

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

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

Compliance

We have audited the compliance of Louis Armstrong International Airport (the Airport), a component unit of the City of New Orleans, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended December 31, 2011. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

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

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year December 31, 2011 except for finding 2011 – 1 that we consider to be a control deficiency in internal control over compliance.

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose describes in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding 2011 – 1 that we consider to be a control deficiency in internal control over compliance.

Schedule of Revenues and Expenditures of Passenger Facility Charges

We have audited the basic financial statements of the Airport as of and for the year ended December 31, 2011 and have issued our report thereon dated June 28, 2012, which contained unqualified opinions on those financial statements. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of revenues and expenditures of passenger facility charges is presented for the purposes of additional analysis as specified in the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Metairie, Louisiana
June 28, 2012

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
 Schedule of Revenues and Expenditures of Passenger Facility Charges
 For the year ended December 31, 2011

	Program Total December 31, 2010	Quarter 1 January - March 2011	Quarter 2 April - June 2011	Quarter 3 July - September 2011	Quarter 4 October - December 2011	Quarters 1-4 January - December 2011	Program Total December 31, 2011
Revenues:							
Collections	\$ 247,226,784	\$ 3,947,644	\$ 4,421,519	\$ 4,071,700	\$ 4,555,117	\$ 16,995,980	\$ 264,222,764
Interest	14,286,280	4	11,119	3	3	11,129	14,297,409
Total Revenues	261,513,064	3,947,648	4,432,638	4,071,703	4,555,120	17,007,109	278,520,173
Expenditures:							
Application 02-05:							
Project 05-001 - ARFF Perimeter Road, Stage I (1)	1,480,225	43,097	141	9,787	77	53,102	1,533,327
Project 05-002 - ARFF Perimeter Road, Stage II (1)	656,947	-	-	-	-	-	656,947
Project 05-003 - ARFF Perimeter Road, Stage III (1)	896,580	-	-	-	-	-	896,580
Project 05-004 - Airfield Lighting Control System (1)	628,433	17,852	59	4,061	32	22,004	650,437
Project 05-005 - Asbestos Removal Program	3,705,768	104,577	344	23,793	187	128,901	3,834,669
Project 05-006 - Concourse D Reconstruction (1)	17,716,104	498,764	1,865	129,129	1,015	630,773	18,346,877
