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.

Recently Issued Accounting Standards - In March 1997, the Governmental Accounting Standards Board ("GASB") issued GASB Statement (GASBS) No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASBS No. 31 requires that all investments be reported at fair value with gains and losses included in the statement and revenues and expenses. GASBS No. 31 will be effective for the year ending December 31, 1998. At December 31, 1996, the market value of investments exceeded carrying value by $1,195,896.

2. CASH AND INVESTMENTS

The following are the components of the Airport's cash and investments at December 31, 1996:

	Unrestricted	Restricted	Total
Cash	$ 3,798,899	$ 4,857,160	$ 8,656,059
Certificates of deposit	13,977,727	3,717,828	17,695,555
U.S. Treasury obligations	-	86,074,197	86,074,197
	$17,776,626	$94,649,185	$112,425,811

The following are the components of the Airport's cash and investments at December 31, 1995:

	Unrestricted	Restricted	Total
Cash	$14,643,467	$ 1,629,376	$ 16,272,843
Certificates of deposit	8,366,076	7,400,903	15,766,979
U.S. Treasury obligations	-	118,063,241	118,063,241
	$23,009,543	$127,093,520	$150,103,063

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

	December 31,	
	1996	1995
Unrestricted cash	$ 3,798,899	$14,643,467
Unrestricted certificates of deposit	13,977,727	8,366,076
Restricted cash	4,857,160	1,629,376
	$22,633,786	$24,638,919

At December 31, 1996, the carrying amount of the Airport's unrestricted and restricted cash deposits was $26,351,614, and the bank balance was $25,295,288. 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	Market Value
U.S. Treasury obligations	$86,074,197	$ -	$ -	$86,074,197	$87,270,093

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, 1996:

ASSETS	Debt Service Fund	Debt Service Reserve Fund	Revenue Bond Escrow Fund	Renewal and Replacement Fund	Operations and Maintenance Reserve Fund	Capital Improvements Funds	Total
Cash and certificates of deposit	$ 130,108	$ 74,040	$ 5,011	$ 1,630	$ 747	$ 8,363,452	$ 8,574,988
U.S. Treasury obligations	3,697,286	19,106,621	514,401	1,999,119	5,054,753	53,702,017	86,074,197
TOTAL	$ 3,827,394	$ 19,180,661	$ 519,412	$ 2,000,749	$ 5,055,500	$ 64,065,469	$ 94,649,185

NEW ORLEANS INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1996 AND 1995

	1996	1995
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale and maturities of investments, net	35,672,119	(10,526,197)
Interest and dividends on investments	7,625,832	8,277,895
Net cash provided by (used in) investing activities	43,297,951	(2,248,302)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,005,133)	1,084,016
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,638,919	23,554,903
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 2)	$ 22,633,786	$ 24,638,919

NONCASH FINANCING ACTIVITIES:

During 1996, $-0- and $7,598,732 of additions to property, plant and equipment and during 1995, $27,974,351 and $3,315,994 of additions to property, plant and equipment were directly funded by the Transportation Infrastructure Model for Economic Development and the Federal Aviation Administration, respectively.

See notes to financial statements.

(Concluded)

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.

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.

Due To/Due From the City of New Orleans - Amounts recorded as due from the City of New Orleans primarily relate to the costs of City services provided to the Airport. The cost of such services was $558,361 and $614,880 for the years ended December 31, 1996 and 1995, respectively.

Bond Insurance - In conjunction with bonds issued in 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 date 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 for 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 for the year.

Passenger Facility Charges - On June 1, 1993, the Airport began imposing, upon approval of the Federal Aviation Administration (the "FAA"), a $3.00 Passenger Facility Charge ("PFC") on each passenger enplaned at the Airport. The Airport is authorized to collect up to $191,955,082 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 January 1, 2014.

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.

NEW ORLEANS INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1996 and 1995

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.

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.

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

Investments - Investments are stated at cost or amortized cost.

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. $678,363 and $697,036 of interest income in excess of related interest expense was recognized as a reduction in the cost basis of on-going construction projects during 1996 and 1995, respectively.

