NEW ORLEANS INTERNATIONAL AIRPORT

Financial Statements for the Years Ended December 31, 1998 and 1997 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

New Orleans Aviation Board
New Orleans, Louisiana

We have audited the accompanying balance sheets of the New Orleans International Airport (the "Airport"), a proprietary component unit of the City of New Orleans, as of December 31, 1998 and 1997, and the statements of revenues and expenses, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the management of the Airport. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Airport as of December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 20 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Airport is or will become year 2000 compliant, that the Airport's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Airport does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have issued a report dated May 14, 1999 on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Deloitte + Touche LLP

May 14, 1999

Deloitte Touche
Tohmatsu

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BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

ASSETS	1998	1997
CURRENT ASSETS:		
Cash and certificates of deposit (Note 2)	$ 18,054,046	$ 25,637,049
Accounts receivable, less allowance for doubtful accounts of $25,083 in 1998 and $878,251 in 1997 (Note 1)	7,281,318	7,616,638
Investments (Note 2)	18,540,614	5,207,378
Interest receivable	185,699	365,513
Inventory of materials and supplies	195,072	226,113
Prepaid expenses and deposits	708,276	1,285,984
Due from City of New Orleans	170,493	126,702
Total current assets	45,135,518	40,465,377
Restricted assets, including cash and cash equivalents of $66,277,492 in 1998 and $811,405 in 1997 (Notes 2 and 3)	79,662,326	78,147,088
Property, plant and equipment, net (Note 4)	366,369,836	366,676,520
Prepaid insurance on revenue bonds, less accumulated amortization of $934,966 in 1998 and $761,392 in 1997	1,151,811	1,325,385
Deferred cost of bond issuance, less accumulated amortization of $2,150,101 in 1998 and $1,668,580 in 1997	3,067,027	3,421,277
TOTAL ASSETS	$495,386,518	$490,035,647

See notes to financial statements.

LIABILITIES AND EQUITY	1998	1997
CURRENT LIABILITIES:		
Accounts payable (Note 1)	$ 7,498,605	$ 3,037,299
Due to City of New Orleans	16,645	15,321
Accrued salaries and other compensation	1,194,523	1,079,819
Accrued expenses	248,721	-
Accrued bond interest payable	1,196,501	1,283,095
Bonds payable, current portion (Notes 3 and 5)	7,730,000	6,995,000
Capital projects payable	1,740,756	2,449,130
Other current liabilities (Note 9)	2,188,876	-
Total current liabilities	21,814,627	14,859,664
LONG-TERM LIABILITIES:		
Other long-term liabilities (Note 9)	-	1,906,239
Bonds payable, less current portion and unamortized loss on advance refunding (Note 5)	216,412,638	221,468,191
Total long-term liabilities	216,412,638	223,374,430
Total liabilities	238,227,265	238,234,094
EQUITY (Note 6):		
Contributed capital:		
City of New Orleans	2,474,912	2,674,912
Federal grants	125,372,490	124,122,749
State of Louisiana	65,189,157	68,599,445
FAA contribution restricted for future projects	1,301,696	1,301,696
Total contributed capital	194,338,255	196,698,802
Retained earnings:		
Reserved for bond debt service	12,054,194	12,550,032
Reserved for capital additions and contingencies	2,000,000	2,000,000
Reserved for revenue bond escrow	130,298	291,395
Unreserved	48,636,506	40,261,324
Total retained earnings	62,820,998	55,102,751
Total equity	257,159,253	251,801,553
TOTAL LIABILITIES AND EQUITY	$495,386,518	$490,035,647

