LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Proprietary Component Unit of the City of New Orleans)

Financial Statements and Supplemental Schedules

December 31, 2005 and 2004

(With Independent Auditors' Report Thereon)

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
A Proprietary Component Unit of the City of New Orleans)

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KPMG LLP
Suite 2900
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New Orleans, LA 70112

Independent Auditors' Report

New Orleans Aviation Board
Louis Armstrong New Orleans International Airport:

We have audited the accompanying financial statements of the Louis Armstrong New Orleans International Airport (the Airport), a proprietary component unit of the City of New Orleans, as of December 31, 2005 and 2004 and for the years then ended, as listed in the foregoing table of contents. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Louis Armstrong New Orleans International Airport as of December 31, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the financial statements, during 2005, the Airport adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures,* an amendment of GASB Statement No. 3, *Deposits with Financial Institutions*, *Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.*

The information in the Management Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules 1 and 2 have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. Schedule 3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2007, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

New Orleans, Louisiana
July 26, 2007

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(a Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2005 and 2004

(Unaudited)

This narrative discussion and analysis is intended to serve as an introduction to the Louis Armstrong New Orleans International Airport's basic financial statements for the fiscal years ended December 31, 2005 and 2004, with selected comparative information for the fiscal year ended December 31, 2003. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information found in this report.

Overview of the Financial Statements

The Louis Armstrong New Orleans International Airport (the Airport) is structured as an enterprise fund. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated, except for land, over their useful lives. See the notes to the financial statements for a summary of the Airport's significant accounting policies.

Following this Management Discussion and Analysis (MD&A) are the basic financial statements and supplemental schedules of the Airport. This information taken collectively is designed to provide readers with an understanding of the Airport's finances.

The balance sheets present information on all of the Airport's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Airport's financial position.

The statements of revenues, expenses, and changes in net assets present information showing how the Airport's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods.

The principal operating revenues of the Airport are from sources such as airlines, concessions, rental cars, and parking. Investment income, passenger facility charges, federal grants, and other revenues not related to the operations of the Airport are nonoperating revenues. Operating expenses include the cost of airport and related facilities maintenance, administrative expenses, and depreciation on capital assets. Interest expense and financing costs are nonoperating expenses.

The statements of cash flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Airport's cash accounts are recorded in these statements. A reconciliation is a part of these statements to assist in the understanding of the difference between cash flows from operating activities and operating loss.

Financial Highlights

On August 29, 2005, parts of the Louisiana and Mississippi Gulf Coast area were devastated by Hurricane Katrina. The City of New Orleans was particularly impacted as well as the Airport. As a result of the hurricane, there has been a significant financial impact on the Airport as can be seen on the following financial statements. The Airport incurred only minor damages to property and equipment, however, the biggest financial impact to the Airport was a result of the lack of operations due to the complete shutdown of the Airport. Following the hurricane, the normal activities at the Airport were discontinued until September 13, 2005 and remained at a reduced level for the remaining three and a half months of the year ending December 31, 2005. In response to the issues faced by the Airport, the New Orleans Aviation Board (the Board) has taken the following actions:

1. The Katrina Emergency Response Team (KERT) was created to monitor the temporary and permanent repairs to Airport facilities. The rehabilitation program is currently estimated to cost approximately $27.5 million and will be funded by proceeds from Federal Emergency Management Assistance (FEMA) grants, Federal Aviation Administration grants, and insurance proceeds. Permanent construction is anticipated to be completed by February 2008. The Airport incurred $803,500 of Katrina-related expenses as of December 31, 2005. The majority of these expenses related to temporary housing, janitorial clean-up, food supplies, and electric utilities. As of December 31, 2005, FEMA had reimbursed the Airport for $795,000 of the expenses incurred. The Airport sustained minor damages to its capital assets and as a result did not have to apply the provisions of Governmental Accounting Standards Board No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries (GASB Statement No. 42)*. The Airport received $500,000 of insurance proceeds which represent advances on business interruption claims and are included in operating revenues.

2. In November 2005, the Board approved a financial plan which is intended to provide a roadmap for how the Airport will manage its financial operations during the recovery from the impact of Hurricane Katrina. It included cash flow projections based on certain growth scenarios related to expenses, debt obligations, passenger growth projections, and nonairline revenues. The plan discusses meeting its operating needs by utilizing available cash balances, federal borrowings and grants, possible debt restructuring, and a working capital credit facility. The Board has been authorized to receive up to a maximum of $28,000,000 from the FEMA Community Development Loan Program. In addition, the Board has requested participation in the Gulf Tax Credit Bond Program sponsored by the state of Louisiana in an amount not exceeding $36,000,000. The plan will be updated periodically.

3. The Airport was in the process of negotiating a new Commercial Airline Lease with the airline transportation companies as the current lease had expired on December 31, 2004. The fees charged to the airline transportation companies for the period January 1, 2005 to June 30, 2005 were consistent with those of the expired Commercial Airline Lease. In July and August 2005, the draft lease agreement rates were implemented, while lease negotiations continued. No fees were charged to the air carriers for the month of September 2005. After Katrina, the Board determined that it was no longer feasible to continue to operate the Airport pursuant to the terms of the expired Commercial Airline Lease due to the reduced flight operations and enplanements. After consultation with the Air

Transportation Companies operating at the Airport, the Board approved the "Rates by Resolution," which established a flat rate per enplaned passenger and a set landing fee per 1,000 pounds of gross maximum landed weight. The Board and the airline transportation companies determined that the level of rates, fees, and charges established by the resolution, while not initially self-sustaining, were deemed to be the highest that could be imposed under the present conditions to assure the continuation of air service for the region. The rates are subject to modifications as the conditions improve in the operations of the airline. Pre-Katrina, the Airport had 162 daily departures to 42 cities with 21,000 average daily seats. As of December 2006, the service level was 110 daily departures to 31 cities with 12,962 average daily seats. In order to encourage additional air service, the Board has instituted an incentive plan that became effective January 1, 2007. As of June 30, 2007, the service level is 122 daily departures to 37 cities with 14,113 average daily seats.

The Rates by Resolution agreement was approved by the Board and the Airline Transportation Companies and became effective October 1, 2005, which set rates at $8.00 per enplaned passenger and a landing fee of $1.07 per 1,000 pounds of gross maximum landed weight. As a result of the reduced operating revenues, the Airport determined that it would be unable to meet the debt service coverage ratio of 125% as required under the bond indenture for the Refunding and Revenue Bonds. As a result, the Board adopted the "Rollover Coverage Resolution" as an amendment to the Rates by Resolution, which allows the Airport to include a specific amount of rollover coverage as revenues in the calculation of the debt service coverage ratio for each of the three fiscal years ending December 31, 2005, 2006, and 2007. The bond indenture allows for rollover coverage to be included in the covenant calculation in accordance with the Commercial Airline Lease. The bond indenture defines the Commercial Airline Lease as the previously existing lease that expired on December 31, 2004 or "in the event there is at any time no such lease in existence than it shall include the resolution or other proceedings adopted by the Board prescribing the effective rates and charges for the services, commodities and facilities of the Airport system." The Airports calculation of the Historical Debt Service Coverage Ratio, as presented in the Supplemental Schedule III to the financial statements, is 129% for the year ended December 31, 2005. The Airport is current on all debt service payments as required by the bonds and there has been no documented correspondence from the Bond Insurers or Bond Holders regarding noncompliance with debt service coverage covenant.

4. The Board instituted a major cost reduction plan that included a lay off of approximately 50% of the employees. In addition other costs are being monitored to insure they are reasonable and necessary.

- The assets of the Airport exceeded its liabilities at December 31, 2005 and 2004 by $329,791,194 and $324,804,660, respectively. Of these amounts, $28,780,518 and $35,830,952 may be used to meet the Airport's ongoing obligations to its passengers, tenants, and creditors.
- The Airport's increase in net assets was $4,986,534 (2%) for fiscal year 2005 and $3,349,086 (1%) for fiscal year 2004. These increases were due primarily to the increase in capital assets, net of related debt funded by capital grants.
- The Airport's total debt increased by $39,043,340 (23%) during the current fiscal year. The key factor in this increase was the $48,227,412 Drawdown Bond Facility, Series 2004A which was offset by the payment of principal in the amount of $10,590,000 of the Refunding Bonds, Series

1993B-C, 1995A, and 1997A; 1997B Revenue Bonds; and the 1999 Revenue Refunding Bonds plus the amortization of loss on the advance refunding and discount on bonds in the amount of $1,405,928.

- Operating revenues decreased by $13,447,566 (20%) over the prior year due mainly to the impact of Hurricane Katrina and the implementation of the rates by resolution, particularly in the areas of airline landing fees in the amount of $10,669,626 (42%) and nonairline revenue in the amount of $2,164,621 (10%).
- Operating expenses before depreciation and amortization increased by $2,644,708 (6%) over the prior year. This increase was due primarily in the category of the Capital Improvement Fund in the amount of $7,719,878 whose costs were determined to be expenses. These increases were offset by decreases in a variety of other expense categories.
- Capital contributions increased $22,185,593 (764%) this fiscal year due to the increase in construction projects being funded by federal grants.

Financial Position

Total assets increased by $51,109,370 (10%) this year due primarily to an increase in capital assets. Net capital assets increased by $43,363,233 (11%, related to the completion of the new runway rehabilitation and the write-off of the old runway costs.