NEW ORLEANS INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1996 AND 1995

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	$ 4,477,373	$ 3,271,613
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	13,384,800	12,986,813
Decrease in allowance for doubtful accounts	(106,101)	(117,602)
Changes in assets and liabilities:		
Increase in accounts receivable	(4,201,993)	(1,293,726)
Increase in inventory of materials and supplies	(40,169)	(16,612)
(Increase) decrease in prepaid expenses and deposits	(44,864)	296,381
Increase (decrease) in accounts payable	(813,873)	1,552,798
(Increase) decrease in due to/from City of New Orleans	(151,237)	321,552
Other	(3,462,290)	5,342,338
Total adjustments	4,564,273	19,071,942
Net cash provided by operating activities	9,041,646	22,343,555
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of property, plant and equipment	(66,685,423)	(22,964,526)
Capital grants received	24,907,374	12,451,826
Principal paid on revenue bond maturities	(4,425,000)	(2,445,000)
Interest paid on bonds	(13,479,848)	(14,045,516)
Residual equity transfers	(200,000)	(200,000)
Proceeds from issuance of bonds	-	21,645,000
Cost of bond issuance and insurance	(15,138)	(554,054)
Payments made to refund bonds	(5,895,000)	(23,650,000)
Passenger facilities charges collected	11,448,305	10,751,033
Net cash used in capital and related financing activities	(54,344,730)	(19,011,237)

(Continued)

NEW ORLEANS INTERNATIONAL AIRPORT

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 1996 AND 1995

					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, 1995	$ 3,274,912	$ 98,760,121	$ (30,189,747)	$ 68,570,374	$ 47,025,649	$ (1,230,903)
Add (deduct) changes during year ended December 31, 1995:						
Capital grants		12,451,826		12,451,826		
Capital grants administered by the State of Louisiana		3,315,994		3,315,994		
TIME funds					27,974,351	
Depreciation for the year on assets acquired through capital grants and State funding			(2,418,873)	(2,418,873)		(1,246,886)
Residual equity transfer	(200,000)					
Increase (decrease) in reserves						
Income to retained earnings						
Balance at December 31, 1995	3,074,912	114,527,941	(32,608,620)	81,919,321	75,000,000	(2,477,789)
Add (deduct) changes during year ended December 31, 1995:						
Capital grants		24,907,374		24,907,374		
Capital grants administered by the State of Louisiana		7,598,732		7,598,732		
Depreciation for the year on assets acquired through capital grants and State funding			(2,403,768)	(2,403,768)		(1,386,381)
Residual equity transfer	(200,000)					
Increase (decrease) in reserves						
Income to retained earnings						
Balance at December 31, 1996	$ 2,874,912	$ 147,034,047	$ (35,012,388)	$ 112,021,659	$ 75,000,000	$ (3,864,170)

See notes to financial statements.

NEW ORLEANS INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 1996 AND 1995

	1996	1995
OPERATING REVENUES (Note 8):		
Landing and airfield fees	$ 20,794,259	$ 18,337,224
Terminal building	28,528,195	26,538,638
Rental building	218,201	230,702
Leased areas	561,000	562,589
Total operating revenues	50,101,655	45,669,153
OPERATING EXPENSES:		
Direct	12,033,951	10,761,513
Depreciation:		
On assets acquired with Airport and City Funds	9,594,651	9,321,054
On assets acquired through capital grants	3,790,149	3,665,759
Administrative	19,024,607	17,500,641
General maintenance	1,164,299	1,128,496
Utility building expenses	16,625	20,077
Total operating expenses	45,624,282	42,397,540
OPERATING INCOME	4,477,373	3,271,613
NONOPERATING REVENUES (EXPENSES):		
Interest income	7,001,218	8,762,482
Interest expense	(14,756,377)	(15,414,663)
Passenger facility charges (Note 1)	11,448,305	10,751,033
Other, net	(1,563,920)	(1,598,235)
Total nonoperating revenues, net	2,129,226	2,500,617
NET INCOME	6,606,599	5,772,230
TRANSFER OF DEPRECIATION ON ASSETS ACQUIRED THROUGH CAPITAL GRANTS TO CONTRIBUTED CAPITAL ACCOUNTS	3,790,149	3,665,759
INCOME TO RETAINED EARNINGS	$ 10,396,748	$ 9,437,989

See notes to financial statements.