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STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
OPERATING REVENUES (Note 8):		
Landing and airfield fees	$ 19,206,232	$ 21,851,214
Terminal building	29,270,317	29,091,273
Rental building	656,122	280,916
Leased areas	622,238	637,899
Total operating revenues	49,754,909	51,861,302
OPERATING EXPENSES:		
Direct	12,533,404	12,849,633
Depreciation:		
On assets acquired with Airport and City Funds	12,563,309	11,152,669
On assets acquired through capital grants	8,948,523	6,633,849
Administrative	17,408,026	18,750,226
General maintenance	1,418,697	1,436,364
Utility building expenses	18,779	59,274
Total operating expenses	52,890,738	50,882,015
OPERATING (LOSS) INCOME	(3,135,829)	979,287
NONOPERATING REVENUES (EXPENSES):		
Investment income	5,419,447	3,976,453
Interest expense	(14,805,150)	(12,829,946)
Passenger facility charges (Note 1)	12,232,648	11,378,765
Other, net	(941,392)	(1,513,862)
Total nonoperating revenues, net	1,905,553	1,011,410
NET (LOSS) INCOME	(1,230,276)	1,990,697
TRANSFER OF DEPRECIATION ON ASSETS ACQUIRED THROUGH CAPITAL GRANTS TO CONTRIBUTED CAPITAL ACCOUNTS	8,948,523	6,633,849
INCOME TO RETAINED EARNINGS	$ 7,718,247	$ 8,624,546

See notes to financial statements.

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STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 1998 AND 1997

					Contributed Capital	
	Contributions *from the* City of New Orleans	Contributions *from* Federal Grants	*Less* Accumulated Depreciation	Net Contributions *from* Federal Grants	*Contributions* from State of Louisiana	*Less* Accumulated Depreciation
Balance at January 1, 1997	$ 2,874,912	$ 147,034,047	$ (35,012,388)	$ 112,021,659	$ 75,000,000	$ (3,864,170)
Add (deduct) changes during year ended December 31, 1997:						
Capital grants		12,192,408		12,192,408		
Capital grants administered by the State of Louisiana		4,006,146		4,006,146		
Depreciation for the year on assets acquired through capital grants and State funding			(4,097,464)	(4,097,464)		(2,536,385)
Residual equity transfer	(200,000)					
Increase (decrease) in reserves						
Income to retained earnings						
Balance at December 31, 1997	2,674,912	163,232,601	(39,109,852)	124,122,749	75,000,000	(6,400,555)
Add (deduct) changes during year ended December 31, 1998:						
Capital grants		6,787,976		6,787,976		
Depreciation for the year on assets acquired through capital grants and State funding			(5,538,235)	(5,538,235)		(3,410,288)
Residual equity transfer	(200,000)					
Increase (decrease) in reserves						
Income to retained earnings						
Balance at December 31, 1998	$ 2,474,912	$ 170,020,577	$ (44,648,087)	$ 125,372,490	$ 75,000,000	$ (9,810,843)

See notes to financial statements.

			Retained Earnings				
Net Contributions from State of Louisiana	FAA Contribution Restricted for Future Projects	Total Contributed Capital	Reserved for Bond Debt Service	Reserved for Capital Additions and Contingencies	Reserved for Revenue Bond Escrow	Unreserved	Total Retained Earnings
$ 71,135,830	$ 1,301,696	$ 187,334,097	$ 19,180,661	$ 2,000,000	$ 519,412	$ 24,778,132	$ 46,478,205
		12,192,408					
		4,006,146					
(2,536,385)		(6,633,849)					
		(200,000)					
			(6,630,629)		(228,017)	6,858,646	-
						8,624,546	8,624,546
68,599,445	1,301,696	196,698,802	12,550,032	2,000,000	291,395	40,261,324	55,102,751
		6,787,976					
(3,410,288)		(8,948,523)					
		(200,000)					
			(495,838)		(161,097)	656,935	-
						7,718,247	7,718,247
$ 65,189,157	$ 1,301,696	$ 194,338,255	$ 12,054,194	$ 2,000,000	$ 130,298	$ 48,636,506	$ 62,820,998