Current liabilities are higher this fiscal year by $7,749,496 (39%) due primarily to an increase of $5,782,225 (143%) in accounts payable, an increase of $1,639,379 (115%) in Capital Projects Payable, and offset by a $132,887 (6%) decrease in accrued salaries and other compensation. Total long-term liabilities have increased due to the 2004 Drawdown Facility Bonds used to rebuild Runway 10/28. This increase is offset by principal payments on the existing outstanding bonds.

The largest portion of the Airport's net assets, $236,180,102 (72%) for 2005 and $229,645,667 (71%) for 2004, represents its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The Airport uses these assets to provide services to its passengers, visitors, and tenants of the airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Airport's net assets, $64,830,574 (20%) for 2005 and $59,328,041 (18%) for 2004, represents resources that are subject to restrictions from contributors, bond resolutions, and state and federal regulations on how they may be used. The remaining balance of unrestricted net assets, $28,780,518 (9%) for 2005 and $35,830,952 (11%) for 2004, may be used to meet the Airport's ongoing obligations.

At the end of the current and previous fiscal year, the Airport reported positive balances in all three categories of net assets.

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(a Component Unit of the City of New Orleans)

Management's Discussion and Analysis

December 31, 2005 and 2004

(Unaudited)

Summary of Net Assets (in thousands)

		2005	2004	2003
Assets:				
Current and other assets	$	115,997	108,251	104,200
Net capital assets		436,369	393,006	404,849
Total assets		552,366	501,257	509,049
Liabilities:				
Current liabilities		27,424	19,675	21,632
Long-term liabilities		195,151	156,777	165,962
Total liabilities		222,575	176,452	187,594
Net assets:				
Invested in capital assets, net of debt		236,180	229,646	229,388
Restricted		64,831	59,328	55,035
Unrestricted		28,780	35,831	37,033
Total net assets	$	329,791	324,805	321,456

Airlines Rates and Charges

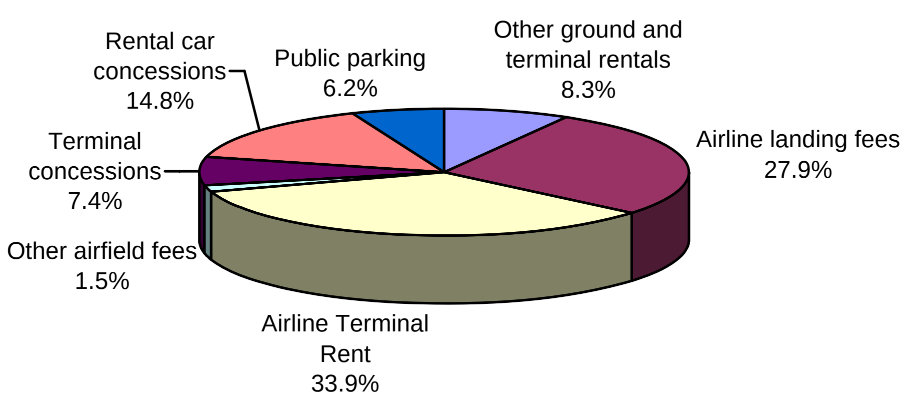
The Airport had negotiated and executed an Airline Operating Agreement and Terminal Building Lease in effect with the airlines known collectively as the Signatory Airlines. This agreement established the rates and charges methodology for the Signatory Airlines and their affiliates each year. This agreement remained in effect until December 30, 2004. The Airport was in lease negotiations with the airlines during 2005 and had agreed in principle to the terms of the new lease. The rates for the first six months of 2005 were carried over from 2004. In July and August 2005, the draft lease agreement rates were implemented, while lease negotiations continued. Due to Hurricane Katrina, no fees were charged to the air carriers for the month of September 2005. The Board, with the agreement of the air carriers, went to Rates by Resolution in October 2005 by charging $8.00 per enplaned passenger and a landing fee of $1.07 per 1,000 pounds of gross maximum landed weight. Landing fees for nonscheduled airlines are assessed 115% of the signatory rates in addition to a $0.04 per gallon fuel flowage fee.

		10/05-12/05	7/05-8/05	1/05-6/05	2004
Signatory Airlines rates and charges:					
Main terminal average square foot rate	$	—	120.91	61.71	61.71
Concourses A and B average square foot rate		—	—	45.22	45.22
Concourses C and D average square foot rate		—	—	65.31	65.31
Rates by resolution (per enplaned passenger)		8.00	—	3.61	3.61
Landing fee–per 1,000 lbs. unit		1.07	1.07	—	—

Revenues

The following chart shows major sources and the percentage of operating revenues for the year ended December 31, 2005.

Operating Revenue



Operating Revenues by Major Source (in thousands)

		2005	2004	2003
Passenger and cargo airlines:				
Airline landing fee payments	$	14,905	25,574	26,299
Airline terminal rental payments		18,095	18,220	16,289
Ground rents		70	76	76
Other rentals and fees		723	705	612
Total passenger and cargo airlines		33,793	44,575	43,276
Nonairline rentals:				
Concessions–terminal		3,962	4,763	4,891
Concessions–rental car		7,924	8,134	8,111
Public parking		3,331	4,049	5,235
Other rentals and fees		3,916	4,853	4,843
Business interruption insurance income		500	—	—
Total nonairline rentals		19,633	21,799	23,080
Total operating revenues	$	53,426	66,374	66,356

2005 vs. 2004

Due to airline lease negotiations, the Board and the signatory air carriers agreed to retain the rates and charges in effect for 2004. An agreement was reached in principle concerning the new lease and in July 2005 the new rates were implemented. The new rates were invoiced for July and August 2005. In the aftermath of Hurricane Katrina, the Board and the air carriers agreed to go to rates by resolution in lieu of a lease agreement with the signatory carriers. There was a decrease in landing fee payments of $10,669,626 (42%) over the prior year as a result of the new rates and Hurricane Katrina. Airline terminal rentals decreased by 125,481 (1%). Nonairline revenue decreased by $2,164,621 (10%).

2004 vs. 2003

Airline revenues are the major source of revenue for the Airport. Effective January 1, 2004, new rates and charges were implemented. There was a decrease in landing fee payments of $724,980 (3%) over the prior year as a result of a rate decrease. Airline terminal rentals had an increase of $1,930,984 (12%) as a result of an increase in rental rates. Other rentals and fees were higher this year over the prior year due to an increase in fuel flowage fees from nonsignatory carriers. Nonairline revenues decreased slightly due to a decrease in terminal concession revenue. There was a decrease in parking revenue due to the opening of the new long-term garage, which is operated by a nonprofit corporation.

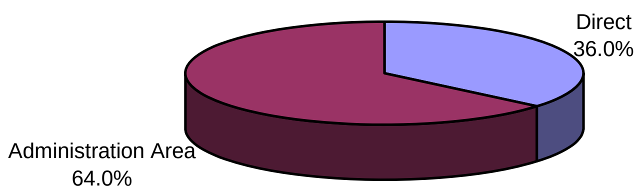
Cost per enplaned passenger is a measure used by the airline industry to reflect the costs an airline pays to operate at an airport based upon the number of enplaned passengers for that airport. The cost per enplaned passenger decreased from $9.18 in 2003 to $9.01 in 2004 and then decreased again in 2005 to $8.45.

		2005	2004	2003
Cost per enplaned passenger				
Airline revenues (in thousands)	$	33,000	43,794	42,588
Enplaned passengers (in thousands)		3,904	4,859	4,637
Cost per enplaned passenger		8.45	9.01	9.18

Expenses

The following chart shows major expense categories and the percentage of operating expenses for the year ended December 31, 2005.

Operating Expenses (Excluding Depreciation)



Operating Expenses before Depreciation (in thousands)

		2005	2004	2003
Direct (airfield, terminal building and area, hangars, leased sites, heliport)	$	17,282	21,100	20,845
Administration area		30,239	23,776	22,577
	$	47,521	44,876	43,422

2005 vs. 2004

The operating expenses before depreciation of the Airport increased by $2,644,708 (6%) over the prior year due mainly to costs in the Capital Improvement Program in the amount of $7,719,878 that were determined to be expenses. This increase was offset by decreases in a variety of other expense categories.

2004 vs. 2003

The operating expenses before depreciation of the Airport increased by $1,454,280 (3%) over the prior year due mainly to an increase in airport planning and other professional fees in the amount of $458,163 (20%), legal services in the amount of $198,873 (43%), and bad debt expense in the amount of $786,702 (3,594%). These increases were offset by decreases in a variety of other expense categories.

Nonoperating Revenues, Net

2005 vs. 2004

Nonoperating revenues, net consists mainly of passenger facility charge (PFC) revenue, investment income, FAA grant revenue, and interest expense. PFC revenue decreased (23%) from $19,546,516 in 2004 to $15,069,767 in 2005 in the aftermath of Hurricane Katrina. Investment income increased by (210%) from $843,304 in 2004 compared to $2,615,301 in 2005 due to favorable interest rates. FAA grant revenue increased (by 764%) from $2,904,757 in 2004 to $25,090,350 in 2005 due mainly to grant revenue for Runway 10/28. Interest expense and bond costs increased (2%) from $12,464,002 in 2004 to $12,681,302 in 2005 as a result of financing costs and interest expense.

