

Deloitte & Touche



OFFICIAL
FILE COPY
DO NOT SEND OUT
(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

Deloitte & Touche LLP
Suite 3700
One Shell Square
701 Poydras Street
New Orleans, Louisiana 70139-3700

Telephone: (504) 581-2727
Facsimile: (504) 561-7293

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, 1998, and have issued our report thereon dated May 14, 1999.

We have also audited the Airport's compliance with the requirements governing project cost allowability, Passenger Facility Charge funds used as matching share or as supplemental to Airport Improvement Program funded projects, and special reporting requirements that are applicable to the Passenger Facility Charge program for the year ended December 31, 1998. The management of the Airport, is responsible for the Airport's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with 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 and Reporting Guide for Public Agencies (the "Guide"). Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the Airport, complied, in all material respects, with the requirements governing project cost allowability, Passenger Facility Charge funds used as matching share or as supplemental to Airport Improvement Program funded projects, and special reporting requirements that are applicable to its Passenger Facility Charge program for the year ended December 31, 1998.

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

Deloitte & Touche LLP

May 14, 1999

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.

Deloitte Touche
Tohmatsu

AUG 25 1999

Release Date _____

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
USED IN ADMINISTERING 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, 1998, and have issued our report thereon dated May 14, 1999. 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 14, 1999.

We conducted our audit 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 and Reporting Guide for Public Agencies (the "Guide"). Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, and about whether the Airport complied with the regulations issued by the Federal Aviation Administration of the U. S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, non-compliance with which would be material to the Passenger Facility Charge program.

In planning and performing our audit for the year ended December 31, 1998, we considered the internal control of the Airport in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of the Airport, and on its compliance, with requirements applicable to the Passenger Facility Charge program, 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 policies and procedures relevant to our audit of the financial statements in a separate report dated May 14, 1999.

The management of the Airport is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with 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, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk

that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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

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

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

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

Our consideration of the internal control policies and procedures used in administering the Passenger Facility Charge program would not necessarily disclose all matters in the internal control that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to the Passenger Facility Charge program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operations that we consider to be material weaknesses as defined above.

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

Deloitte + Touche LLP

May 14, 1999



INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY SCHEDULES 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, 1998, and have issued our report thereon dated May 14, 1999. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Airport taken as a whole. The accompanying Schedules of Passenger Facility Charges Collected and Expended for the year and each quarter within the year ended December 31, 1998, which are also the responsibility of management of the Airport, are presented as required by the Federal Aviation Administration of the U. S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 and are not a required part of the basic financial statements. The information in those schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

Deloitte + Touche LLP

May 14, 1999

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED YEAR ENDED DECEMBER 31, 1998

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	\$ (1,255,134)	\$ -	\$ -	\$ 10,004	\$ (1,265,138)
North GA Apron, Stage I	(5,397,833)			16,847	(5,414,680)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(551,319)			145,379	(696,698)
Update Airfield Guidance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,141,606)		9,437		(2,151,043)
Fire Code Compliance Program, Phase II, Stage II	(3,489,642)		251,093		(3,740,735)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,323,476)		1,154		(6,324,630)
Concourse "D" Reconstruction	(15,855,497)		396,118		(16,251,615)
West Terminal Expansion	(16,954,508)		1,742,852		(18,697,360)
East/West Taxiway (VFR Runway)	(2,733,112)		111,264		(2,844,376)
East Air Cargo Access Roads	(2,032,085)		20,150		(2,052,235)
North GA Access Road	(991,638)		47,444		(1,039,082)
ARFF Perimeter Road, Stage II	-		932,094		(932,094)
ARFF Perimeter Road, Stage III	(4,211)		24,345		(28,556)
Upper Level Roadway Canopy	-		162,132		(162,132)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(7,901,958)			177,642	(8,079,600)
Interest Revenue on Bond Proceeds, net of Interest Expense (1)	(2,305,187)		(103,165)		(2,408,352)
PFC Collections	47,972,645	12,231,250			60,203,895
Interest Earned on PFC Collections	3,053,764		813,153		3,866,917
Other - Arbitrage Rebate (3)	(1,906,239)		(282,637)		(2,188,876)
TOTAL	\$ (22,634,126)	\$ 12,231,250	\$ 427,351	\$ 4,047,955	\$ (14,023,480)

(1) On December 31, 1994 the Airport issued \$67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. These bonds are secured by a pledge of PFC revenue expected to be collected through November 1, 2009.

