 10 for additional information. Deferred inflows for leases have been recognized for the amount of lease receivables. See lease receivables note below and note 13 for additional information.

Pension

The Airport participates in the City of New Orleans' defined benefit pension plan, as described in Note 8, which covers substantially all employees and funds all or part of the accrued pension cost, depending on the resources that are available at the time of contribution. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value within each plan.

Lease Receivables

The Airport is a lessor for noncancellable leases of Airport property. The Airport recognizes a lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. Under the lease agreements, the Airport may receive variable lease payments that are dependent upon the

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease Receivables (Continued)

lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The Airport uses the stated rate in the lease or its estimated incremental borrowing rate as the discount rate for the leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Airport monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2023. See Note 15 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued Accounting Pronouncements, Adopted

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 Airport. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The Airport implemented this guidance in 2022. See note 12 for more information.

GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2021. The Airport implemented this guidance in 2022. There was no significant impact to the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of LIBOR. The

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements, Adopted

requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The Airport implemented this guidance in 2022. There was no significant impact to the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Airport will implement this guidance in 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Airport will implement this guidance in 2023.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Airport will implement this guidance in 2023.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements, Adopted

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Airport will implement this guidance in 2024.

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

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.

Note 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 \$12,111,915 at December 31, 2022. The commercial bank balances are entirely insured by federal depository insurance or by collateral held by the financial institution in the Airport's name.

The Airport is authorized to invest in securities as described in its investment policy, in each bond resolution and state statute. As of December 31, 2022, the Airport held the following investments as categorized below:

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 2: CASH AND INVESTMENTS (CONTINUED)

Investment Maturities at December 31, 2022

| Investment type | Less than 1 year | 1 to 5 Years | Total |
|----------------------------------|-----------------------|----------------------|-----------------------|
| U.S. government obligations | \$ - | \$ 10,601,860 | \$ 10,601,860 |
| U.S. agency obligations | - | 7,638,639 | 7,638,639 |
| Local government investment pool | 33,590,770 | - | 33,590,770 |
| Money market funds | 260,709,317 | - | 260,709,317 |
| | <u>\$ 294,300,087</u> | <u>\$ 18,240,499</u> | <u>\$ 312,540,586</u> |

Interest Rate Risk

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

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

Louis Armstrong New Orleans International Airport Notes to Financial Statements

Note 2: CASH AND INVESTMENTS (CONTINUED)

Louisiana Asset Management Pool (LAMP) Investment

Unrestricted and restricted investments of \$16,888,977 and \$16,701,793, respectively, at December 31, 2022 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 AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The 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 from <https://www.lamppool.com>.

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 2: CASH AND INVESTMENTS (CONTINUED)

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, 2022 | 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 | \$ 7,638,639 | \$ 5,521,147 | \$ 2,117,493 | \$ - |
| U.S. agency obligations | 10,601,860 | 10,601,860 | - | - |
| Money market funds | 260,709,317 | 260,709,317 | - | - |
| Total investments at fair value level | <u>278,949,816</u> | <u>\$ 276,832,324</u> | <u>\$ 2,117,493</u> | <u>\$ -</u> |
| Investment measured at amortized cost: | | | | |
| LAMP | <u>33,590,770</u> | | | |
| Total investments at amortized cost | <u>33,590,770</u> | | | |
| Total investments | <u>\$ 312,540,586</u> | | | |

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 3: ACCOUNTS RECEIVABLE, NET

Accounts receivable as of December 31 consist of the following:

| | 2022 |
|--|----------------------|
| Due from tenants | \$ 884,892 |
| Parking garage | 5,073,330 |
| Rent receivable – Service concession arrangement | 2,846,095 |
| Other | 1,894,169 |
| | <u>10,698,486</u> |
| Less: allowance for doubtful accounts | (337,546) |
| | <u>\$ 10,360,940</u> |

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 4: SUMMARY OF RESTRICTED ASSETS

Assets restricted for specific purposes in accordance with bond indentures and other legal restrictions are composed of the following at December 31, 2022:

| | Cash and certificates of deposits | Dreyfus Treasury Prime Cash Management | JPM U.S. Treasury and U.S. money market fund | Passenger facility charges receivable | Customer facility charges receivable | Total |
|--|---|---|---|--|---|-----------------------|
| Debt service fund | \$ 1,368,779 | \$ 49,881,540 | \$ - | \$ - | \$ - | \$ 51,250,319 |
| Debt service reserve fund | - | 58,139 | 91,553,925 | - | - | 91,612,064 |
| Capitalized interest | - | - | - | - | - | - |
| Coverage account | - | 1,916,252 | - | - | - | 1,916,252 |
| Operations and maintenance reserve fund | - | 9,503,995 | - | - | - | 9,503,995 |
| Capital improvement fund | (19,340) | 75,547,466 | - | - | - | 75,528,126 |
| GARB restricted | 358,407 | 50,987 | - | - | - | 409,394 |
| Receipts fund | 105,837 | 6,423,526 | - | - | - | 6,529,363 |
| Rollover fund | - | 16,701,793 | - | - | - | 16,701,793 |
| PFC collect | - | - | - | - | - | - |
| CFC collect | 30 | 22,262,234 | - | - | - | 22,262,264 |
| Bond costs | - | 2,021,690 | - | - | - | 2,021,690 |
| Parking Facility Reserve | - | - | 1,165,490 | - | - | 1,165,490 |
| Receivables | - | - | - | 3,188,576 | 1,071,151 | 4,259,727 |
| Total | \$ <u>1,813,713</u> | \$ <u>184,367,622</u> | \$ <u>92,719,415</u> | \$ <u>3,188,576</u> | \$ <u>1,071,151</u> | \$ <u>283,160,477</u> |

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 5: PROPERTY, BUILDINGS, AND EQUIPMENT