Project 05-007 - East Air Cargo Access Roads	2,357,076	60,746	200	13,845	109	74,900	2,431,976
Project 05-008 - East Air Cargo Apron, Stage I	2,377,754	45,936	151	10,420	82	56,589	2,434,343
Project 05-010 - East/West Taxiway (VFR Runway) (1)	5,679,760	102,612	337	23,321	183	126,453	5,806,213
Project 05-011 - Fire Code Compliance Program	4,434,640	130,509	428	29,663	233	160,833	4,595,473
Project 05-013 - North GA Access Road	1,221,089	35,566	118	8,137	64	43,885	1,264,974
Project 05-014 - North General Aviation Apron, Stage I	5,876,930	92,129	303	20,961	165	113,558	5,990,488
Project 05-015 - Rehabilitate Runways and Taxiways (1)	2,592,637	47,033	53	3,704	30	50,820	2,643,457
Project 05-016 - Terminal Improvements	4,908,680	-	-	-	-	-	4,908,680
Project 05-017 - Update Airfield Guidance Sign System (1)	109,748	3,088	10	703	5	3,806	113,554
Project 05-018 - Upper Level Roadway Canopy	5,351,871	-	-	-	-	-	5,351,871
Project 05-019 - West Terminal Expansion (1)	23,513,930	690,913	2,146	148,527	1,167	842,753	24,356,683
Project 05-020 - West Terminal Utilities Expansion (1)	7,406,782	216,682	712	49,297	387	267,078	7,673,860
Total Application - 02-05	90,914,954	2,089,504	6,867	475,348	3,736	2,575,455	93,490,409
Application 02-06							
Project 06-001 - Aircraft Loading Bridges	5,079,873	474,129	4,061	1,438,517	166,282	2,082,989	7,162,862
Project 06-002 - Airfield Lighting Control Vault Alternative Power Source (2)	588,086	-	-	-	-	-	588,086
Project 06-004 - Airport Trench Drains (2)	1,886,917	-	-	-	-	-	1,886,917
Project 06-006 - Concourse C Reconstruction (2)	23,689,436	-	-	-	-	-	23,689,436
Project 06-007 - Environmental Impact Study for New Air Carrier Runway (2)	756,632	-	-	-	-	-	756,632
Project 06-008 - Expansion of Concourse D (2)	6,831,094	888,198	16,209	810,386	5,754	1,720,547	8,551,641
Project 06-010 - New Aircraft Rescue and Fire Fighting (ARFF) Station (2)	6,938,280	1,118,968	601,589	(430,666)	682	1,290,573	8,228,853
Project 06-011 - Rehabilitate Rotating Beacon (2)	348,560	-	-	-	-	-	348,560
Project 06-012 - Rehabilitate Runway 1/19 (2)	4,247,324	2,264,277	19,394	1,365,981	10,553	3,660,205	4,247,324
Project 06-013 - Rehabilitate Runway 10/28 (2)	16,542,035	-	-	-	-	-	16,542,035
Project 06-014 - Rehabilitate Taxiway Sierra (2)	1,405,541	-	-	-	-	-	1,405,541
Project 06-015 - South Lafon Airpark Land Purchase	5,062,117	-	-	-	-	-	5,062,117
Project 06-017 - Terminal HVAC Rehabilitation	1,278,665	-	-	-	-	-	1,278,665
Project 06-018 - West Air Cargo Complex Land Acquisition Program	1,050,244	-	-	-	-	-	1,050,244
Total Application - 02-06	75,704,804	4,745,572	641,253	3,184,218	183,271	8,754,314	84,459,118