2004 vs. 2003

Nonoperating revenues, net consists mainly of PFC revenue, investment income, and interest expense. PFC revenue increased 5% from $18,683,709 in 2003 to $19,546,516 in 2004 due to an increase in passengers. Investment income increased by 7% from $790,072 in 2003 compared to $843,304 in 2004. Interest expense decreased by 4% from $12,917,466 in 2003 to $12,464,002 in 2004.

Total Revenues and Expenses

The following table reflects the total revenues and expenses for the Airport (in thousands)

		2005	2004	2003
Total operating revenues	$	53,426	66,374	66,356
Total nonoperating revenues		17,685	20,389	19,582
Total revenues	$	71,111	86,763	85,938
Total operating expenses	$	75,939	73,498	68,979
Total nonoperating expenses		15,276	12,821	13,363
Total expenses	$	91,215	86,319	82,342

Summary of Changes in Net Assets (in thousands)

		2005	2004	2003
Summary of changes in net assets:				
Operating revenues	$	53,426	66,374	66,356
Operating expenses		47,521	44,876	43,422
Operating income before depreciation and amortization		5,905	21,498	22,934
Depreciation and amortization		28,418	28,622	25,557
Operating loss		(22,513)	(7,124)	(2,623)
Nonoperating revenues, net		2,409	7,568	6,219
(Loss) income before capital contributions and transfers		(20,104)	444	3,596
Capital contributions		25,090	2,905	21,694
Change in net assets	$	4,986	3,349	25,290

Operating income before depreciation and amortization decreased $15,592,275 or (73%) over last fiscal year. Depreciation and amortization expense decreased $203,830 (0.7%). Capital contributions increased by $22,185,593 (764%) mainly due to receipt of FAA grants for the rehabilitation of Runway 10/28. Capital Contributions are composed of federal grants, which are being received to fund construction and reconstruction of runways and roads at the Airport, and for the Sound Insulation Program. Capital grants were lower in 2004 due to the fact that various projects were in the planning and design stages.

Capital Assets

The Airport's investment in capital assets can be noted in the following table. The total increase for this fiscal year was 7% before accumulated depreciation and amortization. Major capital asset events occurring this fiscal year include the following:

- Land increased by $453,031 as a result of the purchase of property for the Land Acquisition Program.
- Air rights increased mainly as a result of the Residential Sound Insulation Program at a cost of $1,603,658.
- Land Improvements increased mainly as a result of the final completion costs of the rehabilitation of the East West Runway 10/28 in the amount of $65,709,958, West Air Cargo for $1,302,449, North Canal for $8,086,820, Flood Gate for $4,421,808 and was offset by retiring costs of $26,809,390.
- Buildings and Furnishing increased $1,905,393 mainly as a result of Critical Maintenance Analysis in the amount of $877,176, the Food and Beverage Improvements project for $568,360 and West Terminal Passenger Bridges for $179,528.

- Construction in Progress decreased due to the completion of the above projects netted against the increase in ongoing projects.

More detailed information on capital assets can be found in note 4 of the accompanying financial statements.

Net Capital Assets (in thousands)

		2005	2004	2003
Land	$	89,501	89,517	85,348
Air rights		12,289	10,686	10,730
Land improvements		319,911	265,035	258,703
Buildings and furnishings		291,497	289,592	268,327
Equipment		6,268	6,000	6,048
Utilities		7,786	7,786	7,786
Heliport		3,067	3,067	3,067
Construction in process		12,683	24,483	39,525
Total capital assets		743,002	696,166	679,534
Less accumulated depreciation and amortization		306,634	303,160	274,685
Net capital assets	$	436,368	393,006	404,849

Debt Activity

At the end of the current fiscal year, the Airport had total debt outstanding of $206,410,674. The majority of the Airport's debt represents bonds secured solely by operating revenue. The remainder represents bonds payable from PFC Revenue.

Outstanding Debt (in thousands)

		2005	2004	2003
Bonds:				
Refunding Bonds 1993B - C, 1995 and 97A	$	132,440	141,460	149,930
Revenue Bonds 1997B		12,110	12,345	12,570
Revenue Refunding Bonds 1999 (PFC)		28,625	29,960	31,235
Drawdown Bond Facility 2004A		48,228	—	—
Unamortized bond discount		(446)	(477)	(509)
Unamortized loss on advanced refunding		(14,546)	(15,921)	(17,295)
	$	206,411	167,367	175,931

The Airport's total debt increased $39,043,340 (23%) during the current fiscal year due to the 2004A Drawdown Bond Facility for the rehabilitation of Runway 10/28. The total was decreased by the maturity of $10,590,000 of principal payments netted against the amortization of a bond discount and loss on advance refunding of $1,405,928.

More detailed information on long-term debt can be found in note 5 of the accompanying financial statements.

Debt Service Coverage

Airport revenue bond covenants require that revenues available to pay debt service, as defined in the bond resolution, are 125% or greater than the debt service on the airport refunding and revenue bonds. The bond resolution for the revenue refunding bonds has a remaining ratio requirement of 105% or greater obtained by dividing the available amount by the cumulative debt amount. Coverage ratios for the past three years are shown in the following table.

The Board approved the rates and charges resolution in November 2005, which significantly reduced the amounts charged to the air transportation companies. As a result of the drastic reductions in flight operations and enplanements resulting from Hurricane Katrina, it was not feasible to continue to operate the Airport pursuant to a residual financial agreement. As a result of the reduced operating revenues, the Airport would not be able to meet the debt service coverage ratio of 125% as required under the general revenue bond trust indenture. In November 2006, the Board approved the Rollover Coverage Resolution, which allowed the Airport to provide for $9,000,000 of rollover coverage in the 2005 debt service coverage ratio calculation. As a result of the rollover coverage the Airport is in compliance with the debt service coverage ratio at December 31, 2005.

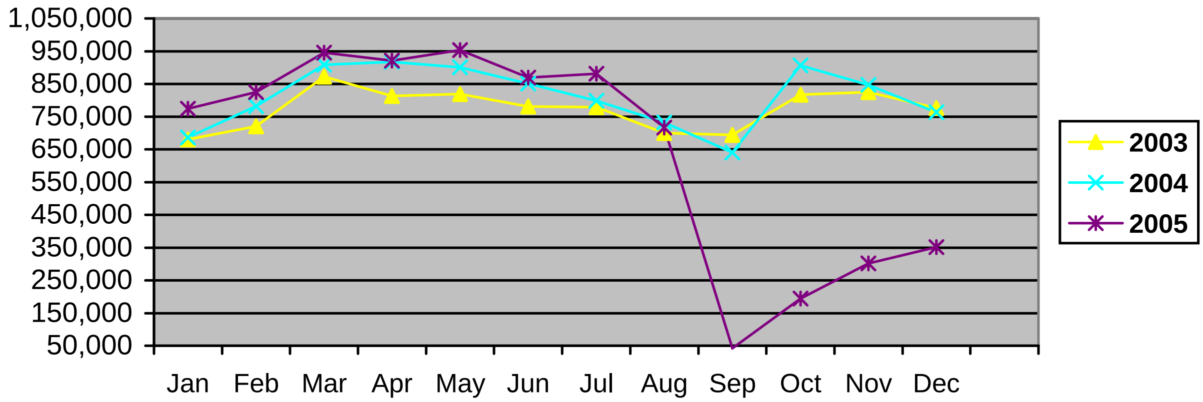
	2005	2004	2003
Refunding Bonds and Revenue Bonds	129%	130%	129%
Revenue Refunding Bonds	124%	124%	124%

Airport Activities and Highlights

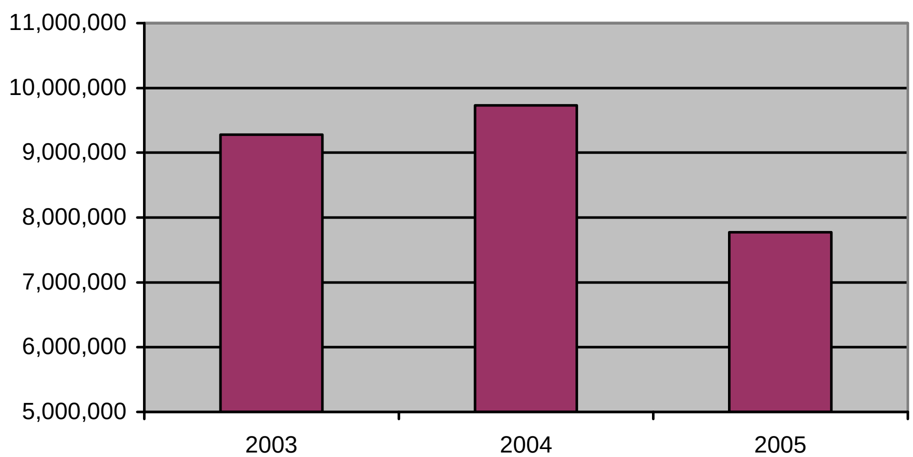
Passenger totals for 2005 decreased by 1,958,032 (20%) over 2004 due to the impact of Hurricane Katrina. Since the airport resumed air service in September 2005, air carrier operations have continued to increase as flights and destinations have been added. Passenger totals for 2004 increased by 457,489 (5%) over 2003. During 2004, JetBlue increased service to New York, JFK. Service was regained to Kansas City as Midwest Airlines reentered the New Orleans market. In addition, Southwest Airlines began nonstop service to Philadelphia. US Airways reconfirmed their commitment to the New Orleans Market by increasing service to Charlotte, Philadelphia, and Washington National Airport. Increases from 2004 are offset by decreases in service from prior years. In 2003, Delta Air Lines added seven new flights to Dallas-Fort Worth and three daily nonstop flights to Orlando. In addition, Continental Airlines increased service by adding two daily flights to Cleveland. The aircraft landed weights decreased by 2.7% in 2003, decreased by less than 1% in 2004 and decreased by 22% in 2005.