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 year ended December 31, 2022 is as follows:

| | Balance December 31, 2021 | Additions during year | Deletions/ transfers during year | Balance December 31, 2022 |
|--|--|--------------------------------------|---|--|
| Capital assets not being depreciated: | | | | |
| Land | \$ 78,138,359 | \$ - | \$ - | \$ 78,138,359 |
| Air rights | 22,282,449 | - | - | 22,282,449 |
| Construction in progress | 54,158,794 | 48,098,763 | (5,960,326) | 96,297,231 |
| Total capital assets not being depreciated | 154,579,602 | 48,098,763 | (5,960,326) | 196,718,039 |
| Capital assets being depreciated: | | | | |
| Land improvements | 508,955,489 | 4,145,244 | - | 513,100,732 |
| Buildings and furnishings | 1,649,144,311 | 1,671,653 | - | 1,650,816,212 |
| Fuel tank farm | 39,118,194 | - | - | 39,118,194 |
| Heliport | 3,074,179 | - | - | 3,074,179 |
| Utilities | 57,029,410 | - | - | 57,029,410 |
| Equipment | 11,298,055 | - | - | 11,335,631 |
| Computers | 1,534,986 | - | - | 1,534,986 |
| HP Finance Lease | 907,747 | - | - | 907,747 |
| Total capital assets Being depreciated | 2,271,062,628 | 5,854,471 | - | 2,276,917,099 |
| Total capital assets | 2,425,642,230 | 53,953,234 | (5,960,326) | 2,473,635,138 |
| Less accumulated depreciation: | | | | |
| Land improvements | 384,816,383 | 12,723,582 | - | 397,539,967 |
| Buildings and furnishings | 473,300,721 | 46,400,773 | - | 519,641,980 |
| Fuel tank farm | 2,037,405 | 979,974 | - | 3,017,380 |
| Heliport | 3,074,179 | - | - | 3,074,179 |
| Utilities | 21,377,236 | 2,058,154 | - | 23,435,382 |
| Equipment | 9,935,521 | 503,249 | - | 10,565,899 |
| Computers | 1,409,311 | 48,785 | - | 1,390,484 |
| HP Finance Lease | 184,363 | 165,045 | - | 349,409 |
| Total accumulated depreciation | 896,135,119 | 62,879,561 | - | 959,014,681 |
| Total capital assets, net | \$ 1,529,507,111 | \$ (8,926,327) | \$ (5,960,326) | \$ 1,514,620,458 |

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 5: PROPERTY, BUILDINGS, AND EQUIPMENT

Construction in progress is composed of the following at December 31, 2022:

| Description | December 31, 2022 | Remaining Commitments at 2022 |
|------------------------------|------------------------------|--|
| Airfield Lighting Vault | \$ - | \$ 129,942 |
| Airside Development | 53,144,178 | 19,711,679 |
| New Terminal Development | 19,552,365 | 5,350,413 |
| Miscellaneous Projects | 22,366,590 | 29,057,409 |
| Parking – Circulation Bridge | - | 2,148 |
| Southside Redevelopment | 1,234,097 | 8,481,212 |
| Total | \$ 96,297,231 | \$ 62,904,905 |

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 6: LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2022 as follows:

| Long-Term Debt | Balance December 31, 2021 | Additions | Deductions | Balance December 31, 2022 | Principal due within one year |
|--|--|------------------|-------------------|--|--|
| <u>Bonds Payable:</u> | | | | | |
| 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 | 97,335,000 | - | (1,250,000) | 96,085,000 | 1,315,000 |
| Series 2017B Revenue Bonds (North Terminal Project), fixed interest rate; January 1, 2038 at 5.0% final maturity | 213,460,000 | - | (2,770,000) | 210,690,000 | 2,905,000 |
| 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 | 24,065,000 | - | (11,875,000) | 12,190,000 | 12,190,000 |

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 6: LONG-TERM DEBT (CONTINUED)

| | Balance December 31, 2021 | Additions | Deductions | Balance December 31, 2022 | Principal due within one year |
|---|---------------------------------|---------------|-----------------|---------------------------------|-------------------------------------|
| <u>Bonds Payable, (continued):</u> | | | | | |
| Series 2017D-2 Revenue Refunding Bonds (North Terminal Project), fixed interest rate; January 1, 2038 at 5.0% final maturity | 44,780,000 | - | (1,730,000) | 43,050,000 | 1,820,000 |
| 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 | 23,130,000 | - | (710,000) | 22,420,000 | 745,000 |
| | 1,050,660,000 | - | (18,335,000) | 1,032,325,000 | 18,975,000 |
| Unamortized discount on bonds | (266,349) | - | (23,055) | (243,294) | - |
| Unamortized premium on bonds | 84,049,730 | - | (5,313,134) | 78,736,600 | - |
| | \$ 1,134,443,381 | \$ - | \$ (23,625,079) | \$ 1,110,818,306 | \$ 18,975,000 |
| <u>Loans Payable:</u> | | | | | |
| Series 2022 Series Trust rate, October 1, 2025 at 10% final maturity | \$ - | 61,053,500 | - | 61,053,500 | - |
| 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 | 60,550,862 | - | (60,550,862) | - | - |
| | \$ 60,550,862 | \$ 61,053,500 | \$ (60,550,862) | \$ 61,053,500 | \$ - |
| | \$ 1,194,994,243 | \$ 61,053,500 | \$ (84,175,942) | \$ 1,171,871,806 | \$ 18,975,000 |

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 6: LONG-TERM DEBT (CONTINUED)