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STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating (loss) income	$ (3,135,829)	$ 979,287
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	21,511,832	17,786,518
Decrease in allowance for doubtful accounts	(853,178)	(73,181)
Changes in assets and liabilities:		
Accounts receivable	1,188,498	1,776,433
Inventory of materials and supplies	31,041	27,437
Prepaid expenses and deposits	577,708	(319,273)
Accounts payable	4,461,306	(1,600,974)
Due to/from City of New Orleans	(42,467)	364,912
Accrued salaries and other compensation	114,704	(173,250)
Accrued expenses	248,721	-
Capital projects payable	(708,374)	(4,473,859)
Other	(286,692)	(890,546)
Total adjustments	26,243,099	12,424,217
Net cash provided by operating activities	23,107,270	13,403,504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of property, plant and equipment	(21,205,148)	(32,621,005)
Capital grants received	6,787,976	12,192,408
Principal paid on revenue bond maturities	(5,695,000)	(16,395,000)
Interest paid on bonds	(13,517,297)	(10,944,207)
Residual equity transfers	(200,000)	(200,000)
Proceeds from issuance of bonds	-	39,010,000
Cost of bond issuance and insurance	(126,876)	(936,386)
Payments made to refund bonds	-	(25,510,000)
Passenger facilities charges collected	12,232,648	11,378,765
Net cash used in capital and related financing activities	(21,723,697)	(24,025,425)

(Continued)

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STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale and maturities of investments, net	50,617,613	8,509,556
Interest and dividends on investments	5,881,898	5,927,033
Net cash provided by investing activities	56,499,511	14,436,589
NET INCREASE IN CASH AND CASH EQUIVALENTS	57,883,084	3,814,668
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26,448,454	22,633,786
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 2)	$ 84,331,538	$ 26,448,454

NONCASH FINANCING ACTIVITIES:
During 1997, $4,006,146 of additions to property, plant and equipment were directly funded by the Federal Aviation Administration. No amounts were funded in 1998.

See notes to financial statements.

(Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying policies of the Airport conform to generally accepted accounting principles as applicable to proprietary component units of governmental entities. A summary of the Airport's significant accounting policies follows:

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

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.

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

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.

Investments - Investments are carried at fair value in the financial statements. Unrealized gains and losses on investments are reflected in the statements of revenues and expenses. The market value of the investment portfolio was greater than its cost by approximately $486,000 and $689,000 at December 31, 1998 and 1997, respectively.

Inventory - The inventory of materials and supplies is valued at cost, determined by the first-in, first-out method.

Property, Plant and Equipment - Property, plant and equipment are carried at cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. In situations involving the construction of certain assets financed with the proceeds of tax-exempt borrowings, interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining the amount of interest to be capitalized. Interest expense in excess of related interest income of $149,390 and $1,872,391 was recognized as an addition in the cost basis of on-going construction projects during 1998 and 1997, respectively.

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. Depreciation of property acquired or constructed through resources normally restricted for capital acquisition, such as capital grants, is included as an operating expense in the statements of revenues and expenses but is transferred to the related contributed capital account.

Due To/Due From the City of New Orleans - Amounts recorded as due from and due to the City of New Orleans primarily relate to amounts paid by the City on behalf of the Airport. In addition, the City provides certain services to the Airport. The cost of such services was $930,153 and $885,646 for the years ended December 31, 1998 and 1997, respectively.

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.

Bond Insurance - In conjunction with bonds issued in 1997 and 1993, 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 using the interest method.

Revenue Recognition - Landing fees and facility rentals are recorded as revenues of the year in which earned. In accordance with the lease agreements, the airlines using the Airport are required to pay fees and charges in an amount which, when combined with other revenues, are sufficient to pay operating and maintenance expenses of the Airport and meet all other financial requirements established by the General Revenue Bond Trust Indenture, including 125% of annual debt service on the outstanding revenue bonds. Landing fees and facility rentals required under the lease agreements are established on a prospective basis and adjusted based on actual results. On an annual basis, the airlines are either charged or credited for any deficiency or excess between revenues collected during the year and actual requirements of the lease agreements for the year. In 1998, the Airport accrued and credited approximately $4,089,000 of airline rentals and landing fees. This liability is reflected in the 1998 balance sheet in the "Accounts payable" caption. In 1997, the Airport accrued and billed approximately $631,000 of airline rentals and landing fees. This asset is reflected in the 1997 balance sheet in the "Accounts receivable" caption.

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. The Airport is authorized to collect up to $211,200,626 of PFC revenue, all of which is pledged to secure the Series 1994 Revenue bonds, which funds construction of pre-approved capital projects. The estimated expiration date on PFC revenue collection is March 1, 2010.

