NEW ORLEANS INTERNATIONAL AIRPORT

Financial Statements as of and for the Years Ended December 31, 1999 and 1998 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, 1999 and 1998, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2000 on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

May 12, 2000

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BALANCE SHEETS
DECEMBER 31, 1999 AND 1998

ASSETS	1999	1998
CURRENT ASSETS:		
Cash and certificates of deposit (Note 2)	$ 9,287,649	$ 18,054,046
Accounts receivable, less allowance for doubtful accounts of $42,038 in 1999 and $25,083 in 1998 (Note 1)	9,359,406	7,281,318
Investments (Note 2)	13,167,457	18,540,614
Interest receivable	265,217	185,699
Inventory of materials and supplies	154,367	195,072
Prepaid expenses and deposits	881,976	708,276
Due from City of New Orleans	1,260,903	170,493
Total current assets	34,376,975	45,135,518
Restricted assets, including cash and cash equivalents of $3,193,841 in 1999 and $66,277,492 in 1998 (Notes 2 and 3)	70,580,145	79,662,326
Property, plant and equipment, net (Note 4)	377,592,872	366,369,836
Prepaid insurance on revenue bonds, less accumulated amortization of $385,823 in 1999 and $934,966 in 1998	1,460,036	1,151,811
Deferred cost of bond issuance, less accumulated amortization of $639,063 in 1999 and $2,150,101 in 1998	2,762,110	3,067,027
TOTAL ASSETS	$486,772,138	$495,386,518

See notes to financial statements.

LIABILITIES AND EQUITY	1999	1998
CURRENT LIABILITIES:		
Accounts payable (Note 1)	$ 5,310,968	$ 7,498,605
Due to City of New Orleans	1,033,889	16,645
Accrued salaries and other compensation	1,237,751	1,194,523
Accrued expenses	248,721	248,721
Accrued bond interest payable	1,409,425	1,196,501
Bonds payable, current portion (Notes 3 and 5)	7,580,000	7,730,000
Capital projects payable	3,237,420	1,740,756
Other current liabilities (Note 9)	2,214,140	2,188,876
Total current liabilities	22,272,314	21,814,627
LONG-TERM LIABILITIES:		
Bonds payable, less current portion, unamortized loss on advance refunding and unamortized discount (Note 5)	196,301,675	216,412,638
Total liabilities	218,573,989	238,227,265
EQUITY (Note 6):		
Contributed capital:		
City of New Orleans	2,274,912	2,474,912
Federal grants	130,796,377	125,372,490
State of Louisiana	61,873,435	65,189,157
FAA contribution restricted for future projects	1,301,696	1,301,696
Total contributed capital	196,246,420	194,338,255
Retained earnings:		
Reserved for bond debt service	10,031,530	12,054,194
Reserved for capital additions and contingencies	2,000,000	2,000,000
Reserved for revenue bond escrow	369,071	130,298
Unreserved	59,551,128	48,636,506
Total retained earnings	71,951,729	62,820,998
Total equity	268,198,149	257,159,253
TOTAL LIABILITIES AND EQUITY	$486,772,138	$495,386,518

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STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
OPERATING REVENUES (Note 8):		
Landing and airfield fees	$ 23,224,956	$ 19,206,232
Terminal building	31,694,647	29,270,317
Rental building	656,853	656,122
Leased areas	555,832	622,238
Total operating revenues	56,132,288	49,754,909
OPERATING EXPENSES:		
Direct	14,748,115	12,533,404
Depreciation:		
On assets acquired with Airport and City Funds	13,440,334	12,563,309
On assets acquired through capital grants	8,770,743	8,948,523
Administrative	19,224,542	17,408,026
General maintenance	1,444,539	1,418,697
Utility building expenses	8,419	18,779
Total operating expenses	57,636,692	52,890,738
OPERATING LOSS	(1,504,404)	(3,135,829)
NONOPERATING REVENUES (EXPENSES):		
Investment income (Note 9)	4,752,764	5,419,447
Interest expense	(14,529,599)	(14,805,150)
Passenger facility charges (Note 1)	12,610,938	12,232,648
Other, net	(969,711)	(941,392)
Total nonoperating revenues, net	1,864,392	1,905,553
NET INCOME (LOSS)	359,988	(1,230,276)
TRANSFER OF DEPRECIATION ON ASSETS ACQUIRED THROUGH CAPITAL GRANTS TO CONTRIBUTED CAPITAL ACCOUNTS	8,770,743	8,948,523
INCOME TO RETAINED EARNINGS	$ 9,130,731	$ 7,718,247

See notes to financial statements.

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STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 1999 AND 1998

					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, 1998	$ 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)
Add (deduct) changes during year ended December 31, 1999:						
Capital grants		10,878,908		10,878,908		
Depreciation for the year on assets acquired through capital grants and State funding			(5,455,021)	(5,455,021)		(3,315,722)
Residual equity transfer	(200,000)					
Increase (decrease) in reserves						
Income to retained earnings						
Balance at December 31, 1999	$ 2,274,912	$ 180,899,485	$ (50,103,108)	$ 130,796,377	$ 75,000,000	$ (13,126,565)

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
$ 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
		10,878,908					
(3,315,722)		(8,770,743)					
		(200,000)					
			(2,022,664)		238,773	1,783,891	-
						9,130,731	9,130,731
$ 61,873,435	$ 1,301,696	$ 196,246,420	$ 10,031,530	$ 2,000,000	$ 369,071	$ 59,551,128	$ 71,951,729

