

**Deloitte &
Touche LLP**



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

New Orleans International Airport
New Orleans, Louisiana

We have audited the financial statements of New Orleans International Airport ("the Airport") as of and for the year ended December 31, 1997, and have issued our report thereon dated May 22, 1998.

We have also audited New Orleans International 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 (AIP) funded projects, and special reporting requirements that are applicable to the Passenger Facility Charge (PFC) program for the year ended December 31, 1997. The management of New Orleans International Airport is responsible for the Airport's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards, Government Audit Standards, issued by the Comptroller General of the United States, and the draft of the Passenger Facility Charge Program Audit Compliance Guide ("Guide"). These 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 these requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, New Orleans International Airport complied, in all material respects, with the requirements governing project cost allowability, PFC funds used as matching share or as supplemental to AIP funded projects, and special reporting requirements that are applicable to its PFC program for the year ended December 31, 1997.

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 22, 1998

Under provisions of place law, this report is a public document. A copy of this report has been distributed to the auditor, or successor, and to and other appropriate public officials. The report is available for public inspection at the District Judge's office of the Louisiana Judiciary and, where appropriate, at the office of the parish clerk of court.

**Deloitte Touche
Wentworth**

Release Date: AIC 2-6-1998

NEW ORLEANS INTERNATIONAL AIRPORT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 1989

Finding: Timely Receipt of Payments and Reports

Status: Passenger Facility Charge (PFC) payments and reports from major carriers selected for testing, have been filed and submitted by carriers to the Airport on a timely basis.



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

New Orleans International Airport
New Orleans, Louisiana

We have audited the financial statements of New Orleans International Airport ("the Airport") as of and for the year ended December 31, 1997, and have issued our report thereon dated May 22, 1998. 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 22, 1998.

We conducted our audits in accordance with generally accepted auditing standards, 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"). These 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 9130 and 9111 of the Aviation Safety and Capacity Expansion Act of 1996, 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, 1997, 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 of New Orleans International Airport, and on its compliance with requirements applicable to the Passenger Facility Charge program, and to report on the internal control used in administering 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 over financial reporting relevant to our audit of the financial statements in a separate report dated May 22, 1998.

The management of New Orleans International Airport is responsible for establishing and maintaining internal control over compliance with requirements applicable to the Passenger Facility Charge program. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls. 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, 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, and that the Passenger Facility Charge program is managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control, misstatements due to error or fraud, or instances of non-compliance 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 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 Airport's internal control policies and procedures used in administering the Passenger Facility Charge program would not necessarily disclose all matters in the Airport's internal control that might be 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 over compliance with requirements applicable to the Passenger Facility Charge Program and its operations 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.

Debbie Teachey

May 22, 2008



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

New Orleans International Airport
New Orleans, Louisiana

We have audited the financial statements of New Orleans International Airport ("the Airport") as of and for the year ended December 31, 1997, and have issued our report thereon dated May 21, 1998. 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 generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 New Orleans International 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, 1997, 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 these 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 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 21, 1998

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

YEARS ENDED DECEMBER 31, 1997

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
Airport Terminal Road, Stage I	\$ (1,168,881)	\$ -	\$ -	\$ 65,343	\$ (1,234,224)
North GA Access, Stage I	(4,008,426)			(483,083)	(4,491,509)
Airfield Lighting Control System	(138,270)				(138,270)
Buildings Barriers & Towers	(151,379)				(151,379)
Upgrade Airfield Guidance Sign System	194,504				194,504
East Air Cargo Annex, Stage I	(2,141,686)			328,428	(1,813,258)
First Class Complimentary Program, Phase II, Stage II	(2,183,234)			403,551	(1,779,683)
Admission Removal Program	(2,783,573)			486,338	(2,297,235)
West Terminal Utilities Expansion	(5,933,158)			1,522,349	(4,410,809)
Concourse "D" Reconstruction	(14,333,246)			10,325,903	(4,007,343)
West Terminal Expansion	(8,198,524)			16,834,536	8,636,012
East Side Training (YTB, Runway)	(2,500,811)			223,381	(2,277,430)
East Air Cargo Access Road	(1,182,844)			291,141	(891,703)
North GA Access Road	(184,347)			148,281	(36,066)
Airport Terminal Road, Stage III	-		4,271	(4,271)	-
Other					
PFC Training Costs (insurance costs, debt service charges, travel fees)	(7,795,614)			103,344	(7,692,270)
Interest Revenues on Bond Proceeds net of Interest Expense (1)	(1,493,171)		(982,658)		(2,475,829)
PFC Collections	50,868,260	11,364,325	987,516		63,220,101
Interest Earned on PFC Collections	2,056,241		(1,265,215)		791,026
Other - Airbridge Afters (3)					(1,268,325)
TOTAL	\$112,185,489	\$11,364,325	\$11,810,179	\$14,811,001	\$102,648,120

(1) On December 31, 1994 the Airport issued \$67,050,000 Revenue Bonds 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 payments expected to be collected through December 31, 2008. These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds. Interest revenue from these proceeds was \$1,739,522 and interest expense was \$2,641,578 for 1997.