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

| | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|----------------|-----------------------|-------------------------|-------------------------|
| Bonds Payable: | | | |
| December 31: | | | |
| 2023 | \$ 50,242,875 | 18,975,000 | 69,217,875 |
| 2024 | 49,901,875 | 18,130,000 | 68,031,875 |
| 2025 | 48,939,000 | 20,425,000 | 69,364,000 |
| 2026 | 47,897,575 | 23,750,000 | 71,647,575 |
| 2026 | 46,746,400 | 24,820,000 | 71,566,400 |
| 2028-2032 | 213,350,250 | 143,995,000 | 357,345,250 |
| 2033-2037 | 172,554,600 | 183,745,000 | 356,299,600 |
| 2038-2042 | 119,675,338 | 240,470,000 | 360,145,338 |
| 2043-2047 | 54,445,477 | 290,840,000 | 345,285,477 |
| 2048-2050 | 1,679,375 | 67,175,000 | 68,854,375 |
| | <u>\$ 805,432,765</u> | <u>\$ 1,032,325,000</u> | <u>\$ 1,837,757,765</u> |
| | | | |
| | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
| Loans Payable: | | | |
| December 31: | | | |
| 2023 | \$ - | \$ 61,053,500 | \$ 61,053,500 |
| | <u>\$ -</u> | <u>\$ 61,053,500</u> | <u>\$ 61,053,500</u> |

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.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 7: FINANCE LEASES

The Airport entered into a lease purchase agreement on August 18, 2020 to lease various equipment items, as defined in the terms of the agreement. Payments began in November 2020 and will continue for 66 months. The economic substance of the lease is that the Airport is financing the acquisition of the assets through the leases; and, accordingly, both a right of use asset and lease liability are recorded in the Airport's statement of net position as of December 31, 2022.

The following is an analysis of the right of use assets included in property and equipment at December 31, 2022:

| | | |
|--------------------------------|-----------|----------------|
| Equipment | \$ | 907,747 |
| Less: Accumulated Depreciation | | 349,409 |
| | <u>\$</u> | <u>558,338</u> |

The following is a schedule by years of future minimum payments required under the lease together with the present value as of December 31:

| | | |
|---|-----------|----------------|
| 2023 | \$ | 172,498 |
| 2024 | | 176,949 |
| 2025 | | 181,514 |
| 2026 | | 92,506 |
| Total Minimum Lease Payments | | 623,467 |
| Less: Amount Representing Interest | | (52,202) |
| Present Value of Minimum Lease Payments | <u>\$</u> | <u>571,265</u> |

Note 8: PENSION PLANS

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 single employer defined benefit retirement plan. A separate financial report on the Plan for the years ended December 31, 2021 and 2020 is 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 city, 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.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 8: PENSION PLANS (CONTINUED)

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.

Contributions

Employee Contributions

The effective rate for employee contributions is 6% for 2022.

Employer Contributions

Employer contributions are based on 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 of \$1,636,885 and \$2,522,932 were approximately 15.21% and 24.02% of covered payroll for the years ended December 31, 2022 and 2021, 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.

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 8: PENSION PLANS (CONTINUED)

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

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 8: PENSION PLANS (CONTINUED)

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 \$25,409,487 measured as of December 31, 2022. 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 based on the December 31, 2022 valuation. The Airport uses this measurement to record its Net Pension Liability and associated amounts as of December 31, 2022. The schedule also includes the proportionate share allocation rate used at December 31, 2022. 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 entities, actuarially determined.

| | Net Pension Liability at December 31, 2022 | Allocation Rate at December 31, 2022 | Increase (Decrease) to December 31, 2021 Rate |
|--|---|---|--|
| Employees' Retirement System of the City of New Orleans | \$ 25,409,487 | 6.855370% | (0.183572)% |

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 8: PENSION PLANS (CONTINUED)

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

For the year ended December 31, 2022, the Airport recognized a pension expense of \$4,023,965 in payroll related expense on the statement of revenues, expenses, and changes in net position.

On December 31, 2022, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | December 31, 2022 | |
|---|--------------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 1,574,985 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 3,033,734 | - |
| Changes of assumptions | 133,803 | 1,411,028 |
| Total | <u>\$ 4,742,522</u> | <u>\$ 1,411,028</u> |

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

| | |
|------|---------------------|
| 2023 | \$ 599,963 |
| 2024 | 446,950 |
| 2025 | 857,699 |
| 2026 | 1,426,882 |
| | <u>\$ 3,331,494</u> |

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions:

| | Employees' Retirement System |
|--|---|
| Valuation date | December 31, 2022 |
| Actuary cost method | Entry age normal |
| Actuarial assumptions: | |
| Expected remaining service live | 4 years |
| Investment rate of return | 7.25%, net of investment expense, including inflation |
| Inflation rate | 2.50% |
| Mortality | PubG-2010 for healthy lives and PubNS-2010 Disabled Retiree for disabled lives |
| Salary increases | Age-based annual rates ranging from 10% to 3.2% |
| 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 provisions 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.

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 8: PENSION PLANS (CONTINUED)

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, 2022 are summarized in the following table:

| Asset Class | 2022 | |
|-------------------------------|-------------------------|--|
| | Target Asset Allocation | Long-term expected portfolio real rate of return |
| Cash equivalents | 2.00% | 0.71% |
| Equity securities | 56.50% | 16.46% |
| Fixed income | 22.00% | 1.80% |
| Real Estate | 5.00% | 3.61% |
| Other alternative investments | 14.50% | 13.17% |

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for the Employees' Retirement System for 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that the plan's contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on those assumptions, the Employees' Retirement System pension trust funds' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 8: PENSION PLANS (CONTINUED)

Changes in Net Pension Liability

The change in net pension liability for the year ended December 31, 2022 is as follows:

| Change in Net Pension Liability | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|--------------------------------|------------------------------------|------------------------------|
| Service cost | \$ 847,873 | \$ - | \$ 847,873 |
| Interest on the total pension liability | 3,771,818 | - | 3,771,818 |
| Difference between expected and actual experience | 211,590 | - | 211,590 |
| Changes of assumptions and other inputs | (1,420,524) | - | (1,420,524) |
| Changes of benefit term | 213,900 | - | 213,900 |
| Contributions – employer | - | 1,759,432 | (1,759,432) |
| Contributions - member | - | 599,412 | (599,412) |
| Net investment income | - | (4,649,276) | 4,649,276 |
| Benefit payments and net transfers | (3,742,580) | (3,742,580) | - |
| Administrative expense | - | (42,201) | 42,201 |
| Other changes | - | (883,873) | 883,873 |
| Net Change | (117,922) | (6,959,086) | 6,841,163 |
| Net Pension Liability, Beginning | 54,469,028 | 35,900,705 | 18,568,323 |
| Net Pension Liability, Ending | \$ 54,351,106 | \$ 28,841,619 | \$ 25,409,487 |