The Airport is continuing a program to rehabilitate aging infrastructure to meet current demands. Work has been completed on rehabilitating runway 10/28. In addition, the Airport is in the design stage on two projects: replacing loading bridges and expanding concourse D.

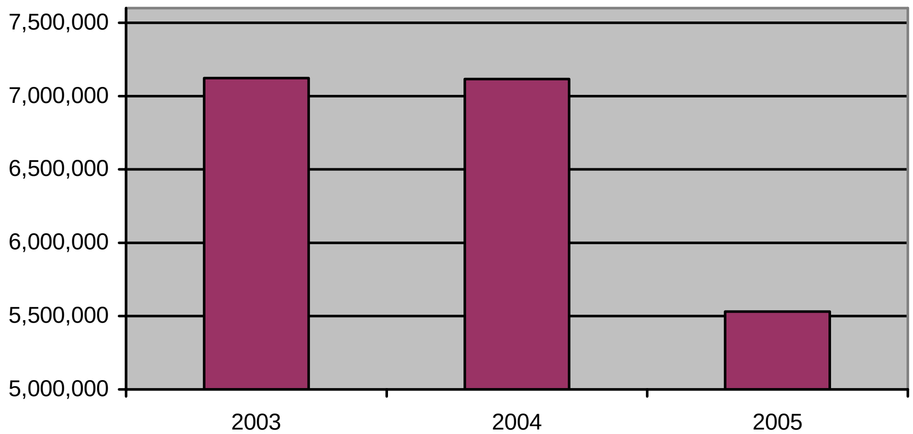
Total passengers



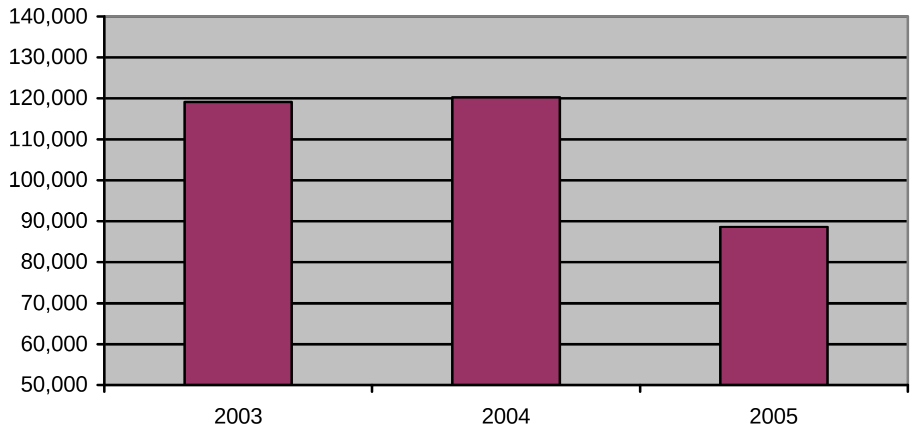
Total passengers



Landed weight



Passenger flight operations



Selected statistical information about total passengers, aircraft landed weight, and air carrier operations for the past three years are presented in the table below.

Fiscal year	Total passengers	Aircraft landed weight (1,000 pound units)	Air carrier operations
2003	9,275,690	7,123,725	119,127
2004	9,733,179	7,116,188	120,283
2005	7,775,147	5,531,834	88,628

Requests for Information

This financial report is designed to provide a general overview of the Airport's finances. Questions concerning any of the information should be addressed to the Deputy Director of Finance and Administration, Louis Armstrong New Orleans International Airport, Post Office Box 20007, New Orleans, Louisiana 70141.

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Balance Sheets

December 31, 2005 and 2004

Assets		**2005**	**2004**
Current assets:			
Unrestricted assets:			
Cash (note 2)	$	8,076,802	10,304,151
Accounts receivable, less allowance for doubtful accounts of $3,010,940 ($2,018,978 in 2004)		10,149,597	8,330,899
Investments (note 2)		21,317,599	20,841,461
Interest receivable		214,225	130,599
Inventory of materials and supplies		120,319	129,249
Prepaid expenses and deposits		556,276	1,429,875
Due from City of New Orleans		77,212	8,927
Total unrestricted assets		40,512,030	41,175,161
Restricted assets (notes 2, 3, and 5):			
Cash		214,939	47,685
Investments		15,725,426	10,117,842
Passenger facility charges receivable		1,253,380	2,727,813
Capital grant receivable		918,602	883,702
Total restricted assets		18,112,347	13,777,042
Total current assets		58,624,377	54,952,203
Noncurrent assets:			
Long-term investments (note 2):			
Investments, unrestricted		430,550	849,885
Investments, restricted		53,721,973	48,710,177
Total long-term investments		54,152,523	49,560,062
Capital assets (note 4):			
Capital assets not being depreciated		102,183,947	114,000,052
Capital assets being depreciated		640,818,543	582,165,373
Less accumulated depreciation		(306,633,677)	(303,159,845)
Total capital assets, net		436,368,813	393,005,580
Prepaid insurance on revenue bonds, less accumulated amortization of $892,644 ($808,174 in 2004)		953,215	1,037,685
Deferred cost of bond issuance, less accumulated amortization of $1,670,342 ($1,473,818 in 2004)		2,267,263	2,701,291
Total noncurrent assets		493,741,814	446,304,618
Total assets	$	552,366,191	501,256,821

(Continued)

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Balance Sheets

December 31, 2005 and 2004

Liabilities and Net Assets	**2005**	**2004**
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 6,904,029	3,630,331
Due to City of New Orleans	324,218	5,588
Accrued salaries and other compensation	2,002,930	2,135,817
Capital projects payable	80,800	126,049
Total current liabilities (payable from unrestricted assets)	9,311,977	5,897,785
Payable from restricted assets:		
Accounts payable	2,930,885	422,358
Accrued bond interest payable	930,421	1,458,272
Bonds payable, current portion (note 5)	11,260,000	10,590,000
Capital projects payable	2,991,040	1,306,412
Total current liabilities (payable from restricted assets)	18,112,346	13,777,042
Total current liabilities	27,424,323	19,674,827
Noncurrent liabilities:		
Bonds payable, less current portion, unamortized loss on advance refunding and unamortized discount (note 5)	195,150,674	156,777,334
Total liabilities	222,574,997	176,452,161
Net assets:		
Invested in capital assets, net of related debt	236,180,102	229,645,667
Restricted for:		
Debt service	13,332,098	13,872,918
Capital acquisition	43,578,581	37,722,283
Operating reserve	7,919,895	7,732,840
Unrestricted	28,780,518	35,830,952
Total net assets	329,791,194	324,804,660
Total liabilities and net assets	$ 552,366,191	501,256,821

See accompanying notes to financial statements.

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2005 and 2004

	2005	2004
Operating revenues (note 8):		
Landing and airfield fees	$ 15,989,737	26,765,216
Terminal building	34,989,400	37,511,817
Ground transportation and other areas	1,946,973	2,096,643
Total operating revenues	52,926,110	66,373,676
Operating expenses:		
Direct	17,273,495	21,100,185
Depreciation	28,417,863	28,621,693
Administrative	30,239,328	23,776,312
Hurricane Katrina expense (net)	8,382	—
Total operating expenses	75,939,068	73,498,190
Recoveries from business interruption insurance	500,000	—
Operating loss	(22,512,958)	(7,124,514)
Nonoperating revenues (expenses):		
Investment income	2,615,301	843,304
Interest expense	(12,681,302)	(12,464,002)
Passenger facility charges	15,069,767	19,546,516
Other, net	(2,594,624)	(356,975)
Total nonoperating revenues, net	2,409,142	7,568,843
(Loss) income before capital contributions	(20,103,816)	444,329
Capital contributions (note 6)	25,090,350	2,904,757
Change in net assets	4,986,534	3,349,086
Total net assets, beginning of year	324,804,660	321,455,574
Total net assets, end of year	$ 329,791,194	324,804,660

See accompanying notes to financial statements.