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

(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 \$1,268,325 as of December 31, 1997.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

QUARTER ENDED MARCH 31, 1997

	Beginning PFC (\$)	PFC Collections	Interest Earned	Expenses	Ending Balance PFC (\$)
Construction Projects					
ABFT (Passenger Board, Stage I)	\$ (1,089,893)	\$ -	\$ -	\$ 11,566	\$ (1,281,457)
North GA Access, Stage I	(4,909,820)			217,874	(5,171,666)
Airfield Lighting Control System	(304,230)				(309,276)
Rebuilds Runways & Taxiways	(251,215)				(251,215)
Trains Airfield Guidance Sign System	(943,326)				(943,326)
East Air Cargo Access, Stage I	(2,341,000)			345,637	(2,005,363)
Fire Code Compliance Program, Phase I, Stage II	(1,363,214)			46,378	(1,409,592)
Adoption Terminal Program	(2,791,570)			59,511	(2,851,081)
West Terminal Utilities Expansion	(5,817,150)			816,468	(6,033,618)
Commuter TP Remodeling	(14,333,280)			4,111,891	(10,221,389)
West Terminal Expansion	(6,398,253)				(6,398,253)
East/West Taxiway (VFR Runway)	(2,905,911)			368,178	(3,274,089)
East Air Cargo Access Road	(1,248,044)			121,147	(1,126,897)
North GA Access Road	(944,187)			76,167	(1,020,354)
		<u>\$1,601,276</u>	<u>\$ (24,979)</u>	<u>\$3,000,296</u>	<u>\$ (21,453,119)</u>
Other					
PFC Financing Costs (interest costs, debt service interest, source fees)	(7,798,664)			57,287	(7,855,377)
Interest Revenue on Bond Proceeds	(4,401,311)		(584,974)		(4,986,285)
Net of Interest Expense (1)	56,808,280	1,601,276			58,409,556
PFC Collections					
Interest Earned on PFC Collections			158,277		158,277
					<u>2,406,522</u>
	<u>\$112,193,979</u>	<u>\$1,601,276</u>	<u>\$ (24,979)</u>	<u>\$3,000,296</u>	<u>\$ (21,453,119)</u>

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(1) On December 31, 1994 the Airport issued \$67,000,000 Revenue Bonds 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 reported to be collected through December 31, 2008. These bonds are also secured by certain Airport funds, including a provision of the Debt Service Reserve Funds. Interest revenue from these proceeds was \$391,620 and interest expense was \$67,566 for the first quarter of 1997.

(2) Beginning and ending balances for individual construction projects (negative amounts) represent job-related expenditures which were funded by PFC revenue or bond proceeds earned by future PFC collections. Beginning and ending balances for interest revenue net of interest expense, PFC collections and interest earned on PFC collections represent full-to-date amounts. This includes debt not which the PFC bond proceeds or the airport borrow.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

QUARTER ENDED JUNE 30, 1997

	Beginning Balance PFC (\$)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (\$)
Construction Projects					
Airiff Access Road, Stage I	\$ (1,191,657)	\$ -	\$ -	\$ 36,368	\$ (1,196,914)
North GA, Access, Stage I	5,137,684			59,124	5,126,838
Airfield Lighting Control System	16,262,278				16,992,718
Aviation Airframe & Turnover	151,1379				151,1379
Aviation Aircraft Guidance Sign System	694,324				694,324
East Air Cargo Access, Stage I	52,141,689			552,628	51,641,896
Aviation Movement Program	5,246,651			216,179	5,069,699
West Terminal Utilition Expansion	5,926,983			59,456	5,886,179
Construction "Y" Expansion/renov	15,119,888			112,381	15,027,123
West Terminal Expansion	11,532,463			1,243,276	10,321,719
East/West Taxiway (WTR Runway)	5,654,599			49,268	5,603,415
East Air Cargo Access Road	5,682,911			122,090	5,463,415
North GA Access Road	651,684			35,124	616,560
Other:					
PFC Financing Costs (construction, debt service interest, various fees)	(7,156,821)			11,524	(7,168,355)
Interest Revenue on Bond Proceeds	(1,798,187)		(84,874)		(1,883,061)
net of Interest Expense (-1)	9,480,466	3,812,168	213,694		42,283,615
PFC Collections	2,696,521				2,642,211
Interest Earned on PFC Collections					
TOTAL:	<u>\$ (28,403,119)</u>	<u>\$ 37,822,168</u>	<u>\$ 146,828</u>	<u>\$ 4,175,431</u>	<u>\$ (1,542,942)</u>

(1) On December 31, 1994 the Airport issued \$17,145,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. These bonds are insured by a pledge of PFC income expected to be collected through December 31, 2008. These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds. Interest revenue from bond proceeds was \$739,933, and interest expense was \$623,166 for the second quarter of 1997.