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STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (1,504,404)	$ (3,135,829)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	22,211,077	21,511,832
Increase (decrease) in allowance for doubtful accounts	16,955	(853,178)
Changes in assets and liabilities:		
Accounts receivable	(2,095,043)	1,188,498
Inventory of materials and supplies	40,705	31,041
Prepaid expenses and deposits	(173,700)	577,708
Due from/to City of New Orleans	(73,166)	(42,467)
Accounts payable	(2,187,637)	4,461,306
Accrued salaries and other compensation	43,228	114,704
Accrued expenses	-	248,721
Capital projects payable	1,496,664	(708,374)
Other	(589,644)	(286,692)
Total adjustments	18,689,439	26,243,099
Net cash provided by operating activities	17,185,035	23,107,270
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of property, plant and equipment	(33,434,113)	(21,205,148)
Capital grants received	10,878,908	6,787,976
Principal paid on revenue bond maturities	(6,330,000)	(5,695,000)
Interest paid on bonds	(12,939,702)	(13,517,297)
Residual equity transfers	(200,000)	(200,000)
Proceeds from issuance of bonds, net	35,000,587	-
Cost of bond issuance and insurance	(1,031,898)	(126,876)
Payments made to refund bonds	(49,660,000)	-
Passenger facility charges collected	12,610,938	12,232,648
Net cash used in capital and related financing activities	(45,105,280)	(21,723,697)

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STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchases) sales of investments, net	(48,628,313)	50,617,613
Interest and dividends on investments	4,698,510	5,881,898
Net cash (used in) provided by investing activities	(43,929,803)	56,499,511
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(71,850,048)	57,883,084
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	84,331,538	26,448,454
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 2)	$ 12,481,490	$ 84,331,538

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

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 $151,000 and $486,000 at December 31, 1999 and 1998, 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 was recognized as an addition in the cost basis of on-going construction projects during 1998. No interest amounts were capitalized during 1999.

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 From/Due To the City of New Orleans - Amounts recorded as due from and due to the City of New Orleans primarily relate to amounts paid by the City on behalf of the Airport. In addition, the City provides certain services to the Airport. The cost of such services was $976,425 and $930,153 for the years ended December 31, 1999 and 1998, 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 1999, 1997, 1995 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 1999, the Airport accrued and billed approximately $1,088,000 of airline rentals and landing fees. This asset is reflected in the 1999 balance sheet in the "Accounts receivable" caption. 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.

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 1999 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, cash equivalents and investments at December 31, 1999:

	Unrestricted	Restricted	Total
Cash	$ 2,401,141	$ 3,193,841	$ 5,594,982
Certificates of deposit	6,886,508	4,673,901	11,560,409
One Group U.S. Treasury securities money market fund	-	40,096,829	40,096,829
U.S. Treasury and U.S. Agency obligations	13,167,457	22,615,574	35,783,031
	$22,455,106	$70,580,145	$93,035,251

The following are the components of the Airport's cash, cash equivalents 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

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

	December 31, 1999	December 31, 1998
Unrestricted cash	$ 2,401,141	$ 4,787,059
Unrestricted certificates of deposit	6,886,508	13,266,987
Restricted cash	3,193,841	66,277,492
	$12,481,490	$84,331,538

At December 31, 1999, the carrying amount and the bank balance of the Airport's unrestricted and restricted cash deposits was $17,155,391. 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 1	Category 2	Category 3	Carrying Value
U.S. Treasury and U.S. Agency obligations	$35,783,031	$ -	$ -	$35,783,031
One Group U.S. Treasury securities money market fund	40,096,829	-	-	40,096,829
	$75,879,860	$ -	$ -	$75,879,860

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, 1999:

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	$ 817,289	$ 40,220	$ -	$ 51,768	$ 644	$ 4,968,536	$ -	$1,989,285	$ 7,867,742
One group U.S. Treasury securities - money market fund		$ 3,210,292	$369,071			35,327,247	1,190,219		40,096,829
U.S. Treasury and U.S. Agency obligations	3,753,207	6,781,018		1,999,278	5,951,737	4,130,334			22,615,574
TOTAL	$4,570,496	$10,031,530	$369,071	$2,051,046	$5,952,381	$44,426,117	$1,190,219	$1,989,285	$70,580,145

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 for the year ended December 31, 1999 is as follows:

	Balance 12/31/98	Additions During Year	Deletions During Year	Balance 12/31/99
Land improvements	$ 189,460,606	$ 10,834,800	$ -	$ 200,295,406
Buildings and furnishings	254,966,631	12,781,386	189,731	267,558,286
Equipment	6,181,345	242,783	215,794	6,208,334
Utilities	8,315,234			8,315,234
Heliport	3,045,335	15,134		3,060,469
Land and air rights	76,655,785	3,188,961		79,844,746
Construction in progress	14,587,139	31,293,880	24,915,952	20,965,067
	553,212,075	58,356,944	25,321,477	586,247,542
Less - accumulated depreciation	(186,842,239)	(22,211,077)	(398,646)	(208,654,670)
	$ 366,369,836	$ 36,145,867	$24,922,831	$ 377,592,872

Construction in progress is composed of the following at December 31, 1999:

Description	Project Authorization	Expended to December 31, 1999	Remaining Commitments
West lobby improvements	$ 1,040,134	$ 766,383	$ 273,751
Taca hanger	397,773	343,000	54,773
West taxi parking lot/parking lot	5,200,000	198,987	5,001,013
Access road improvements	5,000,000	47,072	4,952,928
Environmental impact statement and railroad relocation	1,376,110	1,373,610	2,500
West air cargo apron	1,533,067	1,470,002	63,065
Plan - east/west taxiway	369,029	369,029	-
NOAB administrative complex	104,235	104,235	-
Lafon air parallel road	3,789,300	166,044	3,623,256
East air cargo apron, phase 2	8,006,000	139,998	7,866,002
Terminal loop road/traffic signalization	53,855	53,855	-
Concourse E	425,474	63,148	362,326
Airport signage II	1,221,047	50,614	1,170,433
Perimeter road, stage 3	3,448,053	1,643,564	1,804,489
Program management-environmental permitting	2,872,470	2,565,151	307,319
Directional A/F light, stage 1	245,344	164,271	81,073
Directional A/F light, stage 2	265,302	265,302	-

Description	Project Authorization	Expended to December 31, 1999	Remaining Commitments
Rehab runways/taxiways, phase 2	8,960,263	3,063,957	5,896,306
Terminal improvements/ticket lobby	11,963,000	1,253,978	10,709,022
North/south runway	688,529	456,547	231,982
Concessions/leases project	270,977	270,977	-
Run/taxiway echo	9,465,535	540,486	8,925,049
Taca/Dobbs building paint	600,000	244,399	355,601
Intermodel Tran study	389,000	389,000	-
Apron trench drains	5,410,077	3,302,816	2,107,261
East/west taxiway paving, stage 2	9,080,295	230,940	8,849,355
Food/beverage	3,500,000	480,527	3,019,473
Employee garage	8,802	8,802	-
AMC office buildout	526,515	237,684	288,831
Part 150 study	381,687	58,487	323,200
Water meter installation	288,456	288,456	-
Aberdeen Street expansion	5,200,000	19,440	5,180,560
Miscellaneous	334,306	334,306	-
	$92,414,635	$20,965,067	$71,449,568

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 1999	1998
Land improvements	10-25	$ 88,919,092	$ 79,912,903
Buildings and furnishings	3-25	110,361,996	98,226,112
Equipment	3-10	4,357,459	4,241,779
Utilities	10-25	2,181,991	1,835,664
Heliport	5-15	2,834,132	2,625,781
		$208,654,670	$186,842,239

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 1999 and 1998:

	1999	1998
Series 1993B Refunding bonds, variable rates, final maturity August 3, 2016	$ 131,885,000	$ 136,780,000
Series 1993C Refunding bonds, variable rates, final maturity August 3, 2011	2,835,000	2,965,000
Series 1994 Revenue bonds, variable rates, final maturity December 1, 2019	-	49,660,000
Series 1995A Refunding bonds, variable rates, final maturity August 1, 2015	19,825,000	20,410,000
Series 1997A Refunding bonds, variable rates, final maturity August 5, 2015	24,440,000	24,995,000
Series 1997B-1 Revenue bonds, with fixed interest rate at 5.45%, final maturity October 1, 2027	2,555,000	2,555,000
Series 1997B-2 Taxable revenue bonds, fixed interest rates (6.10% at December 31, 1999), final maturity October 1, 2027	10,780,000	10,945,000
Series 1999A-1 Revenue refunding bonds, fixed interest rates (4.50% at December 31, 1999), final maturity September 1, 2018	31,020,000	-
Series 1999A-2 Revenue refunding bonds, with fixed interest rate at 6.00%, final maturity September 1, 2019	4,565,000	-
Total	227,905,000	248,310,000
Current portion	(7,580,000)	(7,730,000)
Unamortized loss on advance refunding	(23,388,937)	(24,167,362)
Unamortized discount on bonds	(634,388)	-
Long-term debt	$ 196,301,675	$ 216,412,638

Debt service requirements to maturity, including interest of $142,436,390, for all outstanding bonds are as follows:

December 31,	
2000	$ 20,355,664
2001	20,948,039
2002	20,995,300
2003	21,091,549
2004	21,086,016
Thereafter	265,864,822
	$ 370,341,390

On October 15, 1999, the Airport issued $31,020,000 and $4,565,000 in Revenue refunding bonds, Series 1999A-1 and Series 1999A-2, respectively. The proceeds of which were used to (i) redeem and refund portions of the Series 1994 Revenue bonds, and (ii) provide a portion of the amounts needed to complete the 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 and by certain other Airport funds, including a portion of the Debt Service Reserve Fund.

The Series 1999A-1 and A-2 Revenue refunding bonds are subject to optional redemptions on or after September 1, 2004, as defined in the general indenture. The Series 1999A-2 Revenue refunding bonds are also subject to mandatory sinking fund redemption on September 1, 2018 in the amount of $1,685,000. The general indenture requires that the Airport maintain certain specified financial ratios and comply with other covenants.

The refunding of the Series 1994 Revenue bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $599,000. In accordance with Governmental Accounting Standards Board Statement ("GASBS") No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," this difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through September 2018 on a straight-line basis.

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 Fund. 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 covenants.

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 Fund. 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 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 GASBS No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," 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, 1999 refunded bonds outstanding were:

Series	Refunded Bonds Outstanding
1990B	$ 8,705,000

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 1999 and 1998) 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, 1999 and 1998, the cumulative amount transferred to the City under this arrangement was $8,955,737 and $8,755,737, 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.

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, 1998 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, 1999 and 1998 was $462,762 and $532,235, respectively.