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Statements of Cash Flows

Years ended December 31, 2005 and 2004

		2005	2004
Cash flows from operating activities:			
Cash received from customers	$	50,115,448	65,026,807
Cash paid to suppliers for goods and services		(31,171,244)	(35,306,871)
Cash paid to employees and on behalf of employees for services		(8,575,785)	(8,481,789)
Other receipts		513,287	23,723
Net cash provided by operating activities		10,881,706	21,261,870
Cash flow from noncapital financing activities:			
Sales tax receipts		587,424	601,169
Rental receipts related to hurricane emergency repsonse		151,630	—
Net cash provided by noncapital financing activities		739,054	601,169
Cash flows from capital and related financing activities:			
Passenger facility charges collected		16,544,200	18,799,215
Acquisition and construction of capital assets		(71,929,045)	(19,411,069)
Capital grants received		25,055,450	2,566,713
Principal paid on revenue bond maturities		(10,590,000)	(9,970,000)
Issuance of revenue bonds		48,227,412	—
Interest paid on bonds		(13,081,867)	(11,779,716)
Cost of bond issuance and insurance		237,503	(241,140)
Net cash used in capital and related financing activities		(5,536,347)	(20,035,997)
Cash flows from investing activities:			
Sales of investments		133,186,218	2,581,029
Purchases of investments		(143,911,516)	(2,345,895)
Interest and dividends on investments		2,580,790	807,094
Net cash (used in) provided by capital and related financing activities		(8,144,508)	1,042,228
Net (decrease) increase in cash and cash equivalents		(2,060,095)	2,869,270
Cash and cash equivalents at beginning of year		10,351,836	7,482,566
Cash and cash equivalents at end of year (note 2)	$	8,291,741	10,351,836
Noncash investing activities:			
Decrease in investments due to change in fair value	$	(49,115)	(75,326)
Noncash financing activities:			
Amortization of bond-related costs		(1,686,922)	(1,599,432)
Loss on disposal of assets		(1,787,328)	—

(Continued)

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Statements of Cash Flows

Years ended December 31, 2005 and 2004

		2005	2004
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(22,512,958)	(7,124,514)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		28,417,863	28,621,693
Increase in allowance for doubtful accounts		991,962	808,591
Other		13,286	80,351
Changes in assets and liabilities:			
Accounts receivable		(2,810,660)	(1,346,869)
Inventory of materials and supplies		8,930	19,690
Prepaid expenses and deposits		873,599	129,847
Accounts payable		6,032,571	(67,974)
Accrued salaries and other compensation		(132,887)	141,055
Total adjustments		33,394,664	28,386,384
Net cash provided by operating activities	$	10,881,706	21,261,870

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

The Louis Armstrong New Orleans International Airport (the Airport) is a proprietary component unit of the City of New Orleans, Louisiana. The New Orleans Aviation Board (the Board) was established in 1943 to provide for the operation and maintenance of the Airport. The Board consists of nine members appointed by the Mayor of the City of New Orleans with approval of the New Orleans City Council. The City of Kenner, Louisiana and the Parish of St. Charles, Louisiana each have input as to the selection of one board member.

The accompanying policies of the Airport conform to accounting principles generally accepted in the United States of America as applicable to proprietary component units of governmental entities.

(b) 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. Proprietary funds are accounted for using the economic resources measurement focus. 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.

The principal operating revenues of the authority are from sources such as airlines, concessions, rental cars, and parking. Investment income, passenger facility charges, federal and state grants, and other revenues not related to the operations of the Airport are nonoperating. Operating expenses include the cost of airport and related facilities maintenance, administrative expenses, and depreciation on capital assets. Interest expense and financing costs are nonoperating expenses.

(c) 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. Revenues from landing and airfield fees, terminal building, rental building, and leased areas are reported as operating revenues. Transactions, which are capital, financing, or investing related, are reported as nonoperating revenues. Expenses from employee wages and benefits, purchase of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the City of New Orleans has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

(d) Use of Estimates

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

(e) 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.

(f) Investments

Investments are carried at fair value in the financial statements. Unrealized gains and losses on investments are reflected in the statements of revenues, expenses, and changes in net assets.

(g) Inventory

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

(h) Capital Assets

Capital assets are carried at cost. An item is classified as an asset if the initial, individual cost is $1,000 or greater. 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. No interest amounts were capitalized during 2005 and 2004.

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.

The estimated useful lives by major classification are as follows:

	Estimated useful lives (years)
Air rights	25
Land improvements	10-25
Buildings and furnishings	3-25
Equipment	3-10
Utilities	10-25
Heliport	5-15

(i) Due from/Due to the City of New Orleans

Amounts recorded as due from and due to the City of New Orleans primarily relate to amounts paid by the City on behalf of the Airport. In addition, the City provides certain administrative services to the Airport. The cost of such services was $1,308,502 and $1,346,193 for the years ended December 31, 2005 and 2004, respectively, and is recorded in administrative expenses in the statements of revenues, expenses, and changes in net assets.

(j) 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. Restricted assets also include receivables related to Passenger Facility Charges and grants.

(k) Bond Insurance

In conjunction with bonds issued in 1999, 1997, 1995, and 1993, insurance was purchased which guarantees the payment of bond principal and interest and expires with the final principal and interest payment on the bonds. The insurance costs were capitalized at the dates of issuance and are being amortized over the life of the bonds using the interest method.

(l) Revenue Recognition

Landing and airfield fees, terminal building, rental building, and leased areas rentals are recorded as revenues of the year in which earned. During fiscal year 2004 and in accordance with the lease agreements, the airlines using the Airport are required to pay fees and charges in an amount which, when combined with other revenues, are sufficient to pay operating and maintenance expenses of the Airport and meet all other financial requirements established by the General Revenue Bond Trust Indenture, including 125% of annual debt service on the outstanding revenue bonds. Landing fees and facility rentals required under the lease agreements are established on a prospective basis and adjusted based on actual results. On an annual basis, the airlines are either charged or credited for any deficiency or excess between revenues collected during the year and actual requirements of the lease agreements for the year. In 2004, the Airport accrued and charged approximately $1,379,517 of increased airline rentals and landing fees. This charge is included as an increase in the balance of accounts receivable at December 31, 2004.

Due to the expiration of the Commercial Airline Lease at December 31, 2004, the Airport continued charging the Airline Transportation Companies in accordance with the expired lease until June 30, 2005. In July and August 2005, the draft lease agreement rates were implemented, while lease negotiations continued. No fees were charged to the air carriers for the month of September 2005. On August 29, 2005, the Airport and the City of New Orleans sustained significant damages due to Hurricane Katrina. The Airport sustained minor damages to its capital assets and as a result did not have to apply the provisions of GASB Statement. The major impact to the Airport was related to operations. As a result of the hurricane, the Airport entered into negotiations with the airline transportation companies in order to determine the maximum amount of fees and charges the Airport would be able to charge to retain the airline transportation companies and provide airline services to the City of New Orleans. In November 2005, the board adopted the rates and charges resolution whereby the airport transportation companies are charged $8.00 per enplaned passenger. Landing fees were established at $1.07 per 1,000 pounds of gross maximum landed weight.

(m) 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. On April 1, 2002, the FAA approved an increase in the amount of this fee to $4.50. As of December 31, 2005, the Airport is authorized to collect up to $448,272,165 of PFC revenue of which $180,081,963 has been collected. PFC revenues are pledged to secure the Series 1999 Revenue bonds, which funded construction of preapproved capital projects and redeemed the 1994 Series PFC Bonds. The estimated expiration date on PFC revenue collection is July 1, 2017.

(n) Federal Financial Assistance

The Airport receives financial assistance for costs of construction and improvements to airport facilities through grants from the FAA. The Airport is on the reimbursement basis for funds received for financial assistance. As of December 31, 2005, the Airport received $795,000 from FEMA as reimbursement for repairs and expenses incurred by the Airport as a result of Hurricane Katrina.

(o) 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 (accumulated at a maximum of 24 days per year). 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 pension credits. Annual leave and sick leave liabilities are accrued when incurred.

(p) ***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.

(q) ***Reclassifications***

Certain 2004 balances have been reclassified to conform with the 2005 presentation.

(2) Cash and Investments

Included in the Airport's cash balances are amounts deposited with commercial banks in interest bearing and noninterest bearing demand accounts. The commercial bank balances are entirely insured by federal depository insurance or by collateral held by the financial institution in the Airport's name.

The Airport follows GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB Statement No. 31), which requires the adjustments of the carrying values of investments to fair value, which is based on available market values. The local government investment pool is a "2a-7-like" pool in accordance with GASB Statement No. 31; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value. At December 31, 2005 and 2004, the fair value of all securities regardless of balance sheet classifications as cash and cash equivalents or investments was as follows:

Securities:		**2005**	**2004**
U.S. Treasury and government agency securities	$	990,866	15,891,664
Local government investment pool		13,107,826	1,372,901
Investment in money market funds		77,096,856	63,254,800
Total Securities, at fair value		91,195,548	80,519,365

These securities are held in the following accounts:

		2005	**2004**
Current assets:			
Cash and cash equivalents	$	8,291,741	10,351,836
Investments		37,043,025	30,959,303
Noncurrent assets:			
Cash and cash equivalents		—	—
Investments		54,152,523	49,560,062
Total cash and investments		99,487,289	90,871,201
Less cash on deposit		(8,291,741)	(10,351,836)
Total securities, at fair value	$	91,195,548	80,519,365

The Airport is authorized to invest in securities as described in its investment policy, in each bond resolution and state statue. As of December 31 2005 and 2004, the Airport held the following investments as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures:*

Investment Maturities at December 31, 2005

Investment type		Less than 1 year	1 to 5 years	Total
U.S. Treasury and government agency securities	$	—	990,866	990,866
Local government investment pool		13,107,826	—	13,107,826
Money market funds		77,096,856	—	77,096,856
	$	90,204,682	990,866	91,195,548

Investment Maturities at December 31, 2004

Investment type		Less than 1 year	1 to 5 Years	Total
U.S. Treasury and government agency securities	$	13,935,742	1,955,922	15,891,664
Local government investment pool		1,372,901	—	1,372,901
Money market funds		63,254,800	—	63,254,800
	$	78,563,443	1,955,922	80,519,365

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, investments are generally held to maturity. The Airport's investments policy requires the investment portfolio to be structured to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities are matched with known cash needs and anticipated cash flow requirements. Additionally, maturity limitations for investments related to the issuance of debt are outlined in the Bond Resolution relating to the specific bond issue.