LIABILITIES AND EQUITY	1996	1995
CURRENT LIABILITIES:		
Accounts payable	$ 4,638,273	$ 5,452,146
Due to City of New Orleans	198,936	409,117
Accrued salaries and other compensation	1,253,069	1,177,064
Accrued bond interest payable	771,803	869,721
Bonds payable, current portion (Notes 3 and 5)	6,550,000	4,425,000
Capital projects payable	6,922,989	9,805,586
Total current liabilities	20,335,070	22,138,634
LONG-TERM DEBT:		
Bonds payable, less current portion and unamortized loss on advance refunding (Note 5)	223,433,744	234,504,297
Total liabilities	243,768,814	256,642,931
EQUITY (Note 6):		
Contributed capital:		
City of New Orleans	2,874,912	3,074,912
Federal grants	112,021,659	81,919,321
State of Louisiana	71,135,830	72,522,211
FAA contribution restricted for future projects	1,301,696	1,301,696
Total contributed capital	187,334,097	158,818,140
Retained earnings:		
Reserved for bond debt service	19,180,661	19,268,340
Reserved for capital additions and contingencies	2,000,000	2,000,000
Reserved for revenue bond escrow	519,412	522,341
Unreserved	24,153,794	13,666,438
Total retained earnings	45,853,867	35,457,119
Total equity	233,187,964	194,275,259
TOTAL	$476,956,778	$450,918,190

NEW ORLEANS INTERNATIONAL AIRPORT

BALANCE SHEETS
DECEMBER 31, 1996 AND 1995

ASSETS	1996	1995
CURRENT ASSETS:		
Cash and certificates of deposit (Note 2)	$ 17,776,626	$ 23,009,543
Accounts receivable, less allowance for doubtful accounts of $951,432 in 1996 and $1,057,533 in 1995	9,319,890	5,011,796
Interest receivable	1,046,108	1,670,722
Inventory of materials and supplies	253,550	213,381
Prepaid expenses and deposits	966,711	921,847
Due from City of New Orleans	675,229	1,036,647
Total current assets	30,038,114	31,863,936
Restricted assets, including cash and cash equivalents of $4,857,160 in 1996 and $1,629,376 in 1995 (Notes 2 and 3)	94,649,185	127,093,520
Property, plant and equipment, net (Note 4)	347,835,887	286,936,532
Prepaid insurance on revenue bonds, less accumulated amortization of $595,338 in 1996 and $431,200 in 1995	1,405,662	1,569,800
Deferred cost of bond issuance, less accumulated amortization of $1,211,318 in 1996 and $769,708 in 1995	3,027,930	3,454,402
TOTAL	$476,956,778	$450,918,190

See notes to financial statements.

NEW ORLEANS INTERNATIONAL AIRPORT

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NEW ORLEANS INTERNATIONAL AIRPORT

Financial Statements and Supplemental Schedules for the Years Ended December 31, 1996 and 1995 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

New Orleans Aviation Board
New Orleans, Louisiana

We have audited the accompanying financial statements of the New Orleans International Airport (the "Airport"), a proprietary component unit of the City of New Orleans, as of December 31, 1996 and 1995, and for the years then ended, listed in the foregoing table of contents. 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 *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, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Airport's management. Such schedules have been subjected to the auditing procedures applied in our audit of the 1996 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 29, 1997 on our consideration of the Airport's internal control structure and a report dated May 29, 1997 on its compliance with laws and regulations.

Deloitte & Touche LLP

May 29, 1997

SCHEDULE II

NEW ORLEANS INTERNATIONAL AIRPORT

SUPPLEMENTAL SCHEDULE OF OPERATING REVENUES AND EXPENSES BY AREA OF ACTIVITY
YEAR ENDED DECEMBER 31, 1996

	Terminal Landing Area	Rental Buildings and Area	Leased Buildings and Area	Sites Area	Total
Operating revenues	$20,794,259	$28,528,195	$218,201	$561,000	$50,101,655
Direct expenses	1,115,236	10,858,116	9,600	50,999	12,033,951
Operating revenues, less direct expenses	19,679,023	17,670,079	208,601	510,001	38,067,704
Depreciation of area assets	2,183,941	5,969,618	269,340	-	8,422,899
Operating revenues, less direct expenses and depreciation	$17,495,082	$11,700,461	$ (60,739)	$510,001	29,644,805
Other operating expenses:					
Depreciation of general assets					1,171,752
Depreciation of capital grants assets					3,790,149
Administrative					19,024,607
General maintenance					1,164,299
Utility building expenses					16,625
Total other operating expenses					25,167,432
Operating income					$ 4,477,373