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, 2022 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|-----------------------|-------------------------|-----------------------------------|-------------------------|
| Net pension liability | | | |
| December 31, 2022 | \$ 31,520,843 | \$ 25,409,487 | \$ 20,309,537 |

Payables to the Plan

The Airport recorded accrued liabilities of \$175,609 to the Plan for the year ended December 31, 2022 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.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 9: OTHER POST EMPLOYMENT RETIREMENT 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' 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 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, 2022, 188 active employees were covered by the benefit terms. There is a total of 52 inactive employees or beneficiaries currently receiving benefit payments under the OPEB plan.

The Airport's portion of the annual premium base is paid by the City and reimbursed by the Airport. The contributions by the City for the year ended December 31, 2022 estimated to be approximately \$454,000.

Total OPEB Liability

The Airport's proportionate share (3.93%) of the total OPEB liability was \$6,004,876, was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2022 for the year ended December 31, 2022. The proportionate share 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 entities.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 9: OTHER POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions and other inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.0%, annually |
| Salary increases | 4.0%, including inflation |
| Discount rate | 3.72%, annually (As of December 31, 2022) |
| Healthcare cost trend rates | Flat 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, 202, 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, 2022 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2010 to December 31, 2022. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2022.

Changes in the Total OPEB Liability during 2022:

| | 2022 |
|--|--------------|
| Balance at December 31, 2021 | \$ 7,725,331 |
| Changes for the year: | |
| Service cost | 109,610 |
| Interest | 148,796 |
| Differences between expected and actual experience | (248,219) |
| Changes in assumptions and other inputs | (1,276,615) |
| Benefit payments and net transfers | (454,027) |
| Net changes | (1,720,455) |
| Balance at December 31, 2022 | \$ 6,004,876 |

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, 2022 | 1.0% Decrease (2.72%) | Current Discount Rate (3.72%) | 1.0% Increase (4.72%) |
|--------------------------|----------------------------------|--|----------------------------------|
| Total OPEB liability | \$ 7,257,212 | \$ 6,004,876 | \$ 5,038,122 |

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 9: OTHER POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

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, 2022 | 1.0% Decrease (4.5%) | Current Trend (5.5%) | 1.0% Increase (6.5%) |
|--------------------------|---------------------------------|-----------------------------|---------------------------------|
| Total OPEB liability | \$ 5,159,827 | \$ 6,004,876 | \$ 7,109,625 |

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

For the year ended December 31, 2022, the Airport recognized its proportion of OPEB expense as \$234,378. At December 31, 2022, the Airport reported proportion 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 | \$ 480,083 | \$ 467,095 |
| Changes in assumptions | 1,099,881 | 1,374,796 |
| Total | \$ 1,579,964 | \$ 1,841,891 |

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

| | |
|---------------------|-------------------|
| 2023 | \$ 126,060 |
| 2024 | 126,059 |
| 2025 | 126,059 |
| 2026 | 126,059 |
| 2027 | 14,558 |
| 2028 and Thereafter | 87,348 |
| | <u>\$ 606,143</u> |

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 10: 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.

During the fiscal year ended December 31, 2022, the Airport recorded depreciation expense in the amount of \$916,713. Revenue is recognized over the course of the agreement. The Airport recorded a rent receivable as of December 31, 2022 of \$2,846,095 for the minimum payments expected to be received over the remaining years of the lease.

Note 11: 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, 2022, the Federal Aviation Administration (FAA) contributed \$15,439,773, the Aviation Trust Fund (ATF) contributed \$33,495, and the Transportation Security Administration (TSA) contributed \$188,561.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 12: LEASES

The Airport is the lessor of terminal space, land, hangars, and buildings on Airport property to air carriers and other tenants under various operating leases. Some of the leases, in addition to non-cancellable amounts at fixed rates, provide for additional payments based on usage or activity. For purposes of GASBS No. 87 implementation, the Airport's leases have been classified as:

1. Subject to GASBS No. 87 – Non-Regulated Leases
2. Not Subject to GASBS No. 87 – Short Term Leases and Regulated Leases

Leases Subject to GASBS No. 87

In accordance with GASBS No. 87, the Airport recognizes a lease receivable and a deferred inflow of resources for leases subject to GASBS No. 87. For these leases, the Airport is reporting Lease Receivable of \$54.6 million for the fiscal year ended December 31, 2022. The Airport also reported lease revenue of \$9.7 million and interest revenue of \$2.8 million related to lease payments received.

The leases managed by the Airport do not have an implicit rate of return, therefore the Airport has used their incremental borrowing rate of 5.56% to discount the lease revenue to the net present value.

The Leases Subject to GASBS No. 87 are summarized below.

Non-Regulated Leases – Terminal Concessions

The Airport leases concession space throughout the terminal for ATM's, advertising, passenger services, food and beverage, and retail goods. The remaining terms of these leases range from 1 to 10 years. The concession leases include a minimum annual guarantee (MAG) and a variable revenue component based on a percentage of gross sales.

Non-Regulated Leases – Rental Cars

The Airport leases a Consolidated Facility (CONRAC), ground, and service centers to the rental car companies. The term ends on the tenth anniversary of the DBO of the CONRAC. During the first year of the agreement the tenant is required to pay the initial annual rate of \$0.48 per square foot for the Ground upon which the CONRAC is located and at the initial annual rate of \$0.30 per square foot for the ground upon which the service centers are located.