At January 1, 1999 (latest information available), the Employees' Retirement System's actuarial present value of credited projected benefits was $254,202,000. The actuarial market value of net assets available for benefits at that date amounted to $355,566,000. 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 ten years and require the payment of minimum annual rentals. The lease between the Airport and the airlines ("Airline Operating Agreement") expired on December 31, 1998. A verbal extension of the Airline Operating Agreement was negotiated and approved by the City Council of New Orleans and the airlines until December 31, 1999. The Airport has negotiated a new written lease agreement with the airlines effective January 1, 2000. Management believes this lease will be approved by the City Council of New Orleans and the airlines within the next few months and this will not have a material impact on the Airport's financial statements or results of operations. 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, 1999:

2000	$ 1,963,000
2001	1,963,000
2002	1,963,000
2003	1,963,000
2004	1,963,000
Thereafter	7,167,000

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 $22,897,221 in 1999 and $21,458,681 in 1998.

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, 1998 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 $2,214,140 and $2,188,876 as of December 31, 1999 and 1998, respectively. The increase in this liability of $25,264 is reflected in the 1999 statement of revenues and expenses as a reduction of investment income. The IRS requires that the first rebate installment payment be made in January 2000 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 in January 2000.

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, 1999, the Airport had four interest rate swap agreements outstanding with a commercial bank (swap party), having total principal amounts of $131,885,000, $2,835,000, $19,825,000 and $24,440,000 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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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, 1999, and have issued our report thereon dated May 12, 2000. 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.

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 12, 2000.

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 12, 2000

Deloitte & Touche

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO PASSENGER FACILITY CHARGE PROGRAM

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, 1999, and have issued our report thereon dated May 12, 2000.

We have also audited the Airport's compliance with the requirements governing project cost allowability, Passenger Facility Charge funds used as matching share or as supplemental to Airport Improvement Program funded projects, and special reporting requirements that are applicable to the Passenger Facility Charge program for the year ended December 31, 1999. The management of the Airport, is responsible for the Airport's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America; *Government Audit Standards*, issued by the Comptroller General of the United States; and the draft of the Passenger Facility Charge Program Audit Compliance and Reporting Guide for Public Agencies (the "Guide"). Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Airport, complied, in all material respects, with the requirements governing project cost allowability, Passenger Facility Charge funds used as matching share or as supplemental to Airport Improvement Program funded projects, and special reporting requirements that are applicable to its Passenger Facility Charge program for the year ended December 31, 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 12, 2000

Deloitte Touche Tohmatsu

Auditor and is not intended to be

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1999

Part I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financing reporting:		
Material Weakness(es) identified?	_____Yes	__X__No
Reportable condition(s) identified not considered to be material weaknesses?	_____Yes	__X__N/A
Noncompliance material to financial statements noted?	_____Yes	__X__No

Passenger Facility Charge (PFC) Program

Internal Control over PFC program:		
Material weakness(es) identified?	_____Yes	__X__No
Reportable condition(s) identified not considered to be material weaknesses?	_____Yes	__X__N/A
Type of auditors' report issued on compliance for PFC programs:	Unqualified	
Any audit findings disclosed?	__X__Yes	_____No

Part II – Financial Statement Findings Section

No matters were reportable

Part III – PFC Program Findings and Questioned Costs Section

99-1 Investment income on PFC Collections

Investment income on Passenger Facility Charge ("PFC") collections of $125,889 was not reflected in the December 31, 1999 quarterly report.

Criteria:

Section 158.63(a) of the Department of Transportation FAA 14 CFR Part 158, Subpart D contains the requirements for reporting, recordkeeping and audits. A requirement for the quarterly reports is that interest earned for the quarter be reported.

Effect:

Investment income of $125,889 related to PFC collections were excluded from the December 31, 1999 quarterly report. The error was corrected by the Airport in its March 31, 2000 quarterly report filed with the Federal Aviation Administration ("FAA"). Note that in the Supplementary Schedules of Passenger Facility Charges Collected and Expended for the year and each quarter within the year ended December 31, 1999, upon which we have issued our report dated May 12, 2000, the error was corrected in the December 31, 1999 quarterly schedule therein.

Cause:

Although the Airport has policies and procedures to ensure that all investment income on PFC collections is captured in the correct period, it appears that in some instances procedures were not fully implemented to ensure compliance with this requirement.

Recommendation:

The Airport should adhere to its policies and procedures to ensure that all income is captured in the correct period.

Management's Response:

During the fourth quarter of 1999, the Aviation Board refunded the 1994 PFC Bonds. Under the 1994 Bonds, certain trust accounts created by the bond resolution were funded with non-PFC monies. Therefore, the investment earnings on these accounts were not PFC earnings, and were not included on the PFC Quarterly Report. As a result of the refunding, new trust accounts were created and the prior accounts were closed. The Aviation Board and the CPA firm engaged to examine their PFC program reviewed the new trust accounts and determined that the investment earnings of some of the new accounts relate to PFC investment earnings. Because of these procedures, the December 31, 1999 PFC Quarterly Report was revised to include these new amounts as PFC investment earnings.

The Board has a very proactive program to monitor its compliance with the PFC regulations. Trust account activities are reviewed monthly to verify they have been recorded appropriately and in a timely manner. In addition, the Board has engaged a CPA firm with extensive PFC experience to provide quarterly services in order to facilitate compliance with PFC regulations. Due to the Aviation Board's existing PFC compliance program, differences have been identified and corrected in a timely manner.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1999

Finding 98-1 Quarterly Reports

The PFC quarterly report for the quarter ended December 31, 1998 was not filed with the FAA or provided to the collecting carriers by January 31, 1999. The report was sent to the FAA and the collecting carriers on February 25, 1999.