(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 received by from PFC collections. Beginning and ending balances for interest revenue net of interest expense, PFC collections and interest earned on PFC collections represent like-to-date amounts. This schedule does not include the PFC bond proceeds or the equipment stored.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
 QUARTER ENDED SEPTEMBER 30, 1997

	Beginning Balance PFC (\$)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (\$)
<i>Construction Projects</i>					
ASFF (Passenger Road, Stage I)	\$ (1,239,719)	\$ -	\$ -	\$ 8,491	\$ (1,248,210)
North GA Access, Stage I	(5,238,928)			1,231	(5,237,697)
Airfield Lighting Control System	(239,378)				(239,378)
Rehabilitate Runways & Taxiways	(911,219)				(911,219)
Upgrade Airfield Guidance Sign System	(94,316)				(94,316)
East Air Cargo Access, Stage I	(2,341,000)			45,651	(2,386,651)
First Class Complaisance Program, Phase II, Stage II	(1,495,685)			52,659	(1,548,344)
Airside Removal Program	(5,396,178)			68,581	(5,464,759)
West Terminal Utilities Expansion	(6,037,125)			149,187	(6,186,312)
Concessions "UP" Rehabilitation	(11,322,155)			1,798,238	(13,120,393)
West Terminal Expansion	(11,215,725)			51,272	(11,267,000)
East/West Taxiway (VFR Runway)	(2,665,429)				(2,665,429)
East Air Cargo Access Road	(1,584,148)			41,245	(1,625,393)
North GA Access Road	(650,118)			2,271	(652,389)
Other					
PFC Training Costs (trainer costs, video services, trainer fees)	(7,668,158)			1,278	(7,666,880)
Interest Revenue on Bond Proceeds			(144,324)		(144,324)
Net of Interest Expense (1)	(1,878,981)				(1,878,981)
PFC Collections	45,180,093	2,189,208			47,369,301
Interest Earned on PFC Collections	2,662,179		291,792		2,953,971
TOTAL	\$ (1,652,547)	\$ 2,189,208	\$ 18,484	\$ 2,111,958	\$ (1,456,809)

(1) On December 31, 1994 the Airport issued \$67,818,000 Revenue bonds to underwrite 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 December 1, 2008. These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds. Interest revenue from bond proceeds was \$467,713 and interest expense was \$611,900 for the third quarter of 1997.

(2) Beginning and ending balances for individual construction projects (negative amounts) represent job-to-date expenditures which were funded by PFC revenue or bond proceeds received 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.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

QUARTER ENDED DECEMBER 31, 1997

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ABSP Perimeter Road, Stage 1	\$ (1,248,348)	\$ -	\$ -	\$ 4,885	\$ (1,253,233)
North OA, Apron, Stage 1	(5,233,208)			(28,621)	(5,261,829)
Airfield Lighting Control System	(319,218)				(319,218)
Rebuild-out Runway 6, Taxiways	(311,118)				(311,118)
Upgrade Airfield Guidance Apr System	(98,018)				(98,018)
East Air Cargo Apron, Stage 1	(2,341,898)			75,091	(2,266,807)
The Code Compliance Program, Phase II, Stage II	(2,497,349)			24,949	(2,472,400)
Advanced Removal Program	(2,558,879)			271,264	(2,287,615)
West Terminal Unleaded Expansion	(6,899,328)			381,262	(6,518,066)
Concessions TP Reconstruction	(2,482,979)			1,690,245	(712,734)
West Terminal Expansion	(2,364,163)			26,815	(2,337,348)
East-West Taxiway (PFR Runway)	(2,896,175)			6,899	(2,889,276)
East Air Cargo Access Road	(2,825,482)			26,149	(2,799,333)
North OA Access Road	(892,488)			4,211	(888,277)
ABSP Perimeter Road, Stage II					
Other					
PFC Financing Fees (interest costs, debt service reserves, tuition fee)	(7,478,170)			21,819	(7,456,351)
Interest Revenues on Bond Proceeds			(283,942)		283,942
net of Interest Expense (1)	(2,623,287)	1,180,402			(1,442,885)
PFC Collections	44,072,380		287,817		44,360,197
Interest Earned on PFC Collections			(1,269,219)		1,269,219
Other - AirBridge Return (2)					
TOTAL	\$21,129,289	\$1,180,402	\$41,822,349	\$2,848,124	\$21,431,116

- (1) On December 31, 1994 the Airport issued \$67,150,000 Revenue Bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. These bonds are accounted by a pledge of PFC revenues expected to be collected through December 1, 2008. These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds. Interest revenue from bond proceeds was \$679,215 and interest expense was \$731,197 for the fourth quarter of 1997.
- (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 received by follow 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 amount 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 bonds 1994 Revenue bonds is \$1,506,218 as of December 31, 1997.