Non-Regulated Leases – Building

The Airport leases office or other building space to the Transportation Security Administration and to other parties. These leases include an annual rent amount plus an adjustment based on the consumer price index. The fixed revenue component is based on square footage and the length of the agreements vary.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 12: LEASES (CONTINUED)

Future payments included in the measurement of the lease receivable for the General Fund as of December 31, 2022 for each of the next five fiscal years and in five-year increments thereafter are as follows:

| Years Ending December 31, | Principal | Interest | Total |
|---------------------------|---------------------|--------------------|---------------------|
| 2023 | \$ 7,746,898 | \$ 2,453,928 | \$ 10,223,626 |
| 2024 | 7,870,415 | 2,099,101 | 9,992,495 |
| 2025 | 8,230,468 | 1,727,402 | 9,982,111 |
| 2026 | 8,500,966 | 1,360,841 | 9,866,882 |
| 2027 | 8,497,296 | 938,770 | 9,461,699 |
| 2028-2032 | 14,832,843 | 1,386,609 | 16,281,691 |
| Total | \$55,678,885 | \$9,946,650 | \$65,808,504 |

Leases Not Subject to GASBS No. 87

Short-Term Leases

In accordance with GASBS No. 87, the Airport does not recognize a lease receivable and a deferred inflow of resources for a lease that is less than 12 months. This classification also includes leases that have expired, and are in a month-to-month status.

Regulated Leases

In accordance with GASBS No. 87, the Authority does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings. The U.S. Department of Transportation and the Federal Aviation Administration regulate aviation leases between airports and air carriers and other aeronautical users. The Authority has regulated leases with a number of airlines.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 12: LEASES (CONTINUED)

The use and lease agreement between the airlines and the Airport includes exclusive, preferential, and joint use of certain spaces at the Airport. The square footage breakdown of the airline leased space is listed below.

| | Terminal Space | Terminal Space % of Total | Apron Space | Apron Space % of Total |
|--|-------------------|---------------------------------|------------------|---------------------------|
| Alaska Airlines | 1,150.0 | 0.7% | - | 0.0% |
| Allegiant Air | 160.0 | 0.1% | - | 0.0% |
| American Airlines | 21,951.0 | 14.2% | 162,346.0 | 17.0% |
| Atlantic Aviation | 143.3 | 0.1% | - | 0.0% |
| BAGS | 238.0 | 0.2% | - | 0.0% |
| Breeze Airways | 3,718.0 | 2.4% | 41,814.0 | 4.4% |
| British Airways | 457.0 | 0.3% | - | 0.0% |
| Delta Air Lines | 36,246.0 | 23.4% | 178,580.0 | 18.7% |
| Frontier Airlines | 189.0 | 0.1% | - | 0.0% |
| JetBlue | 4,685.0 | 3.0% | 42,576.0 | 4.5% |
| New Orleans Airline Consortium (NOACO) | 3,895.0 | 2.5% | - | 0.0% |
| New Orleans Fuel Facilities (NOFF) | 377.2 | 0.2% | - | 0.0% |
| PrimeFlight fka Skytanking | 119.7 | 0.1% | - | 0.0% |
| Southwest Airlines | 35,675.0 | 23.1% | 290,919.0 | 30.4% |
| Spirit Airlines | 15,708.0 | 10.2% | 108,980.0 | 11.4% |
| United Airlines | 29,920.0 | 19.3% | 130,925.0 | 13.7% |
| Total | 154,632.2 | 100.0% | 956,140.0 | 100.0% |

The Airport recognized \$0.4 million of total regulated lease revenues during the fiscal year ended December 31, 2022.

Louis Armstrong New Orleans International Airport
Notes to Financial Statements

Note 12: LEASES (CONTINUED)

The future expected minimum payments related to regulated leases are as follows:

| Years Ending December 31, | Principal | Interest | Total |
|----------------------------------|------------------|-----------------|------------------|
| 2023 | 461,563 | - | 461,563 |
| 2024 | 271,115 | - | 271,115 |
| 2025 | 137,327 | - | 137,327 |
| 2026 | 137,327 | - | 137,327 |
| 2027 | 100,344 | - | 100,344 |
| 2028-2032 | 326,513 | - | 326,513 |
| Total | 1,434,190 | - | 1,434,190 |

Note 13: COMMITMENTS AND CONTINGENCIES

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.

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 \$1,622,949 for the year ended December 31, 2022.

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.

Louis Armstrong New Orleans International Airport

Notes to Financial Statements

Note 13: COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

Note 14: CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

In calendar year 2022, the Board implemented GASB Statement No. 87, *Leases*. In accordance with generally accepted accounting principles, the implementation of this statement requires the restatement of the December 31, 2021 net position in the statement of activities to record the cumulative effect of recording the original basis of the lease receivables, net of the deferred inflows of resources for the year ended December 31, 2021. The prior period adjustment had the following impact on the ending net position at December 31, 2021:

| | Total |
|--|----------------|
| Net position – December 31, 2021, as previously reported | \$ 579,628,645 |
| Lease receivables | 64,352,920 |
| Deferred inflows of resources | (64,352,920) |
| Total prior period adjustment | - |
| Net position – December 31, 2021, as restated | \$ 579,628,645 |

Note 15: SUBSEQUENT EVENTS

On April 27, 2023, the Airport entered into an agreement for the issuance of General Airport Revenue Bonds Series 2022 in the principal amount of \$22,610,000 maturing January 1, 2045 to finance a portion of the costs, including capitalized interest, of constructing and equipping a board room, a military lounge, and baggage handling system enhancements at the Louis Armstrong New Orleans International Airport.