Federal and State Financial Assistance - The Airport receives financial assistance for costs of construction and improvements to airport facilities through grants from the FAA and funding from the State of Louisiana's Transportation Infrastructure Model for Economic Development ("TIME"). As use of the funds is the prime factor for determining eligibility for financial assistance, the financial assistance received is credited to contributed capital at the time these costs are incurred.

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. 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 sick leave to additional years of service. Annual leave and sick leave liabilities are accrued when incurred.

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

2. CASH AND INVESTMENTS

The following are the components of the Airport's cash and investments at December 31, 1998:

	Unrestricted	Restricted	Total
Cash	$ 4,787,059	$66,277,492	$ 71,064,551
Certificates of deposit	13,266,987	4,464,685	17,731,672
U.S. Treasury and U.S. Agency obligations	18,540,614	8,920,149	27,460,763
	$36,594,660	$79,662,326	$116,256,986

The following are the components of the Airport's cash and investments at December 31, 1997:

	Unrestricted	Restricted	Total
Cash	$ 5,021,963	$ 811,405	$ 5,833,368
Certificates of deposit	20,615,086	4,315,286	24,930,372
U.S. Treasury and U.S. Agency obligations	5,207,378	73,020,397	78,227,775
	$30,844,427	$78,147,088	$108,991,515

For purposes of the statements of cash flows, the Airport considers the following to be cash and cash equivalents:

	December 31,	
	1998	1997
Unrestricted cash	$ 4,787,059	$ 5,021,963
Unrestricted certificates of deposit	13,266,987	20,615,086
Restricted cash	66,277,492	811,405
	$84,331,538	$26,448,454

At December 31, 1998, the carrying amount of the Airport's unrestricted and restricted cash deposits was $88,796,223, and the bank balance was $88,796,223. Cash and certificates of deposit, both unrestricted and restricted, were covered by collateral held by the financial institution in the Airport's name.

State statute authorizes the Airport to invest in U.S. bonds, treasury notes and other federally insured investments. The Airport's short-term investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Airport or its agent in the Airport's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the Airport's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution or by its trust department or agent, but not in the Airport's name.

	Category			Carrying
	1	2	3	Value
U.S. Treasury and U.S. Agency obligations	$27,460,763	$ -	$ -	$27,460,763

3. SUMMARY OF RESTRICTED ASSETS

Assets restricted for specific purposes in accordance with bond indenture and other legal restrictions are composed of the following at December 31, 1998:

ASSETS	Debt Service Fund	Debt Service Reserve Fund	Revenue Bond Escrow Fund	Renewal and Replacement Fund	Operations and Maintenance Reserve Fund	Capital Improvements Funds	Redemption Fund	Arbitrage Rebate Fund	Total
Cash and certificates of deposit	$ 3,935,044	$ 5,038,244	$ 130,298	$ 2,013,888	$ 5,874,422	$ 50,917,450	$ 922,083	$ 1,910,748	$ 70,742,177
U.S. Treasury and U.S. Agency obligations	75,199	7,015,950	-	-	-	1,829,000	-	-	8,920,149
TOTAL	$ 4,010,243	$ 12,054,194	$ 130,298	$ 2,013,888	$ 5,874,422	$ 52,746,450	$ 922,083	$ 1,910,748	$ 79,662,326

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes assets acquired with the Airport's own funds as well as those acquired through resources externally restricted for capital acquisition. A summary of changes in property, plant and equipment is as follows:

	Balance 12/31/97	Additions During Year	Deletions During Year	Balance 12/31/98
Land improvements	$ 183,806,884	$ 5,653,722	$ -	$ 189,460,606
Buildings and furnishings	222,065,450	32,902,224	1,043	254,966,631
Equipment	5,982,331	199,014	-	6,181,345
Utilities	8,314,351	883	-	8,315,234
Heliport	3,038,813	6,552	30	3,045,335
Land and air rights	73,251,408	3,405,377	1,000	76,655,785
Construction in progress	35,547,690	20,884,289	41,844,840	14,587,139
	532,006,927	63,052,061	41,846,913	553,212,075
Less - accumulated depreciation	(165,330,407)	(21,511,832)	-	(186,842,239)
	$ 366,676,520	$ 41,540,229	$41,846,913	$ 366,369,836