Description	Project Authorization	Expended to December 31, 1996	Remaining Commitments
Lafon Air parallel road	27,727	27,727	-
North east/west taxiway	22,031	22,031	-
Canopy	3,760,765	128,411	3,632,354
East air cargo, phase II	6,680,744	48,372	6,632,372
Terminal loop road/traffic signalization	53,855	53,855	-
Concourse E	28,490,564	61,949	28,428,615
North security fence	224,551	1,164	223,387
Airport signage I	4,590,992	1,058,499	3,532,493
Airport signage II	1,317,847	26,100	1,291,747
Terminal reflooring	2,294,806	2,181,224	113,582
Perimeter road, stage III	4,449,120	8,548	4,440,572
Program management - enviro mental permitting	1,542,756	1,542,756	-
Terminal asbestos removal	3,200,925	2,867,464	333,461
Water and oil separator	8,136,444	400,594	7,735,850
Concourse D renovation	17,283,649	16,136,487	1,147,162
Directional A/F light, stage I	245,344	148,023	97,321
Parabola room	1,753,321	1,254,368	498,953
Directional A/F light, stage II	1,325,383	99,787	1,225,596
Rehab runways/taxiways PII	311,421	174,865	136,556
Fire safety, stage II	3,417,182	3,160,321	256,861
Surface movement guidance control system	1,719	1,719	-
West and ticket lobby renovation	667,670	425,390	242,280
HVAC west/east terminal	2,971,354	2,654,120	317,234
North/south runway	163,744	163,744	-
Computer upgrade	143,181	143,181	-
Concessions/leases project	29,858	29,858	-
Perishable goods facility	3,400,000	75,143	3,324,857
Capitalized interest	(1,114,074)	(1,114,074)	-
	$ 292,404,656	$ 97,428,009	$ 194,976,647

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	
		1996	1995
Land improvements	10-25	$ 63,391,538	$ 58,720,969
Buildings and furnishings	3-25	77,053,429	68,935,247
Equipment	3-10	3,756,202	3,530,876
Utilities	10-25	1,155,544	991,634
Heliport	5-15	2,212,877	2,006,064
		$147,569,590	$134,184,790

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON THE AUDIT OF FINANCIAL STATEMENTS

New Orleans Aviation Board
New Orleans, Louisiana

We have audited the financial statements of the New Orleans International Airport as of December 31, 1996 and for the year then ended, and have issued our report thereon dated May 29, 1997.

We conducted our audit in accordance with generally accepted auditing standards 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.

Compliance with laws, regulations, contracts, and grants applicable to the New Orleans International Airport is the responsibility of the management of the New Orleans International Airport. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the New Orleans International Airport's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the New Orleans Aviation Board, management, and others within the New Orleans International Airport, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

May 29, 1997

				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
$ 45,794,746	$ 1,301,696	$ 118,941,728	$ 18,886,007	$ 2,003,324	$ 929,825	$ 4,199,974	$ 26,019,130
		12,451,826					
		3,315,994					
27,974,351		27,974,351					
(1,246,886)		(3,665,759)					
		(200,000)					
			382,333	(3,324)	(407,484)	28,475	
						9,437,989	9,437,989
72,522,211	1,301,696	158,818,140	19,268,340	2,000,000	522,341	13,666,438	35,457,119
		24,907,374					
		7,598,732					
(1,386,381)		(3,790,149)					
		(200,000)					
			(87,679)		(2,929)	90,608	
						10,396,748	10,396,748
$ 71,135,830	$ 1,301,696	$ 187,334,097	$ 19,180,661	$ 2,000,000	$ 519,412	$ 24,153,794	$ 45,853,867

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS

New Orleans Aviation Board
New Orleans, Louisiana

We have audited the financial statements of the New Orleans International Airport as of and for the year ended December 31, 1996 and have issued our report thereon dated May 29, 1997.

We conducted our audit in accordance with generally accepted auditing standards 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.

The management of the New Orleans International Airport is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure 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 accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities 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.

In planning and performing our audit of the financial statements of the New Orleans International Airport for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

NEW ORLEANS INTERNATIONAL AIRPORT

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
DECEMBER 31, 1996

Description	Year Acquired	Maturity Date	Par Value	Carrying Value	Market Value
PFC REDEMPTION FUND					
U.S. Treasury Bills:					
Bank One	1996	1/9/97	10,140,000	9,935,669	10,130,468
PFC TIME FUND					
U.S. Treasury Bills:					
Bank One	1996	5/29/97	1,161,000	1,100,482	1,136,874
Bank One	1996	1/30/97	698,000	686,556	695,369
Bank One	1996	2/27/97	1,828,000	1,796,264	1,813,888
Bank One	1996	3/27/97	1,060,000	1,039,773	1,047,736
U.S. Treasury Notes:					
Bank One	1993	3/31/98	263,000	259,877	260,536
Bank One	1993	4/30/98	1,395,000	1,377,563	1,380,618
Bank One	1993	5/31/98	1,414,000	1,404,058	1,403,395
Bank One	1993	10/31/98	2,590,000	2,519,380	2,538,200
			10,409,000	10,183,953	10,276,616
TOTAL US OBLIGATIONS			$ 88,572,000	$ 86,074,197	$ 87,270,093