Louis Armstrong New Orleans International Airport
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years*

| <i>For the years ended December 31,</i> | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY | | | | | | | | | |
| Service cost | \$ 847,873 | \$ 797,899 | \$ 852,247 | \$ 891,187 | \$ 681,302 | \$ 596,916 | \$ 630,676 | \$ 549,877 | \$ 487,019 |
| Interest | 3,771,819 | 3,733,581 | 3,857,085 | 3,616,732 | 3,443,875 | 2,886,080 | 2,936,801 | 2,728,538 | 2,750,562 |
| Change of benefit term | 213,900 | - | 476,822 | - | (32,760) | - | - | - | - |
| Differences between expected and actual experience | 211,590 | 1,072,461 | 917,236 | (1,324,570) | 1,791,903 | 869,092 | 3,048,586 | 1,366,430 | (779,018) |
| Change of assumptions and other inputs | (1,420,524) | (3,579,232) | 64,379 | 5,192,940 | 7,321,948 | (3,904,785) | 1,260,761 | - | - |
| Benefit payments and net transfers | (3,742,580) | (3,669,375) | (4,041,720) | (3,637,041) | (3,745,917) | (3,045,115) | (3,387,558) | (3,128,761) | (2,752,208) |
| Net Change in Total Pension Liability | (117,922) | (1,644,666) | 2,126,049 | 4,739,248 | 9,460,351 | (2,597,812) | 4,489,266 | 1,516,084 | (293,645) |
| Total Pension Liability - Beginning | 54,469,028 | 56,113,694 | 53,987,645 | 49,248,397 | 39,788,046 | 42,385,858 | 37,896,592 | 36,380,508 | 36,674,153 |
| Total Pension Liability - Ending (a) | \$ 54,351,106 | \$ 54,469,028 | \$ 56,113,694 | \$ 53,987,645 | \$ 49,248,397 | \$ 39,788,046 | \$ 42,385,858 | \$ 37,896,592 | \$ 36,380,508 |
| FIDUCIARY NET POSITION | | | | | | | | | |
| Contributions - employer | 1,759,432 | 1,524,061 | 2,452,177 | 2,529,718 | 2,323,850 | 1,716,570 | 1,900,122 | 1,511,811 | 1,367,657 |
| Contributions - member | 599,412 | 598,977 | 665,528 | 681,925 | 616,889 | 485,026 | 518,057 | 437,104 | 417,133 |
| Net investment income | (4,649,276) | 4,994,205 | 4,061,150 | 4,407,988 | (1,166,189) | 3,279,405 | 1,991,080 | (945,905) | 870,874 |
| Benefit payments and net transfers | (3,742,580) | (3,669,375) | (4,041,720) | (3,637,041) | (3,745,917) | (3,045,115) | (3,387,558) | (3,128,761) | (2,752,208) |
| Administrative expense | (42,201) | (39,427) | (23,810) | (28,071) | (18,250) | (21,327) | (11,885) | (5,952) | (18,323) |
| Transfers into the System | 52,398 | 67,939 | 19,692 | 19,757 | 37,941 | - | - | - | - |
| Other | (936,271) | (2,209,105) | 221,401 | (54,425) | 4,555,561 | (2,266,977) | 759,786 | - | - |
| Net Change in Fiduciary Net Position | (6,959,086) | 1,267,275 | 3,354,418 | 3,919,851 | 2,603,885 | 147,582 | 1,769,602 | (2,131,703) | (114,867) |
| Fiduciary Net Position - Beginning | 35,900,705 | 34,633,430 | 31,279,012 | 27,359,161 | 24,755,276 | 24,607,694 | 22,838,092 | 24,969,795 | 25,084,662 |
| Fiduciary Net Position - Ending (b) | \$ 28,941,619 | \$ 35,900,705 | \$ 34,633,430 | \$ 31,279,012 | \$ 27,359,161 | \$ 24,755,276 | \$ 24,607,694 | \$ 22,838,092 | \$ 24,969,795 |
| NET PENSION LIABILITY - ENDING (a)-(b) | \$ 25,409,487 | \$ 18,568,323 | \$ 21,480,264 | \$ 22,708,633 | \$ 21,889,236 | \$ 15,032,770 | \$ 17,778,164 | \$ 15,058,500 | \$ 11,410,713 |
| Fiduciary net position as a percentage of the total pension liability | 53.25% | 65.91% | 61.72% | 57.94% | 55.55% | 62.22% | 58.06% | 60.26% | 68.64% |
| Covered payroll | \$ 10,185,859 | \$ 10,019,135 | \$ 10,208,620 | \$ 11,164,015 | \$ 9,614,821 | \$ 7,632,578 | \$ 8,037,960 | \$ 7,118,288 | \$ 6,579,317 |
| Net pension liability as a percentage of covered payroll | 249.46% | 185.33% | 210.41% | 203.41% | 227.66% | 196.96% | 221.18% | 211.55% | 173.43% |

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

NOTES TO SCHEDULE:

Changes in Benefits: For 2020, the benefit multiplier changed to 2.50% for all years of service, 80 point provision added to retirement eligibility, age 60 with 10 years of service early retirement eligibility added, pensionable earnings capped at \$150,000, periodically adjusted for inflation by the Trustees, and a retirement Incentive Plan was adopted for participating members with a retirement date in 2020. For 2018, for all employees hired on or after January 1, 2018, the benefit multiplier changed to 1.9% for all years of service and pensionable earnings capped at \$100,000 adjusted for inflation, and early retirement allowed at age 62 with 20 years of service.

