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NEW ORLEANS INTERNATIONAL AIRPORT

Financial Statements for the Years Ended December 31, 1997 and 1996 and Independent Auditors' Report

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date JUL 2 2 1998

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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, 1997 and 1996, and the statements of revenues and expenses, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the management of the Airport. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *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, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, during 1997 the Airport retroactively adopted Government Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

In accordance with *Government Auditing Standards*, we will also issue a report dated May 22, 1998 on our consideration of the Airport's compliance with laws and regulations and on its internal control over financial reporting.

Deloitte & Touche LLP

May 22, 1998

NEW ORLEANS INTERNATIONAL AIRPORT

BALANCE SHEETS
DECEMBER 31, 1997 AND 1996

ASSETS	**1997**	**1996 (Restated - Note 1)**
CURRENT ASSETS:		
Cash and certificates of deposit (Note 2)	$ 25,637,049	$ 17,776,626
Accounts receivable, less allowance for doubtful accounts of $878,251 in 1997 and $951,432 in 1996	7,616,638	9,319,890
Investments (Note 2)	5,207,378	-
Interest receivable	365,513	474,550
Inventory of materials and supplies	226,113	253,550
Prepaid expenses and deposits	1,285,984	966,711
Due from City of New Orleans	126,702	675,229
Total current assets	40,465,377	29,466,556
Restricted assets, including cash and cash equivalents of $811,405 in 1997 and $4,857,160 in 1996 (Notes 2 and 3)	78,147,088	95,845,081
Property, plant and equipment, net (Note 4)	366,676,520	347,835,887
Prepaid insurance on revenue bonds, less accumulated amortization of $761,392 in 1997 and $595,338 in 1996	1,325,385	1,405,662
Deferred cost of bond issuance, less accumulated amortization of $1,668,580 in 1997 and $1,211,318 in 1996	3,421,277	3,027,930
TOTAL	$490,035,647	$477,581,116

See notes to financial statements.

LIABILITIES AND EQUITY	1997	1996 (Restated - Note 1)
CURRENT LIABILITIES:		
Accounts payable	$ 3,037,299	$ 4,638,273
Due to City of New Orleans	15,321	198,936
Accrued salaries and other compensation	1,079,819	1,253,069
Accrued bond interest payable	1,283,095	771,803
Bonds payable, current portion (Notes 3 and 5)	6,995,000	6,550,000
Capital projects payable	2,449,130	6,922,989
Total current liabilities	14,859,664	20,335,070
LONG-TERM LIABILITIES:		
Other long-term liabilities (Note 9)	1,906,239	-
Bonds payable, less current portion and unamortized loss on advance refunding (Note 5)	221,468,191	223,433,744
Total long-term liabilities	223,374,430	223,433,744
Total liabilities	238,234,094	243,768,814
EQUITY (Note 6):		
Contributed capital:		
City of New Orleans	2,674,912	2,874,912
Federal grants	124,122,749	112,021,659
State of Louisiana	68,599,445	71,135,830
FAA contribution restricted for future projects	1,301,696	1,301,696
Total contributed capital	196,698,802	187,334,097
Retained earnings:		
Reserved for bond debt service	12,550,032	19,180,661
Reserved for capital additions and contingencies	2,000,000	2,000,000
Reserved for revenue bond escrow	291,395	519,412
Unreserved	40,261,324	24,778,132
Total retained earnings	55,102,751	46,478,205
Total equity	251,801,553	233,812,302
TOTAL	$490,035,647	$477,581,116