Status

The Airport has filed the PFC quarterly reports for the year ended December 31, 1999 in a timely manner with the FAA and the collecting carriers.

Finding 98-2 Eligibility Percentage

The eligibility percentage for the East Air Cargo Access Roads project was incorrect on certain invoices.

Status

This error was corrected by the Airport in the September 30, 1998 quarterly report filed with the FAA. Note that in the Supplementary Schedules of Passenger Facility Charges Collected and Expended for the year and each quarter within the year ended December 31, 1998, upon which we have issued our report dated May 14, 1999, the error was corrected in the March 31, 1998 quarterly schedule therein.

Finding 98-3 Coding

Invoices were incorrectly coded to the ARFF Perimeter Road, Stage III Project. Amounts should have been charged to the ARFF Perimeter Road, Stage II Project.

Status

This error was corrected by the Airport in the March 31, 1999 quarterly report filed with the FAA. Note that in the Supplementary Schedules of Passenger Facility Charges Collected and Expended for the year and each quarter within the year ended December 31, 1998, upon which we have issued our report dated May 14, 1999, the error was corrected in the December 31, 1998 quarterly schedule therein.

Finding 98-4 Financing Costs

Issuance costs were reflected in the December 31, 1998 quarterly report as interest cost rather than issuance costs.

Status

This error was corrected by the Airport in the March 31, 1999 quarterly report filed with the FAA. Note that in the Supplementary Schedules of Passenger Facility Charges Collected and Expended for the year and each quarter within the year ended December 31, 1998, upon which we have issued our report dated May 14, 1999, the error was corrected in the December 31, 1998 quarterly schedule therein.

Finding 98-5 Project Costs

Costs incurred in the fourth quarter of 1998 which related to the Upper Level Roadway Canopy Project were excluded from the December 31, 1998 quarterly report.

Status

This error was corrected by the Airport in the March 31, 1999 quarterly report filed with the FAA. Note that in the Supplementary Schedules of Passenger Facility Charges Collected and Expended for the year and each quarter within the year ended December 31, 1998, upon which we have issued our report dated May 14, 1999, the error was corrected in the December 31, 1998 quarterly schedule therein.

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INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY SCHEDULES OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

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, 1999, and have issued our report thereon dated May 12, 2000. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Airport taken as a whole. The accompanying Schedules of Passenger Facility Charges Collected and Expended for the year and each quarter within the year ended December 31, 1999, which are also the responsibility of management of the Airport, are presented as required by the Federal Aviation Administration of the U. S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 and are not a required part of the basic financial statements. The information in those schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented 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, management and 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 12, 2000

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
YEAR ENDED DECEMBER 31, 1999

	Restated Beginning Balance PFC (2)(4)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	$ (1,265,138)	$ -	$ -	$ 1,101	$ (1,266,239)
North GA Apron, Stage I	(5,414,680)				(5,414,680)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(696,698)			595,613	(1,292,311)
Update Airfield Guildance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,151,043)				(2,151,043)
Fire Code Compliance Program, Phase II, Stage II	(3,740,735)			44,691	(3,785,426)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,324,630)				(6,324,630)
Concourse "D" Reconstruction	(16,251,615)			132,116	(16,383,731)
West Terminal Expansion	(18,697,360)			545,204	(19,242,564)
East/West Taxiway (VFR Runway)	(2,844,376)			1,725,985	(4,570,361)
East Air Cargo Access Roads	(2,052,235)			6,187	(2,058,422)
North GA Access Road	(1,039,082)			17	(1,039,099)
ARFF Perimeter Road, Stage II	(679,050)			(24,776)	(654,274)
ARFF Perimeter Road, Stage III	(28,556)			335,657	(364,213)
East Air Cargo Apron, Stage II	-			100,702	(100,702)
Terminal Improvements	-			656,924	(656,924)
Lafon Roads & Utilities	-			34,058	(34,058)
Upper Level Roadway Canopy	(415,176)			4,032,236	(4,447,412)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(8,079,600)			760,556	(8,840,156)
Investment Income on Bond Proceeds, net of Interest Expense (1)	(5,642,501)		(2,028,078)		(7,670,579)
PFC Collections	60,203,895	12,484,945			72,688,840
Investment Income on PFC Collections	4,308,296		1,272,720		5,581,016
Other - Arbitrage Rebate (3)	(2,188,876)		(25,264)		(2,214,140)
TOTAL	$ (16,816,250)	$ 12,484,945	$ (780,622)	$ 8,946,271	$ (14,058,198)

(1) On December 31, 1994 the Airport issued $67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. On October 15, 1999, the Airport issued $31,020,000 and $4,565,000 in Revenue refunding bonds, Series 1999A-1 and Series 1999A-2, respectively. The proceeds of which were used to (i) redeem and refund portions of the Series 1994 Revenue bonds, and (ii) provide a portion of the amounts needed to complete the 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 and by certain other Airport funds, including a portion of the Debt Service Reserve Fund. Interest revenue from bond proceeds was $3,850 and interest expense was $2,031,928 for 1999.

(2) Beginning and ending balances for individual construction projects (negative amounts) represent job-to-date expenditures which were funded by PFC revenues or bond proceeds secured by future PFC collections. Beginning and ending balances for interest revenue net of interest expense, PFC collections and interest earned on PFC collections represent life-to-date amounts. This schedule does not include the PFC bond proceeds or the repayment thereof.