Changes in Assumptions and Other Inputs:

| | | | | | | | | | |
|---|------------|-----------|-----------|----------------------|-----------|-----------|-----------|-----------|-----------|
| Allocation Percentage to the Airport (component unit) | 6.8553700% | 7.038942% | 7.518513% | 7.465669% | 7.480550% | 6.317905% | 6.959001% | 6.734940% | 6.734940% |
| Discount Rate | | | | 7.25% | | | | | |
| Mortality Tables | | | | PubG-2010, Disabled- | | | | | |
| Mortality Projection Scale | | | MP-2020 | MP-2018 | | | | | |
| Salary Increases | | | | 10%-3.2% | | | | | |

Louis Armstrong New Orleans International Airport
Schedule of Contributions to Defined Benefit Plan
Last 10 Years*

| <i>December 31,</i> | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|--------------------|--------------------|---------------------|--------------------|-------------------|--------------------|-------------------|
| Contractually required contribution | \$ 1,676,158 | \$ 1,524,061 | \$ 2,452,177 | \$ 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 | <u>1,857,843</u> | <u>1,636,885</u> | <u>2,522,932</u> | <u>2,569,097</u> | <u>2,249,395</u> | <u>1,761,937</u> | <u>1,666,973</u> | <u>1,603,282</u> | <u>1,533,954</u> |
| Contribution deficiency (excess) | <u>\$ (181,685)</u> | <u>\$ (112,824)</u> | <u>\$ (70,755)</u> | <u>\$ (39,379)</u> | <u>\$ (153,682)</u> | <u>\$ (45,367)</u> | <u>\$ 233,149</u> | <u>\$ (91,471)</u> | <u>\$ 250,836</u> |
| Covered payroll | \$ 10,185,859 | \$ 10,019,135 | \$ 10,208,620 | \$ 11,164,015 | \$ 9,614,821 | \$ 7,632,578 | \$ 8,037,960 | \$ 7,118,288 | \$ 6,579,317 |
| Contributions as a percentage of covered payroll | 18.24% | 16.34% | 24.71% | 23.01% | 23.40% | 23.08% | 20.74% | 22.52% | 23.31% |

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

NOTES TO SCHEDULE

| | | | | | | | | | |
|---|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Allocation Percentage to the Airport (component unit) | 6.855370% | 7.038942% | 7.518513% | 7.465669% | 7.480550% | 6.317905% | 6.959001% | 6.734940% | 6.734940% |
| Methods and assumptions used to determine contribution rates: | | | | | | | | | |
| Valuation date: | January 1, 2022 | | | | | | | | |
| Actuarial cost method | Entry Age Actuarial Cost Method | | | | | | | | |
| Amortization method | Level percent of pay with layered bases | | | | | | | | |
| Remaining amortization period. | 25 years | | | | | | | | |
| Asset valuation method | Actual market value performance over a seven year period ending on the valuation date. The market value performance is averaged over the seven year period by reflecting the actual external cash flow and adjusting each prior year's market value to the current valuation date using the actuarial interest assumption in effect for each year. | | | | | | | | |
| Investment rate of return | 7.25%, net of pension plan investment expense, including inflation | | | | | | | | |
| Inflation | 2.50% | | | | | | | | |
| Salary increases | Age-based annual rates ranging from 10% to 3.2% | | | | | | | | |

Louis Armstrong New Orleans International Airport
Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 Years*

| <i>December 31,</i> | 2022 | 2021 | 2019 | 2018 | 2017 |
|---|---------------|---------------|---------------|--------------|--------------|
| Total OPEB liability | | | | | |
| Service cost | 109,610 | \$ 142,695 | \$ 131,766 | \$ 80,941 | \$ 91,236 |
| Interest | 148,796 | 164,500 | 179,669 | 222,214 | 212,949 |
| Current Year Amortization | | - | - | 43,774 | - |
| Differences between expected and actual experience | (248,219) | (180,580) | 669,003 | 203,246 | (209,788) |
| Changes of assumptions or other inputs | (1,276,615) | 136,395 | 559,055 | 996,934 | (466,422) |
| Benefit payments | (454,027) | (431,839) | (405,160) | (414,293) | (382,674) |
| Net change in total OPEB liability | (1,720,455) | (168,829) | 1,134,333 | 1,132,816 | \$ (754,699) |
| Total OPEB liability - beginning | 7,725,331 | 7,894,160 | 6,759,827 | 5,627,011 | 6,381,710 |
| Total OPEB liability - ending | \$ 6,004,876 | \$ 7,725,331 | \$ 7,894,160 | \$ 6,759,827 | \$ 5,627,011 |
| Covered payroll | \$ 11,184,148 | \$ 10,596,026 | \$ 10,084,787 | \$ 9,982,277 | \$ 9,614,757 |
| Total OPEB liability as a percentage of covered payroll | 53.69% | 72.91% | 78.28% | 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.

- Changes of Assumptions or other inputs:

| | | | | | |
|----------------|-------|-------|----------|-------|---------|
| Discount Rate: | 3.72% | 2.06% | 2.12% | 2.74% | 4.10% |
| Mortality: | | | RP-2000 | | RP-2000 |
| Trend: | | | Variable | | 5.5% |