NEW ORLEANS INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996 (Restated - Note 1)
OPERATING REVENUES (Note 8):		
Landing and airfield fees	$ 21,851,214	$ 20,794,259
Terminal building	29,091,273	28,528,195
Rental building	280,916	218,201
Leased areas	637,899	561,000
Total operating revenues	51,861,302	50,101,655
OPERATING EXPENSES:		
Direct	12,849,633	12,033,951
Depreciation:		
On assets acquired with Airport and City Funds	11,152,669	9,594,651
On assets acquired through capital grants	6,633,849	3,790,149
Administrative	18,750,226	19,024,607
General maintenance	1,436,364	1,164,299
Utility building expenses	59,274	16,625
Total operating expenses	50,882,015	45,624,282
OPERATING INCOME	979,287	4,477,373
NONOPERATING REVENUES (EXPENSES):		
Investment income	3,976,453	5,675,068
Interest expense	(12,829,946)	(14,756,377)
Passenger facility charges (Note 1)	11,378,765	11,448,305
Other, net	(1,513,862)	(1,563,920)
Total nonoperating revenues, net	1,011,410	803,076
NET INCOME	1,990,697	5,280,449
TRANSFER OF DEPRECIATION ON ASSETS ACQUIRED THROUGH CAPITAL GRANTS TO CONTRIBUTED CAPITAL ACCOUNTS	6,633,849	3,790,149
INCOME TO RETAINED EARNINGS	$ 8,624,546	$ 9,070,598

See notes to financial statements.

NEW ORLEANS INTERNATIONAL AIRPORT

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 1997 AND 1996

					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, 1996, as restated	$ 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, 1996:						
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, as restated						
Balance at December 31, 1996, as restated	2,874,912	147,034,047	(35,012,388)	112,021,659	75,000,000	(3,864,170)
Add (deduct) changes during year ended December 31, 1997:						
Capital grants		12,192,408		12,192,408		
Capital grants administered by the State of Louisiana		4,006,146		4,006,146		
Depreciation for the year on assets acquired through capital grants and State funding			(4,097,464)	(4,097,464)		(2,536,385)
Residual equity transfer	(200,000)					
Increase (decrease) in reserves						
Income to retained earnings						
Balance at December 31, 1997	$ 2,674,912	$ 163,232,601	$ (39,109,852)	$ 124,122,749	$ 75,000,000	$ (6,400,555)

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
$ 72,522,211	$ 1,301,696	$ 158,818,140	$ 19,268,340	$ 2,000,000	$ 522,341	$ 15,616,926	$ 37,407,607
		24,907,374					
		7,598,732					
(1,386,381)		(3,790,149)					
		(200,000)					
			(87,679)		(2,929)	90,608	
						9,070,598	9,070,598
71,135,830	1,301,696	187,334,097	19,180,661	2,000,000	519,412	24,778,132	46,478,205
		12,192,408					
		4,006,146					
(2,536,385)		(6,633,849)					
		(200,000)					
			(6,630,629)		(228,017)	6,858,646	-
						8,624,546	8,624,546
$ 68,599,445	$ 1,301,696	$ 196,698,802	$ 12,550,032	$ 2,000,000	$ 291,395	$ 40,261,324	$ 55,102,751

NEW ORLEANS INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996 (Restated - Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	$ 979,287	$ 4,477,373
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	17,786,518	13,384,800
Decrease in allowance for doubtful accounts	(73,181)	(106,101)
Changes in assets and liabilities:		
Accounts receivable	1,776,433	(4,201,993)
Inventory of materials and supplies	27,437	(40,169)
Prepaid expenses and deposits	(319,273)	(44,864)
Accounts payable	(1,600,974)	(813,873)
Due to/from City of New Orleans	364,912	151,237
Accrued salaries and other compensation	(173,250)	76,005
Capital projects payable	(4,473,859)	(2,882,597)
Other	(890,546)	(958,172)
Total adjustments	12,424,217	4,564,273
Net cash provided by operating activities	13,403,504	9,041,646
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of property, plant and equipment	(32,621,005)	(66,685,423)
Capital grants received	12,192,408	24,907,374
Principal paid on revenue bond maturities	(16,395,000)	(4,425,000)
Interest paid on bonds	(10,944,207)	(13,479,848)
Residual equity transfers	(200,000)	(200,000)
Proceeds from issuance of bonds	39,010,000	-
Cost of bond issuance and insurance	(936,386)	(15,138)
Payments made to refund bonds	(25,510,000)	(5,895,000)
Passenger facilities charges collected	11,378,765	11,448,305
Net cash used in capital and related financing activities	(24,025,425)	(54,344,730)