These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds. Interest revenue from bond proceeds was \$2,250,504 and interest expense was \$2,353,669 for 1998.

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

(3) The Airport has issued tax-exempt bonds which are subject to arbitrage regulations of the Internal Revenue Service (IRS), which regulations impose restrictions on the use of proceeds from tax-exempt bonds. The estimated arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is \$2,188,876 as of December 31, 1998.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED QUARTER ENDED MARCH 31, 1998

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	\$ (1,255,134)	\$ -	\$ -	\$ 122	\$ (1,255,256)
North GA Apron, Stage I	(5,397,833)			1,537	(5,399,370)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(551,319)			9,590	(560,909)
Update Airfield Guidance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,141,606)				(2,141,606)
Fire Code Compliance Program, Phase II, Stage II	(3,489,642)			115,610	(3,605,252)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,323,476)			271	(6,323,747)
Concourse "D" Reconstruction	(15,855,497)			98,733	(15,954,230)
West Terminal Expansion	(16,954,508)			652,614	(17,607,122)
East/West Taxiway (VFR Runway)	(2,733,112)			11,353	(2,744,465)
East Air Cargo Access Roads	(2,032,085)			13,082	(2,045,167)
North GA Access Road	(991,638)			1,102	(992,740)
ARFF Perimeter Road, Stage II	-			4,398	(4,398)
ARFF Perimeter Road, Stage III	(4,211)			4,520	(8,731)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(7,901,958)			53,245	(7,955,203)
Interest Revenue on Bond Proceeds net of Interest Expense (1)	(2,305,187)		303,880		(2,001,307)
PFC Collections	47,972,645	2,679,838			50,652,483
Interest Earned on PFC Collections	3,053,764		203,786		3,257,550
Other - Arbitrage Rebate (3)	(1,906,239)				(1,906,239)
TOTAL	\$ (22,634,126)	\$ 2,679,838	\$ 507,666	\$ 966,177	\$ (20,412,799)

(1) On December 31, 1994 the Airport issued \$67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. These bonds are secured by a pledge of PFC revenue expected to be collected through November 1, 2009. These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds. Interest revenue from bond proceeds was \$819,790 and interest expense was \$515,910 for the first quarter of 1998.

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

(3) The Airport has issued tax-exempt bonds which are subject to arbitrage regulations of the Internal Revenue Service (IRS), which regulations impose restrictions on the use of proceeds from tax-exempt bonds. The estimated arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is \$1,906,239 as of March 31, 1998.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED QUARTER ENDED JUNE 30, 1998

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	\$ (1,255,256)	\$ -	\$ -	\$ 24	\$ (1,255,280)
North GA Apron, Stage I	(5,399,370)			2,150	(5,401,520)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(560,909)			68,100	(629,009)
Update Airfield Guidance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,141,606)				(2,141,606)
Fire Code Compliance Program, Phase II, Stage II	(3,605,252)			2,043	(3,607,295)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,323,747)				(6,323,747)
Concourse "D" Reconstruction	(15,954,230)			10,545	(15,964,775)
West Terminal Expansion	(17,607,122)			721,343	(18,328,465)
East/West Taxiway (VFR Runway)	(2,744,465)			6,527	(2,750,992)
East Air Cargo Access Roads	(2,045,167)			1,160	(2,046,327)
North GA Access Road	(992,740)			21,623	(1,014,363)
ARFF Perimeter Road, Stage II	(4,398)			298,108	(302,506)
ARFF Perimeter Road, Stage III	(8,731)			(1,534)	(7,197)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(7,955,203)			(14,441)	(7,940,762)
Interest Revenue on Bond Proceeds net of Interest Expense (1)	(2,001,307)		(226,497)		(2,227,804)
PFC Collections	50,652,483	3,517,634			54,170,117
Interest Earned on PFC Collections	3,257,550		202,393		3,459,943
Other - Arbitrage Rebate (3)	(1,906,239)				(1,906,239)
TOTAL	\$ (20,412,799)	\$ 3,517,634	\$ (24,104)	\$ 1,115,648	\$ (18,034,917)