Louis Armstrong New Orleans International Airport

Supplemental Schedule of Investments

Year ended December 31, 2022

| Description | Year Acquired | Maturity date | Book value | Fair value |
|------------------------------------|------------------|------------------|-------------------|-------------------|
| Unrestricted investments: | | | | |
| Special Receipts: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2008 | N/A | \$ 36,166 | \$ 36,166 |
| JPM U.S. Treasury Plus | | | | |
| Investments | | | | |
| The Bank of New York Mellon | 2009 | N/A | 952,490 | 952,490 |
| | | | <u>988,656</u> | <u>988,656</u> |
| City of New Orleans: | | | | |
| LAMP - Sales Tax/General Purpose | 2003 | N/A | 16,886,660 | 16,886,660 |
| LAMP - Revolving | | | 2,308 | 2,308 |
| LAMP - Use & Lease General Purpose | 2011 | N/A | 9 | 9 |
| | | | <u>16,888,977</u> | <u>16,888,977</u> |
| New Orleans Aviation Board: | | | | |
| Whitney Custody Account | | | 17,575,910 | 17,575,910 |
| | | | <u>17,575,910</u> | <u>17,575,910</u> |
| | | | | |
| Total unrestricted investments | | | <u>35,453,543</u> | <u>35,453,543</u> |
| Restricted investments: | | | | |
| City of New Orleans: | | | | |
| LAMP - Rollover Coverage | 2009 | N/A | 16,701,793 | 16,701,793 |
| | | | <u>16,701,793</u> | <u>16,701,793</u> |
| CIF-Parking Facility Loan: | | | | |
| JPM U.S. Treasury Prime | | | | |
| Investments: | | | | |
| The Bank of New York Mellon | 2010 | N/A | 1,165,490 | 1,165,490 |
| | | | <u>1,165,490</u> | <u>1,165,490</u> |
| Debt Service Fund: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2008 | N/A | 49,881,540 | 49,881,540 |
| | | | <u>49,881,540</u> | <u>49,881,540</u> |
| Debt Service Reserve Fund: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2009 | N/A | 91,612,065 | 91,612,065 |
| JPM U.S. Treasury Plus | | | | |
| Investments | | | | |
| The Bank of New York Mellon | 2009 | N/A | - | - |
| | | | <u>91,612,065</u> | <u>91,612,065</u> |
| Capitalized Interest: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management: | | | | |
| The Bank of New York Mellon | 2015 | N/A | - | - |
| | | | <u>-</u> | <u>-</u> |

Louis Armstrong New Orleans International Airport
Supplemental Schedule of Investments

| 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 | <u>9,503,995</u> | <u>9,503,995</u> |
| Receipts Fund: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2009 | N/A | <u>6,379,113</u> | <u>6,379,113</u> |
| CFC Restricted: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2010 | N/A | <u>26,200,176</u> | <u>26,200,176</u> |
| Time Reimbursement: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2009 | N/A | <u>1,204,367</u> | <u>1,204,367</u> |
| Project Account: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2009 | N/A | <u>3,532,002</u> | <u>3,532,002</u> |
| PFC Restricted: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2009 | 2008 | <u>70,811,098</u> | <u>70,811,098</u> |
| GARB Restricted: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2015 | N/A | <u>50,988</u> | <u>50,988</u> |
| Vendor Payment: | | | | |
| Dreyfus Treasury Prime | | | | |
| Cash Management | | | | |
| The Bank of New York Mellon | 2015 | N/A | <u>44,413</u> | <u>44,413</u> |
| Total restricted investments | | | <u>277,087,040</u> | <u>277,087,040</u> |
| Total all investments | | | <u>\$ 312,540,583</u> | <u>\$ 312,540,583</u> |

Louis Armstrong New Orleans International Airport
Supplemental Schedule of Operating Revenues and Expenses by Area of Activity

| <i>Year ended December 31,</i> | <i>2022</i> | | | |
|---|-----------------|-------------------------------|----------------------------------|-----------------|
| | Airfield | Terminal buildings | Ground transportation | Total |
| Operating revenues | \$ 13,318,164 | \$ 89,734,495 | \$ 3,153,429 | \$ 106,206,088 |
| Direct expenses | 3,988,984 | 26,736,611 | 4,047,786 | 34,773,381 |
| Operating revenues, less direct expenses | 9,329,180 | 62,997,884 | (894,357) | 71,432,707 |
| Depreciation of cost center assets | 15,189,944 | 45,425,026 | 979,974 | 61,594,944 |
| Operating revenues, less direct expenses and depreciation | \$ (5,860,764) | \$ 17,572,858 | \$ (1,874,331) | 9,837,763 |
| Other operating expenses: | | | | |
| Depreciation of non-cost center assets | | | | 1,188,173 |
| Administrative | | | | 36,733,959 |
| Total other operating expenses | | | | 37,922,132 |
| Operating (loss) | | | | \$ (28,084,369) |

See accompanying independent auditors' report.

**Louis Armstrong New Orleans International Airport
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,

2022

Revenues:

| | |
|----------------------------------|---------------|
| Airline rentals and landing fees | \$ 49,808,633 |
| Other operating revenues | 56,397,455 |
| Nonoperating revenues | 6,174,810 |
| Transferred PFCs | 23,766,100 |
| Federal funding | 4,300,020 |
| Rollover coverage | 16,701,793 |
| | <hr/> |
| Total revenues | 157,148,811 |

Less expenses:

| | |
|------------------------------------|---------------|
| Operation and maintenance expenses | 71,508,340 |
| | <hr/> |
| Net revenues | \$ 85,640,471 |
| | <hr/> <hr/> |

Debt service fund requirement:

| | |
|--|---------------|
| Principal payments | \$ 18,975,000 |
| Interest expense | 47,289,529 |
| | <hr/> |
| Total debt service fund requirement | \$ 66,264,529 |
| | <hr/> <hr/> |
| Historical debt service coverage ratio | 1.29 |
| | <hr/> <hr/> |

(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.

Louis Armstrong New Orleans International Airport Schedule of Compensation, Benefits, and Other Payments to the Director of Aviation

Year ended December 31, *2022*

Kevin Dolliole, Director of Aviation

| Purpose | |
|--|------------|
| Salary | \$ 338,891 |
| Benefits-retirement contribution | 56,943 |
| Benefits- medical | 9,025 |
| Benefits-Medicare, Social Security, Workman's Compensation | 14,064 |
| Benefits-insurance contribution | 88 |
| Travel* | 14,309 |
| Conference registration fees* | 5,270 |
| Reimbursements* | 787 |

* 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.

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

To the 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, 2022, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued our report thereon dated June 30, 2023.

Report on 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") as a basis for designing the 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.

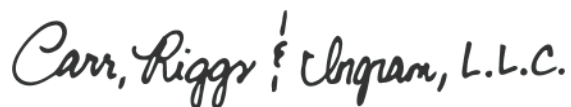
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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 financial statements. 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 Airport's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." The signature is written in a cursive, flowing style.

Metairie, Louisiana
June 30, 2023