Credit Risk: The Airport's general investment policy applies the prudent-person rule:

Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. Airport policy limits investments to the highest credit rating category of Standard & Poor's (S&P). Funds can only be invested in money market funds rated AAAm, AAm, or AAAm-G by S&P. In accordance with the Authority's investment policy and bond resolutions, all U.S. government agency securities held in the portfolio are either issued by or explicitly guaranteed by the U.S. government.

Custodial Credit Risk: For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Airport will not be able to recover the values of its investments or collateral securities that are in the possession of an outside party. All of the Airport's investments are either held in the name of the Airport or held in trust under the Airport's name.

Concentration of Credit Risk: The Airport's investments are not subject to a concentration of credit risk.

(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, 2005 and 2004:

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2005 and 2004

	2005											
	Debt service fund	**Debt service reserve fund**	**Renewal and replacement fund**	**Operations and maintenance reserve fund**	**Capital Improve fund**	**Redempt fund**	**Receipts fund**	**Roll-over fund**	**PFC collect**	**Cost of Issue**	**Receiv-able**	**2005 total**
Assets:												
Cash and certificates of deposits	$ 198,437	—	—	—	16,503	—	—	—		—	—	214,940
JPM U.S. Treasury and U.S. money market fund	718,270	7,886,705	2,080,589	7,919,895	44,079,035	1,227,439	76,356	693	—	2	—	63,988,984
U.S. Treasury and U.S. agency obligations	4,898,098	560,316	—	—	—	—	—	—	—	—	—	5,458,414
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	1,253,380	1,253,380
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	918,602	918,602
	$ 5,814,805	8,447,021	2,080,589	7,919,895	44,095,538	1,227,439	76,356	693	—	2	2,171,982	71,834,320

	2004											
	Debt service fund	**Debt service reserve fund**	**Renewal and replacement fund**	**Operations and maintenance reserve fund**	**Capital Improve fund**	**Redempt fund**	**Receipts fund**	**Roll-over fund**	**PFC collect**	**Cost of Issue**	**Receiv-able**	**2004 total**
Assets:												
Cash	$ —	—	—	—	16,503	—	—	—	31,182	—	—	47,685
One Group U.S. Treasury securities – money market fund	3,345,699	7,846,408	2,030,140	7,732,840	32,213,506	1,227,439	169,754	676	—	123,150	—	54,689,612
U.S. Treasury and U.S. agency obligations	3,032,370	1,106,037	—	—	—	—	—	—	—	—	—	4,138,407
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	2,727,813	2,727,813
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	883,702	883,702
	$ 6,378,069	8,952,445	2,030,140	7,732,840	32,230,009	1,227,439	169,754	676	31,182	123,150	3,611,515	62,487,219

(4) Capital Assets

Capital assets include 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 capital assets for the years ended December 31, 2005 and 2004 is as follows:

	Balance December 31, 2004	Additions/ transfers during year	Deletions/ transfers during year	Balance December 31, 2005
Capital assets not being depreciated:				
Land	$ 89,516,789	453,031	(469,259)	89,500,561
Construction in progress	24,483,263	78,633,452	(90,433,329)	12,683,386
Total capital assets not being depreciated	114,000,052	79,086,483	(90,902,588)	102,183,947
Capital assets being depreciated:				
Air rights	10,685,722	1,603,658	—	12,289,380
Land improvements	265,035,299	81,685,049	(26,809,390)	319,910,958
Buildings and furnishings	289,591,748	1,279,794	625,599	291,497,141
Equipment	5,999,594	318,591	(50,131)	6,268,054
Utilities	7,786,124	—	—	7,786,124
Heliport	3,066,886	—	—	3,066,886
Total capital assets being depreciated	582,165,373	84,887,092	(26,233,922)	640,818,543
Total capital assets	696,165,425	163,973,575	(117,136,510)	743,002,490
Less accumulated depreciation:				
Air rights	615,293	280,797	(280,797)	615,293
Land improvements	136,560,795	12,772,907	(24,663,234)	124,670,468
Buildings and furnishings	155,365,039	14,594,568	—	169,959,607
Equipment	4,220,253	454,521	—	4,674,774
Utilities	3,338,548	313,018	—	3,651,566
Heliport	3,059,917	2,052	—	3,061,969
Total accumulated depreciation	303,159,845	28,417,863	(24,944,031)	306,633,677
Total capital assets, net	$ 393,005,580	135,555,712	(92,192,479)	436,368,813

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Notes to Financial Statements

December 31, 2005 and 2004

	Balance December 31, 2003	Additions/ transfers during year	Deletions/ transfers during year	Balance December 31, 2004
Capital assets not being depreciated:				
Land	$ 85,347,847	4,168,942	—	89,516,789
Construction in progress	40,841,524	12,842,553	(29,200,814)	24,483,263
Total capital assets not being depreciated	126,189,371	17,011,495	(29,200,814)	114,000,052
Capital assets being depreciated:				
Air rights	9,413,782	1,271,940	—	10,685,722
Land improvements	258,702,914	6,332,385	—	265,035,299
Buildings and furnishings	268,327,213	21,265,207	(672)	289,591,748
Equipment	6,048,119	108,007	(156,532)	5,999,594
Utilities	7,786,124	—	—	7,786,124
Heliport	3,066,886	—	—	3,066,886
Total capital assets being depreciated	553,345,038	28,977,539	(157,204)	582,165,373
Total capital assets	679,534,409	45,989,034	(29,358,018)	696,165,425
Less accumulated depreciation:				
Air rights	389,883	225,410	—	615,293
Land improvements	122,314,596	14,246,199	—	136,560,795
Buildings and furnishings	142,019,841	13,345,240	(42)	155,365,039
Equipment	3,890,596	476,961	(147,304)	4,220,253
Utilities	3,014,240	324,308	—	3,338,548
Heliport	3,056,342	3,575	—	3,059,917
Total accumulated depreciation	274,685,498	28,621,693	(147,346)	303,159,845
Total capital assets, net	$ 404,848,911	17,367,341	(29,210,672)	393,005,580

Construction in progress is composed of the following at December 31, 2005:

Description		Project authorization	Expended to December 31, 2005	Remaining commitments
Security operations center	$	18,582,834	1,204,809	17,378,025
Transport center expansion		2,000,000	306,302	1,693,698
Expansion Concourse "D"		37,933,000	4,181,570	33,751,430
New ARFF Fire Station		6,355,167	880,620	5,474,547
Terminal apron rehab		7,800,000	1,174,544	6,625,456
Aircraft Loading Bridge		21,420,000	1,554,501	19,865,499
Replace/Repair High Mast Lighting		748,000	244,175	503,825
Terminal improvements electrical and mechanical		86,181	75,878	10,303
Terminal HVAC 3 additional units		648,000	254,217	393,783
Upgrade light main terminal		6,000	156	5,844
Terminal exterior improvements		6,250,000	43,094	6,206,906
Terminal interior improvements		6,250,000	46,145	6,203,855
Strategic development plan		1,998,356	1,302,095	696,261
Heliport relocation		340,000	8,495	331,505
Land cost/other		1,406,785	1,406,785	—
	$	111,824,323	12,683,386	99,140,937

(5) Long-term Debt

Long-term debt activity for the years ended December 31, 2005 and 2004 was as follows:

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005	Amounts due within one year
Series 1993B Refunding bonds, variable rates, final maturity 2016	$ 102,740,000	—	(6,855,000)	95,885,000	7,235,000
Series 1993C Refunding bonds, variable rates, final maturity August 3, 2011	2,000,000	—	(215,000)	1,785,000	235,000
Series 1995A Refunding bonds, variable rates, final maturity August 1, 2015	15,980,000	—	(995,000)	14,985,000	1,090,000
Series 1997A Refunding bonds, variable rates, final maturity August 5, 2015	20,740,000	—	(955,000)	19,785,000	1,040,000
Series 1997B-1 Revenue bonds, with fixed interest rate at 5.45%, final maturity October 1, 2027	2,555,000	—	—	2,555,000	—
Series 1997B-2 Taxable revenue bonds, fixed interest rates (6.45% at December 31, 2004), final maturity October 1, 2027	9,790,000	—	(235,000)	9,555,000	255,000
Series 1999A-1 Revenue refunding bonds 2002), interest rates (5.00% at December 31, 2004), final maturity September 1, 2018	25,395,000	—	(1,335,000)	24,060,000	1,405,000
Series 1999A-2 Revenue refunding bonds, with fixed interest rate at 6.00%, final maturity September 1, 2019	4,565,000	—	—	4,565,000	—
Series 2004A Drawdown bond facility, variable rates, final maturity December 31, 2007	—	48,227,412	—	48,227,412	—
	183,765,000	48,227,412	(10,590,000)	221,402,412	11,260,000
Less:					
Unamortized loss on advance refunding	(15,920,679)	—	1,374,447	(14,546,232)	—
Unamortized discount on bonds	(476,987)	—	31,481	(445,506)	—
	$ 167,367,334	48,227,412	(9,184,072)	206,410,674	11,260,000