(Concluded)

NEW ORLEANS INTERNATIONAL AIRPORT

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
DECEMBER 31, 1996

Description	Year Acquired	Maturity Date	Par Value	Carrying Value	Market Value
REVENUE BOND ESCROW					
U.S. Treasury Bills:					
Bank One	1996	5/29/97	430,000	406,551	421,065
Bank One	1996	5/1/97	114,000	107,850	112,089
			544,000	514,401	533,154
IMPOSE ACCOUNT					
U.S. Treasury Bills:					
Bank One	1996	6/26/97	48,000	45,386	46,815
U.S. Treasury Notes:					
Bank One	1992	6/30/97	1,201,000	1,164,407	1,205,131
Bank One	1993	1/31/98	1,248,000	1,173,120	1,243,707
Bank One	1992	1/31/97	3,277,000	3,188,419	3,278,016
Bank One	1993	6/30/98	1,274,000	1,170,089	1,260,062
Bank One	1993	8/31/98	6,948,000	6,750,665	6,819,879
Bank One	1994	1/31/99	1,302,000	1,175,462	1,279,215
			15,298,000	14,667,548	15,132,825
PFC TIME REIMBURSEMENT FUND					
U.S. Treasury Bills:					
Bank One	1993	10/31/98	2,111,000	2,052,288	2,068,780
Bank One	1996	2/27/97	67,000	66,238	66,483
Bank One	1996	1/30/97	1,967,000	1,945,904	1,959,584
			4,145,000	4,064,430	4,094,847

(Continued)

NEW ORLEANS INTERNATIONAL AIRPORT

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
DECEMBER 31, 1996

Description	Year Acquired	Maturity Date	Par Value	Carrying Value	Market Value
OPERATIONS AND MAINTENANCE RESERVE FUND					
U.S. Treasury Bills:					
Bank One	1996	8/21/97	$5,235,000	$5,054,753	$5,062,350
DEBT SERVICE FUND					
U.S. Treasury Bills:					
Bank One	1996	7/24/97	215,000	206,397	208,793
Bank One	1996	1/02/97	61,000	60,896	61,000
Bank One	1996	1/02/97	876,000	871,835	876,000
Bank One	1996	1/02/97	135,000	134,769	135,000
Bank One	1996	1/02/97	404,000	403,310	404,000
Bank One	1996	1/02/97	2,000	1,997	2,000
Bank One	1996	7/24/97	1,752,000	1,682,021	1,701,420
Bank One	1996	7/24/97	305,000	292,780	296,195
Bank One	1996	7/24/97	45,000	43,281	43,700
			3,795,000	3,697,286	3,728,108
CAPITAL IMPROVEMENTS FUND					
U.S. Treasury Bills:					
Bank One	1996	5/29/97	1,708,000	1,630,967	1,672,508
Bank One	1996	6/26/97	2,027,000	1,935,544	1,996,460
Bank One	1996	2/27/97	1,184,000	1,166,915	1,174,860
Bank One	1996	7/24/97	1,969,000	1,880,452	1,912,152
Bank One	1996	8/21/97	1,826,000	1,749,574	1,765,779
Bank One	1996	11/13/97	2,142,000	2,037,818	2,044,153

(Continued)

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 1996 and 1995:

	1996	1995
Series 1993A Taxable refunding bonds, variable rates, final maturity August 3, 1998	$ 31,945,000	$ 34,420,000
Series 1993B Refunding bonds, variable rates, final maturity August 3, 2015	139,620,000	140,020,000
Series 1993C Refunding bonds, variable rates, final maturity August 3, 2011	3,185,000	3,285,000
Series 1994 Revenue bonds, variable rates (4.4% at December 31, 1996), final maturity December 1, 2019	60,705,000	67,850,000
Series 1995A Refunding bonds, variable rates, final maturity August 1, 2015	21,445,000	21,645,000
Total	256,900,000	267,220,000
Current portion	(6,550,000)	(4,425,000)
Unamortized loss on advance refunding	(26,916,256)	(28,290,703)
Long-term debt	$223,433,744	$234,504,297

Debt service requirements to maturity, including interest of $148,107,681, for all outstanding bonds are as follows:

December 31,	
1997	$ 45,200,868
1998	17,867,690
1999	18,061,448
2000	18,128,046
2001	18,263,981
Thereafter	287,485,648
	$405,007,681

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 January 1, 2014. 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 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, 1999 with two banks. As such, these bonds are classified as long-term debt.