(Continued)



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 Schedule of Revenues and Expenditures of Passenger Facility Charges
 For the year ended December 31, 2011

	Program Total December 31, 2010	Quarter 1 January - March 2011	Quarter 2 April - June 2011	Quarter 3 July - September 2011	Quarter 4 October - December 2011	Quarters 1-4 January - December 2011	Program Total December 31, 2011
Application 04-07							
Project 07-001 - Airport Master Plan	1,133,967	-	-	-	-	-	1,133,967
Project 07-002 - Airport Interior Signage	1,298,209	-	-	-	-	-	1,298,209
Project 07-004 - Concourse C Checkpoint Expansion	1,230,667	-	-	-	-	-	1,230,667
Project 07-005 - Construct Connector Taxiway - Taxiway Uniform	4,651,018	-	-	-	-	-	4,651,018
Project 07-006 - Construct Holding Bay - Runway End 19	1,067,802	-	-	-	-	-	1,067,802
Project 07-007 - Exterior Terminal Renovations - Lower Roadway	4,995,000	-	-	-	-	-	4,995,000
Project 07-008 - FIS Facility	8,083,512	-	-	-	-	-	8,083,512
Project 07-009 - Gate Utilization Study	455,662	-	-	-	-	-	455,662
Project 07-011 - Part 1542 Security System	10,134,419	180,661	26,989	41,575	536	249,761	10,384,180
Project 07-013 - Residential Sound Insulation Program /Land Acquisition	3,307,734	122,683	(10,464)	(112,219)	-	-	3,307,734
Project 07-014 - TSA - Related Terminal Modification and Airline Relocations	5,918,809	-	-	-	-	-	5,918,809
Project 07-016 - Terminal HVAC Rehabilitation - Phase II	2,101,018	-	-	-	-	-	2,101,018
Project 07-017 - Terminal HVAC Rehabilitation - Phase III	1,449,000	-	-	-	-	-	1,449,000
Project 07-018 - Terminal Interior and Exterior Improvements	9,784,335	977,774	232,030	289,920	3,744,329	5,244,053	15,028,388
Project 07-019 - Terminal Pedestrian Access Enhancements	1,381,705	-	-	-	-	-	1,381,705
Total Application - 04-07	56,992,857	1,281,118	248,555	219,276	3,744,865	5,493,814	62,486,671
Application 06-08							
Project 08-004 - Acquire 3,000 Gallon ARFF Vehicle	742,165	-	-	-	-	-	742,165
Total Application - 06-08	742,165	-	-	-	-	-	742,165
Application 09-09							
Project 09-001 - Hazardous Wildlife Study	23,076	-	-	-	-	-	23,076
Project 09-004 - Taxiway G Extension - East	50,705	38,370	88,911	37,335	13,886	178,502	229,207
Total Application - 09-09	73,781	38,370	88,911	37,335	13,886	178,502	252,283
Application 09-10							
Project 10-001 - Terminal Apron Rehabilitation	2,765,755	2,434,439	594,132	415,459	416,997	3,861,027	6,626,782
Project 10-002 - Northwest Service (Perimeter) Road	85,770	75,042	288,547	175,701	262,440	801,730	887,500
Project 10-003 - Baggage Handling System	31,887	341,641	4,168	289,256	2,268	637,333	669,220
Project 10-007 - Airfield Lighting Vault	77,042	4,131	261,932	239,950	392,860	898,873	975,915
Project 10-008 - Runway 06/24 Downgrade	83,614	10,591	7,377	3,785	45,352	67,105	150,719
Total Application - 09-10	3,044,068	2,865,844	1,156,156	1,124,151	1,119,917	6,266,068	9,310,136
Total Expenditures	227,472,629	11,020,408	2,141,742	5,040,328	5,065,675	23,268,153	250,740,782
PFC revenues in excess of (under) expenditures	\$ 34,040,435	\$ (7,072,760)	\$ 2,290,896	\$ (968,625)	\$ (510,555)	\$ (6,261,044)	\$ 27,779,391

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



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Note to Schedule of Revenues and Expenditures of Passenger Facility Charges

Year ended December 31, 2011

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

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

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

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

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

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Schedule of Findings and Questioned Costs

Year ended December 31, 2011

Finding 2011 – 1: Contract Documentation

Criteria	The Airport does not have signed, formalized documentation for contracts and/or amendments with seven contracting parties on capital projects related to passenger facility charge (PFC) funding sources.
Condition	In prior periods, the Airport began capital projects without signed documentation for contracts and/or amendments.
Effect	Violation of Federal Aviation Administration (FAA) and other agency compliance requirements.
Recommendation	These contracts and/or amendments should be formalized and signed by all parties involved in the capital project.

Management's Response

This finding stems predominately from activities originating prior to the current Airport Administration. A new Airport Director was retained in May 2010. In January 2011, the Airport commenced hiring a new executive team, which was retained between January 2011 and February 2011. At that time, the Airport had no professional engineers on staff and all project management services were outsourced. Between February 2011 and June 2011, the Airport established a new Planning, Design and Construction Department (PDC) retaining professional engineers to help oversee Airport design and construction activities.

In fall 2011, the Airport's new PDC staff began evaluating all outsourced managed projects. During this evaluation, staff discovered that seven (7) PFC funded projects did not have executed contract documents for certain design and construction services. Due to the estimated cost to disrupt these projects, all PFC project work has continued uninterrupted. All payments have been issued following appropriate approval by the New Orleans Aviation Board.

New Airport Administration is committed to compliance with all FAA regulations and is actively completing all unexecuted contract documents. The Airport has implemented additional internal controls to ensure all future AIP funded projects have fully executed contracts in place before work begins.

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Schedule of Prior Year Findings and Questioned Costs

Year ended December 31, 2010

None.