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)
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December 31, 2005 and 2004

	Balance December 31, 2003	Additions	Deductions	Balance December 31, 2004	Amounts due within one year
Series 1993B Refunding bonds, variable rates, final maturity 2016	$ 109,225,000	—	(6,485,000)	102,740,000	6,855,000
Series 1993C Refunding bonds, variable rates, final maturity August 3, 2011	2,200,000	—	(200,000)	2,000,000	215,000
Series 1995A Refunding bonds, variable rates, final maturity August 1, 2015	16,890,000	—	(910,000)	15,980,000	995,000
Series 1997A Refunding bonds, variable rates, final maturity August 5, 2015	21,615,000	—	(875,000)	20,740,000	955,000
Series 1997B-1 Revenue bonds, with fixed interest rate at 5.45%, final maturity October 1, 2027	2,555,000	—	—	2,555,000	—
Series 1997B-2 Taxable revenue bonds, fixed interest rates (6.45% at December 31, 2004), final maturity October 1, 2027	10,015,000	—	(225,000)	9,790,000	235,000
Series 1999A-1 Revenue refunding bonds 2002), interest rates (5.00% at December 31, 2004), final maturity September 1, 2018	26,670,000	—	(1,275,000)	25,395,000	1,335,000
Series 1999A-2 Revenue refunding bonds, with fixed interest rate at 6.00%, final maturity September 1, 2019	4,565,000	—	—	4,565,000	—
	193,735,000	—	(9,970,000)	183,765,000	10,590,000
Less:					
Unamortized loss on advance refunding	(17,295,126)	—	1,374,447	(15,920,679)	—
Unamortized discount on bonds	(508,467)	—	31,480	(476,987)	—
	$ 175,931,407	—	(8,564,073)	167,367,334	10,590,000

Debt service requirements to maturity for all outstanding bonds are as follows:

	Swap (see note 10)	Interest	Principal	Total
December 31:				
2006	$ 4,778,777	8,127,913	11,260,000	24,166,690
2007	4,419,655	8,452,293	60,057,412	72,929,360
2008	4,040,404	4,681,785	12,570,000	21,292,189
2009	3,636,141	4,374,422	13,360,000	21,370,563
2010	3,205,343	4,045,006	14,215,000	21,465,349
2011 – 2015	8,594,773	14,401,213	85,405,000	108,400,986
2016 – 2020	120,821	4,306,122	18,710,000	23,136,943
2021 – 2025	—	1,441,321	3,885,000	5,326,321
2026 – 2028	—	194,138	1,940,000	2,134,138
	$ 28,795,914	50,024,213	221,402,412	300,222,539

On October 15, 1999, the Airport issued $31,020,000 and $4,565,000 in Revenue Refunding Bonds, Series 1999A-1 and Series 1999A-2, respectively. The proceeds of which were used to (i) redeem and refund remaining portions of the Series 1994 Revenue bonds, and (ii) provide a portion of the amounts needed to complete the construction of certain projects approved by the FAA. These bonds are secured by a pledge of PFC revenue expected to be collected through January 1, 2012 and by certain other Airport funds, including a portion of the Debt Service Reserve Account.

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

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 Account. The bonds are subject to optional redemptions, as defined in the general indenture. The general indenture requires that the Airport maintains certain specified financial ratios and comply with other covenants.

On October 1, 1997, the Airport issued $2,555,000 in Revenue bonds, Series 1997B-l, and $10,945,000 in Taxable Revenue Bonds, Series 1997B-2. The Series 1997B-l 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 sound insulation 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 Account. 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 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 GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, this difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through August 2016. The refunded bonds had a zero balance at December 31, 2005.

The general indenture under which the Series 1993A-C, Series 1995A, and Series 1997A and B bonds were issued provides for the establishment of restricted accounts 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 Account, the Debt Service Reserve Account, the Renewal and Replacement Account, the Operations and Maintenance Reserve Account, and the Revenue Bond Escrow Account.

The Board approved the Rates and Charges Resolution in November 2005, which significantly reduced the amounts charged to the air transportation companies. As a result of the drastic reductions in flight operations and enplanements resulting from Hurricane Katrina, it was not feasible to continue to operate the Airport pursuant to a residual financial agreement. As a result of the reduced operating revenues, the Airport would not be able to meet the debt service coverage ratio of 125% as required under the general revenue bond trust indenture. In November 2006, the Board approved the Rollover Coverage Resolution which allowed the Airport to provide for $9,000,000 of rollover coverage in the 2005 debt service coverage ratio calculation. The Resolution provides for $9,000,000 of coverage in 2005, $15,000,000 in 2006, and $13,000,000 in 2007. These amounts were determined by the board through review of the actual 2005 covenant calculation and projected 2006 and 2007 covenant calculations in order for the Airport to specifically comply with the 125% debt service covenant in each of the three years. On November 30, 2006, the Airport completed three wire transfers, in accordance with the Rollover Coverage Resolution, in the amounts of $9,000,000, $15,000,000 and $13,000,000 from the Airport Operating Fund into the Bank of New York (Trustee) 2005, 2006, and 2007 Rollover accounts. The 2005 and 2006 funds were required to remain in the respective account for one business day and then were wired back to the Airport Operating Fund. The 2007 funds remained in the 2007 Rollover account until January 2007 and then were returned to the Airport Operating Fund. As a result of the rollover coverage, the Airport is in compliance with the debt service coverage ratio at December 31, 2005.

On December 14, 2004, the New Orleans Aviation Board approved the issuance of $65,000,000 New Orleans Aviation Board Interim Revenue Notes (Passenger Facility Charge Projects) Drawdown Bond Facility, Series 2004A. The 2004 PFC Projects mean collectively the acquisition and construction of 1) aircraft loading bridges; 2) expansion of Concourse D; and 3) Rehabilitation of Runway 10/28. The 2004A Series is subordinated debt to the New Orleans Aviation Board Revenue Refunding Bonds (Passenger Facility Charge Projects), Series 1999 A-1 and Series 1999 A-2. These bonds are secured by a pledge of PFC Revenue expected to be collected through July 1, 2017. The general indenture requires that the Airport maintain certain specified financial ratios and comply with other covenants. The Airport initiated multiple draw downs on this facility throughout the fiscal year with a balance of $48,227,412 at December 31, 2005.

(6) Capital Contributions and Transfers

Capital contributions recorded by the Airport represent amounts received from the federal government to finance the cost of construction of airport facilities.

During the years ended December 31, 2005 and 2004, the FAA contributed approximately $25,090,000 and $2,905,000, respectively, to the Airport for various capital projects.

(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, 2005 containing additional information required under GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, is available from the City of New Orleans Director of Finance, 2400 Canal Street, Room 342, New Orleans, Louisiana 70119, (504) 826-1985.

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, 2005 and 2004 was $577,000 and $651,000, respectively.

(8) Rentals under Operating Leases

The Airport leases space in its terminal to various airlines, concessionaires, and others. These leases are for varying periods ranging from one to ten years and require the payment of minimum annual rentals. A new lease between the Airport and the airlines (Airline Operating Agreement) was signed and approved by the City Council of New Orleans effective January 1, 2000. 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.

In 2001, construction began on a new $35.0 million Airport parking garage facility (the Facility). The Facility opened for business on October 15, 2003. The Facility was constructed on land leased by a 501(c)3 nonprofit corporation (the Corporation) from the Airport pursuant to a Parking Garage Ground Lease (the Ground Lease) dated January 1, 2001. In accordance with the Ground Lease, the Corporation is required to design, finance, construct, and operate the Facility. The Facility is being financed by the Corporation with

$44.3 million of tax-exempt bonds. The bonds are not an obligation of the Airport. The initial term of the Ground Lease is ten years with three renewal periods of ten years at the option of the Corporation. During the term of the Ground Lease, the Corporation will pay the Airport $10,624 a month plus percentage rent of 6% of gross revenues generated from the Facility in excess of $7.0 million per year plus net cash flow rent, as defined in the Ground Lease. The payment of rent is subject to a minimum annual guarantee payment, as defined in the Ground Lease. The fixed rent shall increase by 3% per annum, effective on the first day of each lease year during the term.

The following is a schedule by year of aggregate future minimum rentals receivable on noncancelable operating leases as of December 31, 2005:

2006	$	2,914,855
2007		2,743,045
2008		2,331,312
2009		3,085,879
2010		2,863,789
2011 – 2022		6,945,809
	$	20,884,689

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 $5,522,104 in 2005 and $4,412,637 in 2004.

(9) Commitments and Contingencies

(a) 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.

(b) Commitments

In the normal course of business, there are various commitments and contingent liabilities, such as construction contracts and service agreements, which are not reflected in the accompanying financial statements.

(c) 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.

(d) Federal Financial Assistance

The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited through December 31, 2005 in accordance with the Single Audit Act of 1996, these programs are still subject to financial and compliance audits by governmental agencies.