Construction in progress is composed of the following at December 31, 1998:

Description	Project Authorization	Expended to December 31, 1998	Remaining Commitments
Environmental impact statement and railroad relocation study	$55,746,555	$ 1,373,610	$54,372,945
West air cargo apron	23,065,974	1,435,137	21,630,837
Plan-east/west taxiway	331,981	331,981	-
New Orleans Aviation Board Administration Complex	5,884,135	104,235	5,779,900
TACA/DOBBS Building Paint	600,000	142,595	457,405
News and gifts infrastructure improvements	397,519	397,519	-
Intermodel Trans study	389,000	389,000	-
Lafon Air parallel road	4,403,322	51,076	4,352,246
North east/west taxiway	22,031	22,031	-
Canopy	4,527,999	672,496	3,855,503
East air cargo, phase II	6,680,744	113,855	6,566,889
Terminal loop road/traffic signalization	53,855	53,855	-
Concourse E	28,490,564	63,148	28,427,416
Airport signage II	1,221,047	27,957	1,193,090
Lower Roadway Stage 2-5	6,000,000	111,047	5,888,953
Food/Beverage	2,386,160	177,134	2,209,026

Description	Project Authorization	Expended to December 31, 1998	Remaining Commitments
Employee garage	1,000,000	842	999,158
Parking lot	3,500,000	2,077	3,497,923
AMC buildout	500,000	13,024	486,976
Perimeter road, stage III	3,708,000	98,388	3,609,612
Program management - environmental permitting	2,754,547	2,230,644	523,903
Directional A/F light, stage I	245,344	164,271	81,073
Directional A/F light, stage II	1,325,383	265,302	1,060,081
Rehab runways/taxiways PII	311,421	174,865	136,556
West and ticket lobby renovation	2,112,701	1,014,741	1,097,960
North/south runway	165,221	165,221	-
Computer upgrade	820,290	820,290	-
Concessions/leases project	99,570	99,570	-
Perishable goods facility	3,274,057	2,894,832	379,225
Air cargo complex	2,000,000	648,698	1,351,302
Run/taxiway echo at TU	9,465,535	527,698	8,937,837
	$ 171,482,955	$ 14,587,139	$ 156,895,816

The following is a summary of estimated useful lives of property, plant and equipment and accumulated depreciation at December 31:

	Estimated Useful Lives (Years)	Accumulated Depreciation 1998	Accumulated Depreciation 1997
Land improvements	10-25	$ 79,912,903	$ 70,683,349
Buildings and furnishings	3-25	98,226,112	86,801,531
Equipment	3-10	4,241,779	3,938,927
Utilities	10-25	1,835,664	1,487,293
Heliport	5-15	2,625,781	2,419,307
		$ 186,842,239	$ 165,330,407

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 1998 and 1997:

	1998	1997
Series 1993A Taxable refunding bonds, variable rates, final maturity August 5, 1998	$ -	$ 2,385,000
Series 1993B Refunding bonds, variable rates, final maturity August 3, 2016	136,780,000	138,920,000
Series 1993C Refunding bonds, variable rates, final maturity August 3, 2011	2,965,000	3,080,000
Series 1994 Revenue bonds, variable rates (4.30% at December 31, 1998), final maturity December 1, 2019	49,660,000	49,660,000
Series 1995A Refunding bonds, variable rates, final maturity August 1, 2015	20,410,000	20,950,000
Series 1997A Refunding bonds, variable rates, final maturity August 5, 2015	24,995,000	25,510,000
Series 1997B-1 Revenue bonds, with interest at 5.45%, final maturity October 1, 2027	2,555,000	2,555,000
Series 1997B-2 Taxable revenue bonds, variable rates (6.00% at December 31, 1998), final maturity October 1, 2027	10,945,000	10,945,000
Total	248,310,000	254,005,000
Current portion	(7,730,000)	(6,995,000)
Unamortized loss on advance refunding	(24,167,362)	(25,541,809)
Long-term debt	$216,412,638	$221,468,191

Debt service requirements to maturity, including interest of $161,152,989, for all outstanding bonds are as follows:

December 31,	
1999	$ 20,970,984
2000	21,041,066
2001	21,219,668
2002	21,311,480
2003	21,594,373
Thereafter	303,325,418
	$409,462,989

On June 24, 1997, the Airport issued $25,510,000 in Refunding bonds, Series 1997A, the proceeds of which were used to repay portions of the Series 1993A Taxable refunding bonds. As defined in the general indenture, the bonds are secured by a pledge of the Airport's revenues subject to prior payment of operation and maintenance expenses. The bonds are also secured by a portion of the Debt Service Reserve Funds. The bonds are subject to optional redemptions, as defined in the general indenture. The general indenture requires that the Airport maintains certain specified financial ratios and comply with other customary requirements.

On October 1, 1997, the Airport issued $2,555,000 in Revenue bonds, Series 1997B-1, and $10,945,000 in Taxable Revenue bonds, Series 1997B-2. The Series 1997B-1 bonds were issued for the purpose of reimbursing the Airport for costs previously paid by the Airport in connection with, or financing the costs of, the Airport's continuing Noise Mitigation and Land Acquisition Program at the Airport, including the purchase of certain noise impacted properties, the purchase of properties for development purposes, the soundproofing of certain residential properties and the acquisition of certain navigation easements, servitudes and other property rights. The 1997B-2 bonds were issued for the purpose of (i) financing the Airport's Storm Water Drainage Program for apron fueling areas at the Airport, including the provision of trench drains and associated drainage piping to capture water flows from all concourse aprons and (ii) providing a continuing source of funds for financing the projects of the 1997B-1 bonds on an ongoing basis. As defined in the general indenture, the bonds are secured by a pledge of the Airport's revenues subject to prior payment of operation and maintenance expenses. The bonds are also secured by a portion of the Debt Service Reserve Funds. The bonds are subject to optional redemptions, as defined in the general indenture. The general indenture requires that the Airport maintains certain specified financial ratios and comply with other customary requirements.

The Series 1994 Revenue bonds were issued on December 13, 1994 in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. These bonds are secured by a pledge of PFC revenue expected to be collected through March 1, 2010. These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds.

The Series 1994 Revenue bonds are subject to optional redemptions upon the collection of excess PFC revenues, as defined in the amended general indenture. These prepayments may result in the optional redemption of all Series 1994 Revenue bonds by 2001. These bonds are also convertible to a fixed rate at any time at the option of the Airport. Until such time, the Series 1994 Revenue bonds are payable upon demand of the registered owner thereof. Such demand, if any, would be satisfied through drawings under letters of credit expiring on December 12, 2003 with two banks.

The Series 1993A and 1993B Refunding bonds were issued on February 12, 1993 in order to advance refund all debt issues previously outstanding. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $32,184,971. In accordance with Governmental Accounting Standards Board Statement (GASBS) No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," which was implemented during 1993, this difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through August 2016 on a straight-line basis.

In connection with the advance refunding during 1993, irrevocable escrow deposits are being invested in U.S. Treasury obligations that, together with interest thereon, will provide amounts sufficient for payment of all principal and interest on the refunded bonds. Accordingly, these refunded bonds along with the related escrow deposits are not shown on the accompanying balance sheets. At December 31, 1998 refunded bonds outstanding were:

Series	**Refunded Debt Outstanding**
1990B	$8,880,000

The general indenture under which the Series 1993 A-C, Series 1995 A and Series 1997 A and B bonds were issued provides for the establishment of restricted funds for the following purposes: The payment of interest and principal on outstanding bonds; the purchase of land, and repairs, replacements, and/or renovations to the Airport; operation and maintenance expenses for which amounts are not otherwise available; and future bond issuance costs. Consequently, the Airport has established the Debt Service Fund, the Debt Service Reserve Fund, the Renewal and Replacement Fund, the Operations and Maintenance Reserve Fund and the Revenue Bond Escrow Fund.

6. EQUITY

Contributed capital recorded by the Airport represents amounts received from the federal and state governments and the City of New Orleans to finance the cost of construction of airport facilities.