(3) 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. The arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is $2,214,140 as of December 31, 1999.

(4) The Airport's beginning balance of "Investment Income on Bond Proceeds, net of Interest Expense" has been restated from $(2,408,352) to $(5,642,501) to reflect a correction in the calculation of interest revenue and expense related to the PFC 1994 bonds and the inclusion of realized gains on sales of investments. In addition, the beginning balance of "Investment Income on PFC Collections" has been restated from $3,866,917 to $4,308,296 to reflect the inclusion of realized gains on sales of investments.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
QUARTER ENDED MARCH 31, 1999

	Restated Beginning Balance PFC (2) (4)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	$ (1,265,138)	$ -	$ -	$ -	$ (1,265,138)
North GA Apron, Stage I	(5,414,680)				(5,414,680)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(696,698)			14,853	(711,551)
Update Airfield Guildance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,151,043)				(2,151,043)
Fire Code Compliance Program, Phase II, Stage II	(3,740,735)			8,206	(3,748,941)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,324,630)				(6,324,630)
Concourse "D" Reconstruction	(16,251,615)			61,501	(16,313,116)
West Terminal Expansion	(18,697,360)			142,055	(18,839,415)
East/West Taxiway (VFR Runway)	(2,844,376)			180,518	(3,024,894)
East Air Cargo Access Roads	(2,052,235)			1,094	(2,053,329)
North GA Access Road	(1,039,082)			17	(1,039,099)
ARFF Perimeter Road, Stage II	(679,050)			19,825	(698,875)
ARFF Perimeter Road, Stage III	(28,556)			14,278	(42,834)
Upper Level Roadway Canopy	(415,176)			585,838	(1,001,014)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(8,079,600)			32,611	(8,112,211)
Investment Income on Bond Proceeds, net of Interest Expense (1)	(5,642,501)		(562,761)		(6,205,262)
PFC Collections	60,203,895	3,063,351			63,267,246
Investment Income on PFC Collections	4,308,296		294,776		4,603,072
Other - Arbitrage Rebate (3)	(2,188,876)				(2,188,876)
TOTAL	$ (16,816,250)	$3,063,351	$ (267,985)	$1,060,796	$(15,081,680)

(1) On December 31, 1994 the Airport issued $67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. On October 15, 1999, the Airport issued $31,020,000 and $4,565,000 in Revenue refunding bonds, Series 1999A-1 and Series 1999A-2, respectively. The proceeds of which were used to (i) redeem and refund portions of the Series 1994 Revenue bonds, and (ii) provide a portion of the amounts needed to complete the 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 and by certain other Airport funds, including a portion of the Debt Service Reserve Fund. Interest revenue from bond proceeds was $1,290 and interest expense was $564,051 or the first quarter of 1999.

(2) Beginning and ending balances for individual construction projects (negative amounts) represent job-to-date expenditures which were funded by PFC revenues or bond proceeds secured by future PFC collections. Beginning and ending balances for interest revenue net of interest expense, PFC collections and interest earned on PFC collections represent life-to-date amounts. This schedule does not include the PFC bond proceeds or the repayment thereof.

(3) 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. The estimated arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is $2,188,876 as of March 31, 1999.

(4) The Airport's beginning balance of "Investment Income on Bond Proceeds, net of Interest Expense" has been restated from $(2,408,352) to $(5,642,501) to reflect a correction in the calculation of interest revenue and expense related to the PFC 1994 bonds and the inclusion of realized gains on sales of investments. In addition, the beginning balance of "Investment Income on PFC Collections" has been restated from $3,866,917 to $4,308,296 to reflect the inclusion of realized gains on sales of investments.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
QUARTER ENDED JUNE 30, 1999

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	$ (1,265,138)	$ -	$ -	$ 1,101	$ (1,266,239)
North GA Apron, Stage I	(5,414,680)				(5,414,680)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(711,551)			7,803	(719,354)
Update Airfield Guildance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,151,043)				(2,151,043)
Fire Code Compliance Program, Phase II, Stage II	(3,748,941)			36,485	(3,785,426)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,324,630)				(6,324,630)
Concourse "D" Reconstruction	(16,313,116)			9,697	(16,322,813)
West Terminal Expansion	(18,839,415)			155,903	(18,995,318)
East/West Taxiway (VFR Runway)	(3,024,894)			249,596	(3,274,490)
East Air Cargo Access Roads	(2,053,329)			4,314	(2,057,643)
North GA Access Road	(1,039,099)				(1,039,099)
ARFF Perimeter Road, Stage II	(698,875)			(44,601)	(654,274)
ARFF Perimeter Road, Stage III	(42,834)			56,183	(99,017)
Terminal Improvements	-			198,329	(198,329)
Lafon Roads & Utilities	-			18,445	(18,445)
Upper Level Roadway Canopy	(1,001,014)			3,197,025	(4,198,039)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(8,112,211)			1,905	(8,114,116)
Investment Income on Bond Proceeds, net of Interest Expense (1)	(6,205,262)		(544,815)		(6,750,077)
PFC Collections	63,267,246	3,272,732			66,539,978
Investment Income on PFC Collections	4,603,072		330,293		4,933,365
Other - Arbitrage Rebate (3)	(2,188,876)				(2,188,876)
TOTAL	$ (15,081,680)	$ 3,272,732	$ (214,522)	$ 3,892,185	$ (15,915,655)

(1) On December 31, 1994 the Airport issued $67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. On October 15, 1999, the Airport issued $31,020,000 and $4,565,000 in Revenue refunding bonds, Series 1999A-1 and Series 1999A-2, respectively. The proceeds of which were used to (i) redeem and refund portions of the Series 1994 Revenue bonds, and (ii) provide a portion of the amounts needed to complete the 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 and by certain other Airport funds, including a portion of the Debt Service Reserve Fund. Interest revenue from bond proceeds was $1,003 and interest expense was $545,818 for the second quarter of 1999.