(Continued)

NEW ORLEANS INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996 (Restated - Note 1)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale and maturities of investments, net	8,509,556	35,608,054
Interest and dividends on investments	5,927,033	7,689,897
Net cash provided by investing activities	14,436,589	43,297,951
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,814,668	(2,005,133)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,633,786	24,638,919
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 2)	$ 26,448,454	$ 22,633,786

NONCASH *FINANCING ACTIVITIES:*

During 1997 and 1996, $4,006,146 and $7,598,732, respectively, of additions to property, plant and equipment were directly funded by the Federal Aviation Administration.

See notes to financial statements.

(Concluded)

NEW ORLEANS INTERNATIONAL AIRPORT

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.

Accounting Change - Effective January 1, 1997, the Airport elected early adoption of the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 31, "Accounting for Financial Reporting for Certain Investments and for External Investment Pools," by retroactively restating beginning retained earnings as of December 31, 1995. GASBS No. 31 requires that all investments be reported at fair value with gains and losses included in the statements of revenues and expenses.

The following is a reconciliation of total retained earnings as of December 31, 1995, as previously reported, to total retained earnings as restated:

Total retained earnings as previously reported, December 31, 1995	$35,457,119
Recognition of fair value of investments	1,950,488
Total retained earnings as restated, December 31, 1995	$37,407,607

The restatement decreased investment income by $1,326,000 for the year ended December 31, 1996. The effect for the year ended December 31, 1997 was to increase investment income by $66,000.

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 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 $689,000 and $623,000 at December 31, 1997 and 1996, respectively.

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 $1,872,341 was recognized as an addition in the cost basis of on-going construction projects during 1997. Interest income in excess of related interest expense of $678,363 was recognized as a reduction in the cost basis of on-going construction projects during 1996.

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 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 $885,646 and $843,472 for the years ended December 31, 1997 and 1996, respectively.

Bond Insurance - In conjunction with bonds issued in 1997 and 1993, insurance was purchased which guarantees the payment of bond principal and interest and expires with the final principal and interest payment on the bonds. The insurance costs were capitalized at the dates of issuance and are being amortized over the life of the bonds using the interest method.

Revenue Recognition - Landing fees and facility rentals are recorded as revenues of the year 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 of the lease agreements 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 $197,787,034 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 December 1, 2008.

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.

Reclassifications - Certain reclassifications have been made to 1996 amounts in order to conform with the 1997 classifications.

2. CASH AND INVESTMENTS

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

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

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 and U.S. Agency obligations	-	87,270,093	87,270,093
	$17,776,626	$95,845,081	$113,621,707

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

	December 31, 1997	December 31, 1996
Unrestricted cash	$ 5,021,963	$ 3,798,899
Unrestricted certificates of deposit	20,615,086	13,977,727
Restricted cash	811,405	4,857,160
	$26,448,454	$22,633,786

At December 31, 1997, the carrying amount of the Airport's unrestricted and restricted cash deposits was $30,763,740, and the bank balance was $30,763,740. 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	$78,227,775	$ -	$ -	$78,227,775

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, 1997:

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	$ 3,850	$ 42,520	$ 291,395	$ 251	$ 902	$ 4,787,773	$ 5,126,691
U.S. Treasury and U.S. Agency obligations	4,703,838	12,507,512	-	2,040,201	5,661,510	48,107,336	73,020,397
TOTAL	$ 4,707,688	$ 12,550,032	$ 291,395	$ 2,040,452	$ 5,662,412	$ 52,895,109	$ 78,147,088