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 $19,031,874 in 1996 and $17,739,196 in 1995.

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.

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, 1995 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 Airport believes it is in compliance with the arbitrage regulations with respect to all of its tax-exempt bond issues.

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 1993A-C and 1995A variable rate refunding bonds (see Note 5). As of December 31, 1996, the Airport had four interest rate swap agreements outstanding with a commercial bank (swap party), having total principal amounts of $31,945,000, $139,620,000, $3,185,000 and $21,445,000 for the 1993A, 1993B, 1993C and 1995A issues, respectively. Pursuant to these swaps, the Airport is obligated to pay interest at a fixed rate of 5.45%, 5.49%, 5.34% and 6.14% for the 1993A, 1993B, 1993C and 1995A 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 amounts noted above. All four swap agreements commenced on January 4, 1993. The 1993A, 1993B, 1993C and 1995A agreements terminate in August of 1998, 2016, 2011 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.

* * * * * *

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 1996 and 1995) 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, 1996 and 1995, the cumulative amount transferred to the City under this arrangement was $8,355,737 and $8,155,737, 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. The State provided $-0- and $27,974,351 of TIME funds during 1996 and 1995, respectively. The FAA provided $7,598,732 and $3,315,994 during 1996 and 1995, respectively, 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, 1995 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, 1996 and 1995 was $674,055 and $655,050, respectively.

At January 1, 1996 (latest information available), the Employees' Retirement System's actuarial present value of accumulated vested plan benefits was $172,089,000 and of accumulated non-vested plan benefits was $23,079,000. The actuarial market value of net assets available for benefits at that date amounted to $261,481,000. 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. 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, 1996:

1997	$13,351,902
1998	910,033
	$14,261,935

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, 1996, refunded bonds outstanding were:

Series	Refunded Debt Outstanding
1987	$62,850,000
1990B	9,195,000
	$72,045,000

On June 6, 1995, the Airport issued $21,645,000 in tax-exempt refunding bonds, Series 1995A, in order to redeem $23,650,000 of the Series 1993A taxable refunding bonds on August 2, 1995.

The Airport has contracted with an underwriter to issue and deliver additional series of tax-exempt bonds in 1997, the proceeds of which will be used to repay portions of the taxable refunding Series 1993A bonds. At December 31, 1996, $25,510,000 of the Series 1993A bonds have been classified as long-term debt in connection with this contract. Also, see Note 10 for a discussion of the interest rate swap agreements in place for all outstanding 1993 and 1995 series bonds.

The trust indenture under which the 1993 Series A-C and the 1995 Series A 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.

NEW ORLEANS INTERNATIONAL AIRPORT

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
DECEMBER 31, 1996

Description	Year Acquired	Maturity Date	Par Value	Carrying Value	Market Value
U.S. Treasury Notes:					
Bank One	1992	4/30/97	405,000	397,596	406,644
Bank One	1992	7/31/97	106,000	100,418	105,868
Bank One	1992	10/31/97	18,000	18,093	17,978
Bank One	1992	12/31/97	1,489,000	1,499,702	1,490,400
Bank One	1996	1/31/97	1,395,000	1,357,291	1,395,432
Bank One	1993	8/31/98	1,428,000	1,386,300	1,401,668
Bank One	1993	9/30/98	344,000	316,103	317,825
Bank One	1993	10/31/98	1,397,000	1,373,644	1,369,060
			17,438,000	16,850,417	17,070,787
RENEWAL AND REPLACEMENT FUND					
U.S. Treasury Bills:					
Bank One	1996	8/21/97	2,113,000	1,999,119	2,043,313
DEBT SERVICE RESERVE FUND					
U.S. Treasury Bills:					
Bank One	1996	11/13/97	6,229,000	5,908,046	5,946,459
Bank One	1996	1/2/97	362,000	358,908	362,000
Bank One	1996	6/26/97	741,000	716,667	722,705
Bonds:					
Bank One, FNMA	1994	1/25/08	12,123,000	12,123,000	12,166,461
			19,455,000	19,106,621	19,197,625

(Continued)

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the New Orleans Aviation Board, management and others within the New Orleans International Airport, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

May 29, 1997