(2) Beginning and ending balances for individual construction projects (negative amounts) represent job-to-date expenditures which were funded by PFC revenues or bond proceeds secured by future PFC collections. Beginning and ending balances for interest revenue net of interest expense, PFC collections and interest earned on PFC collections represent life-to-date amounts. This schedule does not include the PFC bond proceeds or the repayment thereof.

(3) 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. The estimated arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is $2,188,876 as of June 30, 1999.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
QUARTER ENDED SEPTEMBER 30, 1999

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	$ (1,266,239)	$ -	$ -	$ -	$ (1,266,239)
North GA Apron, Stage I	(5,414,680)				(5,414,680)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(719,354)			136,205	(855,559)
Update Airfield Guildance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,151,043)				(2,151,043)
Fire Code Compliance Program, Phase II, Stage II	(3,785,426)				(3,785,426)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,324,630)				(6,324,630)
Concourse "D" Reconstruction	(16,322,813)			2,705	(16,325,518)
West Terminal Expansion	(18,995,318)			118,029	(19,113,347)
East/West Taxiway (VFR Runway)	(3,274,490)			242,386	(3,516,876)
East Air Cargo Access Roads	(2,057,643)			779	(2,058,422)
North GA Access Road	(1,039,099)				(1,039,099)
ARFF Perimeter Road, Stage II	(654,274)				(654,274)
ARFF Perimeter Road, Stage III	(99,017)			107,207	(206,224)
East Air Cargo Apron, Stage II	-			99,168	(99,168)
Terminal Improvements	(198,329)			390,342	(588,671)
Lafon Roads & Utilities	(18,445)			14,224	(32,669)
Upper Level Roadway Canopy	(4,198,039)			189,789	(4,387,828)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(8,114,116)			91	(8,114,207)
Investment Income on Bond Proceeds, net of Interest Expense (1)	(6,750,077)		(574,392)		(7,324,469)
PFC Collections	66,539,978	2,941,721			69,481,699
Investment Income on PFC Collections	4,933,365		91,489		5,024,854
Other - Arbitrage Rebate (3)	(2,188,876)				(2,188,876)
TOTAL	$ (15,915,655)	$ 2,941,721	$ (482,903)	$ 1,300,925	$ (14,757,762)

(1) On December 31, 1994 the Airport issued $67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. On October 15, 1999, the Airport issued $31,020,000 and $4,565,000 in Revenue refunding bonds, Series 1999A-1 and Series 1999A-2, respectively. The proceeds of which were used to (i) redeem and refund portions of the Series 1994 Revenue bonds, and (ii) provide a portion of the amounts needed to complete the 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 and by certain other Airport funds, including a portion of the Debt Service Reserve Fund. Interest revenue from bond proceeds was $1,040 and interest expense was $575,432 for the third quarter of 1999.

(2) Beginning and ending balances for individual construction projects (negative amounts) represent job-to-date expenditures which were funded by PFC revenues or bond proceeds secured by future PFC collections. Beginning and ending balances for interest revenue net of interest expense. PFC collections and interest earned on PFC collections represent life-to-date amounts. This schedule does not include the PFC bond proceeds or the repayment thereof.

(3) 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. The estimated arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is $2,188,876 as of September 30, 1999.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
QUARTER ENDED DECEMBER 31, 1999

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	$ (1,266,239)	$ -	$ -	$ -	$ (1,266,239)
North GA Apron, Stage I	(5,414,680)				(5,414,680)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(855,559)			436,752	(1,292,311)
Update Airfield Guildance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,151,043)				(2,151,043)
Fire Code Compliance Program, Phase II, Stage II	(3,785,426)				(3,785,426)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,324,630)				(6,324,630)
Concourse "D" Reconstruction	(16,325,518)			58,213	(16,383,731)
West Terminal Expansion	(19,113,347)			129,217	(19,242,564)
East/West Taxiway (VFR Runway)	(3,516,876)			1,053,485	(4,570,361)
East Air Cargo Access Roads	(2,058,422)				(2,058,422)
North GA Access Road	(1,039,099)				(1,039,099)
ARFF Perimeter Road, Stage II	(654,274)				(654,274)
ARFF Perimeter Road, Stage III	(206,224)			157,989	(364,213)
East Air Cargo Apron, Stage II	(99,168)			1,534	(100,702)
Terminal Improvements	(588,671)			68,253	(656,924)
Lafon Roads & Utilities	(32,669)			1,389	(34,058)
Upper Level Roadway Canopy	(4,387,828)			59,584	(4,447,412)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(8,114,207)			725,949	(8,840,156)
Investment Income on Bond Proceeds, net of Interest Expense (1)	(7,324,469)		(346,110)		(7,670,579)
PFC Collections	69,481,699	3,207,141			72,688,840
Investment Income on PFC Collections	5,024,854		556,162		5,581,016
Other - Arbitrage Rebate (3)	(2,188,876)		(25,264)		(2,214,140)
TOTAL	$ (14,757,762)	$ 3,207,141	$ 184,788	$ 2,692,365	$ (14,058,198)

(1) On December 31, 1994 the Airport issued $67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. On October 15, 1999, the Airport issued $31,020,000 and $4,565,000 in Revenue refunding bonds, Series 1999A-1 and Series 1999A-2, respectively. The proceeds of which were used to (i) redeem and refund portions of the Series 1994 Revenue bonds, and (ii) provide a portion of the amounts needed to complete the 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 and by certain other Airport funds, including a portion of the Debt Service Reserve Fund. Interest revenue from bond proceeds was $517 and interest expense was $346,627 for the fourth quarter of 1999.