(1) On December 31, 1994 the Airport issued \$67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. These bonds are secured by a pledge of PFC revenue expected to be collected through November 1, 2009. These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds. Interest revenue from bond proceeds was \$423,720 and interest expense was \$650,217 for the second quarter of 1998.

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

(3) The Airport has issued tax-exempt bonds which are subject to arbitrage regulations of the Internal Revenue Service (IRS), which regulations impose restrictions on the use of proceeds from tax-exempt bonds. The estimated arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is \$1,906,239 as of June 30, 1998.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED QUARTER ENDED SEPTEMBER 30, 1998

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	\$ (1,255,280)	\$ -	\$ -	\$ 9,858	\$ (1,265,138)
North GA Apron, Stage I	(5,401,520)			105	(5,401,625)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(629,009)			42,350	(671,359)
Update Airfield Guidance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,141,606)			9,437	(2,151,043)
Fire Code Compliance Program, Phase II, Stage II	(3,607,295)			132,743	(3,740,038)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,323,747)			883	(6,324,630)
Concourse "D" Reconstruction	(15,964,775)			268,943	(16,233,718)
West Terminal Expansion	(18,328,465)			229,042	(18,557,507)
East/West Taxiway (VFR Runway)	(2,750,992)			78,414	(2,829,406)
East Air Cargo Access Roads	(2,046,327)			1,060	(2,047,387)
North GA Access Road	(1,014,363)			24,719	(1,039,082)
ARFF Perimeter Road, Stage II	(302,506)			309,644	(612,150)
ARFF Perimeter Road, Stage III	(7,197)			5,644	(12,841)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(7,940,762)			4,648	(7,945,410)
Interest Revenue on Bond Proceeds net of Interest Expense (1)	(2,227,804)		39,004		(2,188,800)
PFC Collections	54,170,117	2,613,688			56,783,805
Interest Earned on PFC Collections	3,459,943		196,239		3,656,182
Other - Arbitrage Rebate (3)	(1,906,239)				(1,906,239)
TOTAL	<u>\$ (18,034,917)</u>	<u>\$ 2,613,688</u>	<u>\$ 235,243</u>	<u>\$ 1,117,490</u>	<u>\$ (16,303,476)</u>

(1) On December 31, 1994 the Airport issued \$67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. These bonds are secured by a pledge of PFC revenue expected to be collected through November 1, 2009. These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds. Interest revenue from bond proceeds was \$646,362 and interest expense was \$607,358 for the third quarter of 1998.

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

(3) The Airport has issued tax-exempt bonds which are subject to arbitrage regulations of the Internal Revenue Service (IRS), which regulations impose restrictions on the use of proceeds from tax-exempt bonds. The estimated arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is \$1,906,239 as of September 30, 1998.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED QUARTER ENDED DECEMBER 31, 1998