4. PROPERTY, PLANT AND EQUIPMENT

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

	Balance 12/31/96	Additions During Year	Deletions During Year	Balance 12/31/97
Land improvements	$ 132,718,956	$ 51,087,928	$ -	$ 183,806,884
Buildings and furnishings	179,583,310	42,482,140	-	222,065,450
Equipment	4,799,208	1,208,824	25,701	5,982,331
Utilities	7,550,103	764,248	-	8,314,351
Heliport	3,038,813	-	-	3,038,813
Land and air rights	70,287,078	2,964,330	-	73,251,408
Construction in progress	97,428,009	35,569,098	97,449,417	35,547,690
	495,405,477	134,076,568	97,475,118	532,006,927
Less - accumulated depreciation	(147,569,590)	(17,786,518)	(25,701)	(165,330,407)
	$ 347,835,887	$116,290,050	$97,449,417	$ 366,676,520

Construction in progress is composed of the following at December 31, 1997:

Description	Project Authorization	Expended to December 31, 1997	Remaining Commitments
Environmental impact statement and railroad relocation study	$55,746,555	$ 1,354,853	$54,391,702
West air cargo apron	23,065,974	1,311,046	21,754,928
West terminal expansion I	23,305,838	22,837,271	468,567
Plan-east/west taxiway	312,325	302,317	10,008
Perimeter road, stage II	2,596,784	579,724	2,017,060
New Orleans Aviation Board Administration Complex	6,368,135	104,235	6,263,900
Concourse C, American Airlines relocated	2,129,097	601,132	1,527,965
TACA/DOBBS Building Paint	500,000	39,807	460,193
News and gifts infrastructure improvements	144,843	144,843	-
Intermodel Trans study	123,208	123,208	-
Lafon Air parallel road	27,727	27,727	-
North east/west taxiway	22,031	22,031	-
Canopy	4,090,800	295,340	3,795,460
East air cargo, phase II	6,179,913	72,832	6,107,081
Terminal loop road/traffic signalization	53,855	53,855	-
Concourse E	28,490,564	62,488	28,428,076
Airport signage II	1,317,847	27,957	1,289,890

Description	Project Authorization	Expended to December 31, 1997	Remaining Commitments
Perimeter road, stage III	4,120,000	19,479	4,100,521
Program management - environmental permitting	2,331,000	1,950,415	380,585
Water and oil separator	5,582,109	484,182	5,097,927
Directional A/F light, stage I	245,344	157,065	88,279
Parabola room	2,400,000	2,334,190	65,810
Directional A/F light, stage II	1,325,383	140,222	1,185,161
Rehab runways/taxiways PII	311,421	174,865	136,556
West and ticket lobby renovation	2,224,761	749,988	1,474,773
North/south runway	165,221	165,221	-
Computer upgrade	449,254	449,254	-
Concessions/leases project	87,415	87,415	-
Perishable goods facility	3,270,000	76,034	3,193,966
Air cargo complex	2,000,000	431,571	1,568,429
Run/taxiway echo at TU	10,655,000	78,979	10,576,021
Capitalized interest	288,144	288,144	-
	$ 189,930,548	$ 35,547,690	$ 154,382,858

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 1997	1996
Land improvements	10-25	$ 70,683,349	$ 63,391,538
Buildings and furnishings	3-25	86,801,531	77,053,429
Equipment	3-10	3,938,927	3,756,202
Utilities	10-25	1,487,293	1,155,544
Heliport	5-15	2,419,307	2,212,877
		$165,330,407	$147,569,590

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 1997 and 1996:

	1997	1996
Series 1993A Taxable refunding bonds, variable rates, final maturity August 5, 1998	$ 2,385,000	$ 31,945,000
Series 1993B Refunding bonds, variable rates, final maturity August 3, 2016	138,920,000	139,620,000
Series 1993C Refunding bonds, variable rates, final maturity August 3, 2011	3,080,000	3,185,000
Series 1994 Revenue bonds, variable rates, final maturity December 1, 2019	49,660,000	60,705,000
Series 1995A Refunding bonds, variable rates, final maturity August 1, 2015	20,950,000	21,445,000
Series 1997A Refunding Bonds, variable rates, final maturity August 3, 2015	25,510,000	-
Series 1997B-1 Revenue bonds, with interest at 5.45%, final maturity October 1, 2027	2,555,000	-
Series 1997B-2 Taxable Revenue bonds, variable rates, final maturity October 1, 2027	10,945,000	-
Total	254,005,000	256,900,000
Current portion	(6,995,000)	(6,550,000)
Unamortized loss on advance refunding	(25,541,809)	(26,916,256)
Long-term debt	$221,468,191	$223,433,744

Debt service requirements to maturity, including interest of $173,310,164, for all outstanding bonds are as follows:

December 31,	
1998	$ 20,598,627
1999	20,922,884
2000	20,992,966
2001	21,171,568
2002	21,263,380
Thereafter	322,365,739
	$427,315,164

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

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

The Series 1994 Revenue bonds were issued on December 13, 1994 in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. These bonds are secured by a pledge of PFC revenue expected to be collected through 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.

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, 1997, refunded bonds outstanding were:

Series	Refunded Debt Outstanding
1990B	$ 9,045,000

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 1997 and 1996) 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, 1997 and 1996, the cumulative amount transferred to the City under this arrangement was $8,555,737 and $8,355,737, 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 million of Airport improvements. The FAA provided $4,006,146 and $7,598,732 during 1997 and 1996, 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, 1996 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, 1997 and 1996 was $584,737 and $674,055, respectively.

At January 1, 1997 (latest information available), the Employees' Retirement System's actuarial present value of credited projected benefits was $212,353,000. The actuarial market value of net assets available for benefits at that date amounted to $278,446,000. The assumed average rate of return used in determining the actuarial present value of accumulated plan benefits was 7%.

8. RENTALS UNDER OPERATING LEASES

The Airport leases space in its terminal to various airlines, concessionaires and others. These leases are for varying periods ranging from one to four years and require the payment of minimum annual rentals. The Airport and airlines have negotiated an extension of the Airline Operating Agreement until December 31, 1998. The lease expired on December 31, 1997. Management believes that the lease will be approved by the City Council of New Orleans and that its expiration on December 31, 1997 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, 1997:

1998	$7,411,329

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 $18,897,772 in 1997 and $19,031,874 in 1996.

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, 1996 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 $1,906,239 as of December 31, 1997. This amount is reflected in the 1997 statement of revenues and expenses as a reduction of investment income. The IRS requires that the first rebate installment payment be made on December 13, 1999 which is five years after the issuance of these bonds. The estimated payment amount is subject to change depending on fluctuating interest rates and other factors from January 1, 1998 through December 13, 1999.

10. INTEREST RATE SWAP AGREEMENTS

The Airport has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its Series 1993A-C, 1995A, and 1997A variable rate refunding bonds (see Note 5). As of December 31, 1997, the Airport had five interest rate swap agreements outstanding with a commercial bank (swap party), having total principal amounts of $2,385,000, $138,920,000, $3,080,000, $20,950,000 and $25,510,000 for the 1993A, 1993B, 1993C, 1995A, and 1997A issues, respectively. Pursuant to these swaps, the Airport is obligated to pay interest at a fixed rate of 5.45%, 5.49%, 5.34%, 6.14% and 6.50% for the 1993A, 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 amounts noted above. All five swap agreements are part of a Master Swap Agreement dated January 4, 1993. The 1993A, 1993B, 1993C, 1995A and 1997A agreements terminate in August of 1998, 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, 1997, and have issued our report thereon dated May 22 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended for the information of the New Orleans Aviation Board, management and others within the 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 22, 1998

Deloitte Touche
Tohmatsu