(2) Beginning and ending balances for individual construction projects (negative amounts) represent job-to-date expenditures which were funded by PFC revenues or bond proceeds secured by future PFC collections. Beginning and ending balances for interest revenue net of interest expense, PFC collections and interest earned on PFC collections represent life-to-date amounts. This schedule does not include the PFC bond proceeds or the repayment thereof.

(3) 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. The arbitrage rebate liability for the Airport's Series 1994 bonds is $2,214,140 as of December 31, 1999.

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL USED IN ADMINISTERING PASSENGER FACILITY CHARGE PROGRAM

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, 1999, and have issued our report thereon dated May 12, 2000. We have also audited the Airport's compliance with requirements applicable to the Passenger Facility Charge program and have issued our report thereon dated May 12, 2000.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the draft of the Passenger Facility Charge Program Audit Compliance Guide ("Guide"). Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, and about whether the Airport complied with the regulations issued by the Federal Aviation Administration of the U. S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, non-compliance with which would be material to the Passenger Facility Charge program.

In planning and performing our audit for the year ended December 31, 1999, we considered the internal control of the Airport in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of the Airport, and on its compliance, with requirements applicable to the Passenger Facility Charge program. This report addresses our consideration of internal control policies and procedures relevant to compliance with requirements applicable to the Passenger Facility Charge program. We have addressed internal control policies and procedures relevant to our audit of the financial statements in a separate report dated May 12, 2000.

The management of the Airport is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that the Passenger Facility Charge program is managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control policies and procedures used in administering the Passenger Facility Charge program into the following categories:

- Cash receipts and accounts receivable
- Cash disbursements and accounts payable
- Payroll
- General ledger
- Budgeting

For all of the internal control categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

We performed tests of controls to evaluate the effectiveness of the design and operation of internal control policies and procedures that we considered relevant to preventing or detecting material noncompliance with requirements governing project cost allowability, Passenger Facility Charge funds used as matching share or as supplemental to Airport Improvement Program funded projects, and special reporting requirements that are applicable to the Airport's Passenger Facility Charge program. Our procedures were less in scope than would be necessary to render an opinion on these internal control policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control policies and procedures used in administering the Passenger Facility Charge program would not necessarily disclose all matters in the internal control that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. 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 noncompliance with laws and regulations that would be material to the Passenger Facility Charge program 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 and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the New Orleans Aviation Board, management, and 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 12, 2000

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May 12, 2000

The New Orleans Aviation Board
New Orleans, Louisiana

Dear Members of the Aviation Board:

In planning and performing our audit of the financial statements of New Orleans International Airport (the "Airport"), a proprietary component unit of the City of New Orleans for the year ended December 31, 1999 (on which we have issued our report dated May 12, 2000), we developed the following recommendations concerning certain matters related to the Airport's internal control and certain observations and recommendations on other accounting, administrative, and operating matters. A description of the responsibility of management for establishing and maintaining internal control, and of the objectives and inherent limitations of internal control, is set forth in the attached Appendix, and should be read in conjunction with this letter. Our comments are presented in Exhibit I.

Additionally, we reviewed the disposition of recommendations included in our letter dated May 14, 1999. The resolution of our prior year recommendations is presented in Exhibit II.

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.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing any of the suggestions.

Yours truly,

Deloitte & Touche LLP

ACCOUNTING, ADMINISTRATIVE AND OPERATING MATTERS

ACCOUNTS RECEIVABLE

Observation:

The accounts receivable aging report as of December 31, 1999 contained various unapplied payments to customer invoices. For example, a customer's invoice that has been paid shows up on the report as delinquent (greater than 60 days old). The payment made by the customer shows up in the current column (less than 30 days old) as a credit balance. As a result, the accounts receivable aging report does not truly reflect the age of the receivables. However, it does reflect the correct total balance of accounts receivable.

Recommendation:

Based on discussions with Airport management, the Airport is in the process of manually applying the payments to their respective invoices. We recommend that Airport apply customer payments to their respective invoices in a timely manner. This will provide management with a meaningful aging report which will then allow management to analyze delinquent accounts.

Management's Response:

The condition was noted and is corrected.

Contact:

Patricia C. Malone
Deputy Director of Administration and Finance

EXHIBIT II

RESOLUTION OF PRIOR YEAR RECOMMENDATIONS

Recommendation	Corrective Action Taken	Corrective Action in Progress	No Action Taken
The Airport should monitor the Program Manager more closely in order to ensure that the Program Manager provides the financial information in a timely manner and adheres to the requirements of the Passenger Facility Charge program.		X	

APPENDIX

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL

The following comments concerning management's responsibility for internal control and the objectives and inherent limitations of internal control are adapted from the Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls.

Objectives

The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

Limitations

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.