	Beginning Balance PFC (2)	PFC Collections	Interest Earned	Expenditures	Ending Balance PFC (2)
Construction Projects					
ARFF Perimeter Road, Stage I	\$ (1,265,138)	\$ -	\$ -	\$ -	\$ (1,265,138)
North GA Apron, Stage I	(5,401,625)			13,055	(5,414,680)
Airfield Lighting Control System	(539,278)				(539,278)
Rehabilitate Runways & Taxiways	(671,359)			25,339	(696,698)
Update Airfield Guidance Sign System	(94,326)				(94,326)
East Air Cargo Apron, Stage I	(2,151,043)				(2,151,043)
Fire Code Compliance Program, Phase II, Stage II	(3,740,038)			697	(3,740,735)
Asbestos Removal Program	(3,183,486)				(3,183,486)
West Terminal Utilities Expansion	(6,324,630)				(6,324,630)
Concourse "D" Reconstruction	(16,233,718)			17,897	(16,251,615)
West Terminal Expansion	(18,557,507)			139,853	(18,697,360)
East/West Taxiway (VFR Runway)	(2,829,406)			14,970	(2,844,376)
East Air Cargo Access Roads	(2,047,387)			4,848	(2,052,235)
North GA Access Road	(1,039,082)				(1,039,082)
ARFF Perimeter Road, Stage II	(612,150)			319,944	(932,094)
ARFF Perimeter Road, Stage III	(12,841)			15,715	(28,556)
Upper Level Roadway Canopy	-			162,132	(162,132)
Other					
PFC Financing Costs (issuance costs, debt service reserve, trustee fees)	(7,945,410)			134,190	(8,079,600)
Interest Revenue on Bond Proceeds net of Interest Expense (1)	(2,188,800)		(219,552)		(2,408,352)
PFC Collections	56,783,805	3,420,090			60,203,895
Interest Earned on PFC Collections	3,656,182		210,735		3,866,917
Other - Arbitrage Rebate (3)	(1,906,239)		(282,637)		(2,188,876)
TOTAL	\$ (16,303,476)	\$ 3,420,090	\$ (291,454)	\$ 848,640	\$ (14,023,480)

(1) On December 31, 1994 the Airport issued \$67,850,000 Revenue bonds in order to pay or reimburse the Airport for the cost of construction of certain projects approved by the FAA. These bonds are secured by a pledge of PFC revenue expected to be collected through November 1, 2009. These bonds are also secured by certain Airport funds, including a portion of the Debt Service Reserve Funds. Interest revenue from bond proceeds was \$360,632 and interest expense was \$580,184 for the fourth quarter of 1998.

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

(3) The Airport has issued tax-exempt bonds which are subject to arbitrage regulations of the Internal Revenue Service (IRS), which regulations impose restrictions on the use of proceeds from tax-exempt bonds. The estimated arbitrage rebate liability for the Airport's Series 1994 Revenue bonds is \$2,188,876 as of December 31, 1998.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 1998

98-1 Quarterly Reports

Condition:

The Passenger Facility Charge ("PFC") quarterly report for the quarter ended December 31, 1998 was not filed with the Federal Aviation Administration ("FAA") or provided to the collecting carriers by January 31, 1999. The report was sent to the FAA and the collecting carriers on February 25, 1999.

Criteria:

Section 158.63(b) of the Department of Transportation FAA 14 CFR Part 158, Subpart D requires that the report shall be filed on or before the last day of the calendar month following the calendar quarter or other period agreed by the public agency and collecting carrier.

Effect:

The PFC report for the quarter ended December 31, 1998 was not filed timely.

Cause:

During fiscal year 1998, there was turnover at the Program Manager (Airport Management Consultants) which resulted in the Airport having instances of noncompliance with the requirements of the Passenger Facility Charge program. Subsequent to year-end, a former key employee had been rehired.

Recommendation:

In the future, the Airport should file these quarterly reports with the FAA and provide these quarterly reports to the collecting carriers on a timely basis.

Management's Response:

Airport Management Consultants ("AMC") has been advised that all PFC regulations pertaining to timely reporting and accurate accounting must be followed. AMC has completed the task of employing additional personnel to handle various accounting and reporting requirements.

The New Orleans Aviation Board has commissioned a compensation study which is in progress. Additional management positions and salary adjustments are being studied which will allow the New Orleans Aviation Board to recruit and retain additional qualified employees.