The City's contribution was made from the sale of $11,500,000 of general obligation bonds. Annually, the Airport transfers a certain amount ($200,000 in both 1998 and 1997) to the City's Capital Projects Fund as partial repayment of the City's contribution. These amounts are reported as residual equity transfers in the statements of changes in equity. At December 31, 1998 and 1997, the cumulative amount transferred to the City under this arrangement was $8,755,737 and $8,555,737, respectively.

During 1989, the TIME was established which provides for the collection of a special tax on all gasoline and motor fuels to be used for various transportation projects. Under the provisions of the TIME agreement, the State of Louisiana will act as administrator of the funding for $75 million of airport improvement projects over a five year period which began in 1990. The State will also act as administrator for FAA grants which are associated with the TIME projects. As of December 31, 1996, the State provided the entire funding for the $75.0 million of Airport improvements. The FAA provided $4,006,146 during 1997, as administrated by the State under the TIME agreement.

7. PENSION PLAN

Employees and officers of the Airport are eligible for membership in the Employees' Retirement System of the City of New Orleans (the "Plan"), a defined benefit contributory retirement plan. A separate financial report on the plan for the year ended December 31, 1997 containing additional information required under GASBS No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers," is available from the City of New Orleans Director of Finance.

The Airport's annual contribution to the Employees' Retirement System is based on the amount determined by the actuary of the Plan, which includes amortization of past service costs over a period of 30 years. The Airport's contribution to the Plan for the years ended December 31, 1998 and 1997 was $532,235 and $584,737, respectively.

At January 1, 1998 (latest information available), the Employees' Retirement System's actuarial present value of credited projected benefits was $225,959,000. The actuarial market value of net assets available for benefits at that date amounted to $319,142,000. The assumed average rate of return used in determining the actuarial present value of accumulated plan benefits was 7%.

8. RENTALS UNDER OPERATING LEASES

The Airport leases space in its terminal to various airlines, concessionaires and others. These leases are for varying periods ranging from one to four years and require the payment of minimum annual rentals. The lease between the Airport and the airlines expired on December 31, 1998. Subsequent to year end, the Airport and airlines have negotiated a verbal extension of the Airline Operating Agreement until December 31, 1999. Management believes that the verbal lease extension will be approved by the City Council of New Orleans and that its expiration on December 31, 1999 will not have a material impact on the Airport's financial statements or results of operations. The Airport expects to negotiate a new written lease agreement with the airlines effective January 1, 2000 in fiscal year 1999. Most leases are subject to adjustment upwards or downwards based upon the operational and capital requirements of the Airport. Leases with concessionaires require payment of percentage rent based on sales in excess of stipulated amounts.

The following is a schedule by year of aggregate future minimum rentals on noncancelable operating leases as of December 31, 1998:

1999	$7,708,749
2000	1,929,000
2001	1,929,000
2002	1,929,000
2003	1,929,000
Thereafter	9,216,000

The above amounts do not include contingent rentals which may be received under most of the leases; such contingent rentals, including month-to-month concession agreements, amounted to $21,458,681 in 1998 and $18,897,772 in 1997.

9. COMMITMENTS AND CONTINGENCIES

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

Commitments - In the normal course of business, there are various commitments and contingent liabilities, such as construction contracts and consulting agreements, which are not reflected in the accompanying financial statements. No losses are anticipated as a result of these transactions.

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

Federal Financial Assistance - The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited through December 31, 1997 in accordance with the Single Audit Act of 1984, these programs are still subject to financial and compliance audits by governmental agencies.

Arbitrage - The Airport has issued tax-exempt bonds which are subject to arbitrage regulations of the Internal Revenue Service (IRS), which regulations impose restrictions on the use of proceeds from tax-exempt bonds. If certain of these restrictions are not complied with, the bonds could lose their tax-exempt status retroactive to the date of original issuance and also result in the Airport being subject to arbitrage rebates. The estimated arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is $2,188,876 and $1,906,239 as of December 31, 1998 and 1997, respectively. The increase in this liability of $282,637 is reflected in the 1998 statement of revenues and expenses as a reduction of investment income. The initial liability of $1,906,239 is reflected in the 1997 statement of revenues and expenses as a reduction of investment income. The IRS requires that the first rebate installment payment be made on December 13, 1999 which is five years after the issuance of these bonds. The estimated payment amount is subject to change depending on fluctuating interest rates and other factors from January 1, 1999 through December 13, 1999.