(10) Interest Rate Swap Agreements

The Airport has entered into four interest rate swap agreements to reduce the impact of changes in interest rates on its Series 1993B, 1993C, 1995A, and 1997A Variable-Rate Refunding Bonds (see note 5). As of December 31, 2005, $132,440,000 in outstanding bonds was recorded as a liability in the financial statements related to these Series.

Objective of the interest rate swaps. As a means of lowering its borrowing costs, when compared against fixed-rate bonds, the Airport entered into four interest rate swap agreements in connection with its 1993B, 1993C, 1995A, and 1997A Variable-Rate Refunding Bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 5.49%, 5.34%, 6.14%, and 6.50% for the 1993B, 1993C, 1995A, and 1997A issues, respectively.

Terms. All four swap agreements are part of a Master Swap Agreement dated January 4, 1993. The swap agreements, having notional amounts of $95,885,000, $1,785,000, $14,985,000, and $19,785,000 for the 1993B, 1993C, 1995A, and 1997A issues, respectively, terminate in August of 2016, 2011, 2015 and 2015, respectively. The respective swap's notional amount matches the principal amount of the respective variable-rate bonds. Under the swap, the Airport pays the counterparty, AIG, fixed payments of 5.49%, 5.34%, 6.14%, and 6.50% for the 1993B, 1993C, 1995A, and 1997A issues, respectively, and receives a variable payment computed monthly by the swap counterparty. Conversely, the bond's variable-rate coupons are based on a floating rate market Index.

Fair value. The fair value of these swap agreements as of December 31, 2005 is a liability of $15.6 million, which is not recorded in the financial statements. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. As of December 31, 2005, the Airport was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Airport would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's Investors Service as of December 31, 2005.

Termination risk. The Airport or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Airport if the swap guarantor's credit quality rating is withdrawn, suspended, or reduced below "A3" as issued by Moody's Investors Service or below "A-" as issued by S&P's Rating Services. If the swap is terminated, the variable-rate bond would no longer carry the synthetic interest rate provided by the swap. Also, if at the time of termination the swap has a negative fair value, the Airport would be liable to the counterparty for a payment equal to the swap's fair value. If at the time of termination the swap has a positive fair value the Airport would receive a cash payment.

On November 20, 2003, the Airport entered into a Reduced Variance® interest rate swap agreement with Rice Financial Products Company (RFPC) with a notional amount of $81,250,000.

Objective of the interest rate swap. As a means of lowering the costs on its outstanding fixed rate obligations, the Airport entered into a subordinate Reduced Variance interest rate swap agreement in connection with its 1993B, 1993C, 1995A, and 1997A synthetically created Fixed-Rate Refunding Bonds and its 1997B-1 and 1997B-2 Fixed-Rate Revenue Bonds. The intention of the swap was to effectively change the Airport's synthetically created or actual fixed interest rates to synthetically created variable rates.

Terms. The swap agreement terminates in August 2016, and the swap's notional amount is one-half of the fixed-rate bonds. Under the swap, the Airport pays the counterparty, RFPC, a variable payment computed monthly, based on the fixed rate plus an adjustment factor, and receives a fixed payment of 6.25%. The adjustment factor is computed monthly by the Airport and is based on the BMA Index and LIBOR.

Fair value. The fair value of these swap agreements as of December 31, 2005 is a liability of $4.4 million, which is not recorded in the financial statements. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Termination risk. The Airport or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap must be terminated by the Airport if the swap guarantors' credit quality rating is withdrawn, suspended, or reduced below "A3" as issued by Moody's Investors Service or below "A-" as issued by Standard and Poor's Rating Services. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Airport would be liable to the counterparty for a payment equal to the swap's fair value. If at the time of termination the swap has a positive fair value, the Airport would receive a cash payment.

Credit risk. As of December 31, 2005, the Airport was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value.

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 2% (if the bonds are held by the liquidity provider in excess of one year) not to exceed the maximum permitted by law, or 25%.

(11) Subsequent Events

As a result of Hurricane Katrina, the Airport was approved to receive up to a maximum of $28,000,000 of FEMA Special Community Disaster Loans (SCDL). On June 14, 2006, the Airport received an $8,112,103 SCDL from FEMA with an interest rate of 2.93% for a period of 60 months. On August 23, 2006, the Airport received a $2,187,816 SCDL from FEMA with an interest rate of 3.06% for a period of 60 months. On October 3, 2006, the Airport received a $582,722 SCDL from FEMA with an interest rate of 2.93% for a period of 60 months.

On August 1, 2006, Hancock Bank as escrow trustee for the State of Louisiana with respect to its Go Zone Tax Credit Bonds program transferred to the Trustee the amount of $10,242,550 to be used to pay the August 2, 2006 debt service on the Bonds and related interest rate swap payments. The trustee is responsible for making all debt service payments on the bonds.

On February 2, 2006, the Airport was struck by a tornado resulting in damages to portions of the Airport's roof of $982,000. The Airport received $732,321of insurance reimbursement related to the tornado.

Schedule 1

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Supplemental Schedule of Investments

Year ended December 31, 2005

Description	Year acquired	Maturity date	Par value	Fair value
Unrestricted investments:				
Special receipts:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	$ 996,736	996,736
PFC reimbursement:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	2,271,999	2,271,999
NOAB Reserve:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	4,941,038	4,941,038
FNMA:				
JP Morgan	1993	1/25/2008	425,706	430,550
City of New Orleans:				
LAMP	2003	N/A	13,107,826	13,107,826
Total unrestricted investments			21,743,305	21,748,149
Restricted investments:				
Debt service fund:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	718,270	718,270
U.S. Treasury bills:				
JP Morgan	2004	1/27/2005	4,873,481	4,898,099
			5,591,751	5,616,369
Debt service reserve fund:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	7,886,705	7,886,705
FNMA:				
JP Morgan	1993	1/25/2008	554,012	560,316
			8,440,717	8,447,021
Renewal and replacement:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	2,080,589	2,080,589

(Continued)

Schedule 1

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Supplemental Schedule of Investments

Year ended December 31, 2005

Description	Year acquired	Maturity date	Par value	Fair value
Operations and maintenance				
Reserve fund:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	$ 7,919,895	7,919,895
Redemption fund:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	1,227,439	1,227,439
Receipts fund:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	76,356	76,356
Impose only – construction:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	946,740	946,740
Time reimbursement:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	4,326,841	4,326,841
Project account:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	2,806,196	2,806,196
PFC restricted:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	35,999,258	35,999,258
Cost of issuance:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	2	2
Rollover account:				
One Group U.S. Treasury				
Securities money market fund:				
JP Morgan	2004	N/A	693	693
Total restricted investments			69,416,477	69,447,399
Total			$ 91,159,782	91,195,548

See accompanying independent auditors' report.

Schedule 2

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)

Supplemental Schedule of Operating Revenues and Expenses by Area of Activity

Year ended December 31, 2005

	Landing area	Terminal buildings and area	Ground transportation	Total
Operating revenues	$ 15,989,737	34,989,400	1,946,973	52,926,110
Direct expenses	2,240,825	12,727,342	2,305,328	17,273,495
Operating revenues, less direct expenses	13,748,912	22,262,058	(358,355)	35,652,615
Depreciation of area assets	13,017,980	12,361,662	1,076,164	26,455,806
Operating revenues, less direct expenses and depreciation	$ 730,932	9,900,396	(1,434,519)	9,196,809
Other operating expenses:				
Depreciation of general assets				1,962,057
Administrative				30,239,328
General maintenance				—
Utility building expenses				—
Hurricane Katrina				8,382
Total other operating expenses				32,209,767
Recoveries from business interruption insurance				500,000
Operating loss				$ (22,512,958)

See accompanying independent auditors' report.

Schedule 3

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Component Unit of the City of New Orleans)

Supplemental Schedule of Historical Debt Service Coverage Ratio as Required under the General Revenue Bond Trust Indenture Dated February 16, 1993

Year ended December 31, 2005

(Unaudited)

Revenues:		
Airline rentals and landing fees	$	32,999,808
Other operating revenues		19,897,063
Nonoperating revenues		1,896,676
Rollover coverage		9,000,000
Total revenues		63,793,547
Operation and maintenance reserve fund requirement		(653,691)
Operation and maintenance expenses		41,131,502
Net revenues	$	23,315,736
Debt service fund requirement:		
Principal payments	$	7,767,455
Interest expense		10,249,068
Total debt service fund requirement	$	18,016,523
Historical debt service coverage ratio		1.29

See accompanying independent auditors' report.

(1) Basis of Accounting

The accompanying supplemental schedule has been prepared in accordance with Section 205 of the General Revenue Bond Trust Indenture dated February 16, 1993. The supplemental schedule excludes certain revenues and expenses as defined in the trust indenture. The exclusions consist mainly of revenues and expenses (including depreciation) related to passenger facility charges and the debt service relating to bonds payable secured by passenger facility charges.

(2) Rollover Coverage

The Board approved the rollover coverage resolution on November 30, 2006 which allowed the Airport to apply $9,000,000 of rollover coverage for the December 31, 2005 debt service coverage ratio calculation. The operating funds were transferred to the 2005 rollover coverage Bank of New York account on November 30, 2006 and remained for one business day in accordance with the rollover coverage resolution.