98-2 Eligibility Percentage

Condition:

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

Criteria:

Section 158.13 of the Department of Transportation FAA 14 CFR Part 158, Subpart A states that PFC revenue may be used only to finance the allowable costs of approved projects.

Effect:

Error resulted in \$39,252 of ineligible costs being charged to the PFC portion of this project in the March 31, 1998 quarterly report. This error was corrected by the Airport in the September 30, 1998 quarterly report. Note that in our report dated May 14, 1999 on the Supplementary Schedules of Passenger Facility Charges Collected and Expended the error was corrected in the March 31, 1998 quarterly report.

Cause:

During fiscal year 1998, there was turnover at AMC which resulted in the Airport having instances of noncompliance with the requirements of the Passenger Facility Charge program. Subsequent to year-end, a former key employee had been rehired.

Recommendation:

The Airport should review eligibility percentage calculations to ensure only eligible costs are charged to the PFC portion of the projects.

Management's Response:

See previous response.

98-3 Coding

Condition:

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

Criteria:

Section 158.13 of the Department of Transportation FAA 14 CFR Part 158, Subpart A states that PFC revenue may be used to finance the allowable costs of approved projects.

Effect:

Costs of \$239 were incorrectly coded to ARFF Perimeter Road, Stage III Project. Amount should have been charged to the ARFF Perimeter Road, Stage II Project in the December 31, 1998 quarterly report. This error was corrected by the Airport in the March 31, 1999 quarterly report. Note that in our report dated May 14, 1999 on the Supplementary Schedules of Passenger Facility Charges Collected and Expended the error was corrected in the December 31, 1998 quarterly report.

Cause:

During fiscal year 1998, there was turnover at AMC which resulted in the Airport having instances of noncompliance with the requirements of the Passenger Facility Charge program. Subsequent to year-end, a former key employee had been rehired.

Recommendation:

The Airport should adhere to its policies and procedures regarding processing invoices to prevent this type of error occurring in the future.

Management's Response:

See previous response.

98-4 Financing Costs

Condition:

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

Criteria:

Section 158.3 of the Department of Transportation FAA 14 CFR Part 158, Subpart A defines bond financing costs and debt service for interest as two separate items.

Effect:

Issuance costs of \$134,133 related to the amendment of the 1994 PFC bonds were reflected in the December 31, 1998 quarterly report as interest cost rather than issuance costs. Error was corrected by the Airport in the March 31, 1999 quarterly report. Note that in our report dated May 14, 1999 on the Supplementary Schedules of Passenger Facility Charges Collected and Expended the error was corrected in the December 31, 1998 quarterly report.

Cause:

During fiscal year 1998, there was turnover at AMC which resulted in the Airport having instances of noncompliance with the requirements of the Passenger Facility Charge program. Subsequent to year-end, a former key employee had been rehired.

Recommendation:

The Airport should review all financing costs to ensure that they are properly reflected in the quarterly reports.

Management's Response:

See previous response.

98-5 Project Costs

Condition:

Costs incurred in the fourth quarter of 1998 which related to the ARFF Perimeter Road, Stage II Project were excluded from the December 31, 1998 quarterly report.

Criteria:

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

Effect:

Costs of \$253,044 related to the ARFF Perimeter Road, Stage II Project were excluded from the December 31, 1998 quarterly report. Error was corrected by the Airport in the March 31, 1999 quarterly report. Note that in our report dated May 14, 1999 on the Supplementary Schedules of Passenger Facility Charges Collected and Expended the error was corrected in the December 31, 1998 quarterly report.

Cause:

During fiscal year 1998, there was turnover at AMC which resulted in the Airport having instances of noncompliance with the requirements of the Passenger Facility Charge program. Subsequent to year-end, a former key employee had been rehired.

Recommendation:

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

Management's Response:

See previous response.

NEW ORLEANS INTERNATIONAL AIRPORT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 1998

There were no findings for the year ended December 31, 1997.