10. INTEREST RATE SWAP AGREEMENTS

The Airport has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its Series 1993B, 1993C, 1995A, and 1997A variable rate refunding bonds (see Note 5). As of December 31, 1998, the Airport had four interest rate swap agreements outstanding with a commercial bank (swap party), having total principal amounts of $136,780,000, $2,965,000, $20,410,000 and $24,995,000 for the 1993B, 1993C, 1995A, and 1997A issues, respectively. Pursuant to these swaps, the Airport is obligated to pay interest at a fixed rate of 5.49%, 5.34%, 6.14% and 6.50% for the 1993B, 1993C, 1995A and 1997A issues, respectively. The swap party is obligated to pay at a rate based on a floating rate market index. These agreements effectively adjust the interest rate on these debt issues to the respective percentages noted above. All four swap agreements are part of a Master Swap Agreement dated January 4, 1993. The 1993B, 1993C, 1995A and 1997A agreements terminate in August of 2016, 2011, 2015 and 2015, respectively. The Airport is exposed to credit loss in the event of nonperformance by the swap party; however, the Airport does not anticipate such nonperformance.

A standby bond purchase agreement is also in effect over the life of the bonds whereby if the remarketing agent is unable to remarket these variable rate bonds, there is a liquidity provider that agrees to purchase the bonds at the principal amount plus interest. If the liquidity provider purchases the bonds, the interest rate would be the prime rate or the prime rate plus two percent (if the bonds are held by the liquidity provider in excess of one year) not to exceed the maximum permitted by law, or twenty-five percent.

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NEW ORLEANS INTERNATIONAL AIRPORT

SUPPLEMENTAL SCHEDULE OF YEAR 2000 ISSUE (UNAUDITED)
YEAR ENDED DECEMBER 31, 1998

On December 2, 1998, the New Orleans Aviation Board selected the firm of Computer Technology Associates, Inc. ("CTA, Inc.") to render Technology Systems Consulting Services for the Y2K Project at the New Orleans International Airport and to assist the efforts already in progress of the Project 2000 New Orleans Aviation Board Staff Team. The Project 2000 Staff Team is comprised of the Deputy Director of Aviation, Airport Manager, Management Information Systems Manager and various New Orleans Aviation Board Department Managers. The CTA, Inc. firm was selected following a competitive Request for Qualification Process and in consideration of their extensive experience in Year 2000 remediation and embedded systems projects. CTA, Inc. is utilizing its Year 2000 Embedded Systems Methodology as a tool to accomplish end-to-end Y2K objectives in three phases in the contract amount of $708,061:

Phase I:	Inventory and Assessment
Step 1:	Site Survey
Step 2:	Vendor Management
Phase II:	Compliance Assessment
Step 3:	Compliance Assessment and Planning
Phase III:	Compliance Monitoring
Step 4:	Compliance Testing
Step 5:	Remediation
Step 6:	Acceptance Testing

As of May 1999, the New Orleans Aviation Board systems are in Phase III of the upgrade project. In addition, staff has developed contingency plans for all critical systems as well as developing an airport-wide contingency plan. The Airport complies with Y2K requirements and time frames promulgated by the Federal Aviation Administration Office of Aviation Safety and Standards. Periodic reports are forwarded to the Air Transport Association (ATA) representing the majority of the country's major air carriers. The 1999 Rate Setting Process with the Airline Signatory Carriers included a budget for consulting services and embedded system remediation. Monthly reports are also issued to the Finance and Executive Committees of the Board.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Airport is or will be Year 2000 ready, that the Airport's remediation efforts will be successful in whole or in part, or that parties with whom the Airport does business will be year 2000 ready.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

New Orleans Aviation Board
New Orleans, Louisiana

We have audited the financial statements of New Orleans International Airport (the "Airport"), a proprietary component unit of the City of New Orleans, as of and for the year ended December 31, 1998, and have issued our report thereon dated May 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Airport, in a separate letter dated May 14, 1999.

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

Deloitte + Touche LLP

May 14, 1999