LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

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

Financial Statements and Supplemental Schedules

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

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

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A Professional Accounting Corporation
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Independent Auditors' Report

New Orleans Aviation Board and the
City Council of the City of New Orleans, Louisiana:

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, 2008 and 2007 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 audit.

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. We were not engaged to perform an audit of the Airport's internal control over financial reporting. Our audit included 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 Airport'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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2009, 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.

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.

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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.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2009

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT
(A Component Unit of the City of New Orleans)
Management's Discussion and Analysis
December 31, 2008 and 2007
(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, 2008 and 2007, with selected comparative information for the fiscal year ended December 31, 2006. 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 was completed in February 2009. 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 $795,096 of the expenses incurred. In 2006, an additional $84,664 was received from FEMA for operating expenses incurred in 2005. In 2006 FEMA also paid $581,926 for damages to buildings and equipment. The total paid by FEMA is $2,213,867. 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)*. In 2005, Continental Casualty (CNA) paid the Airport $500,000 of insurance proceeds which represent advances on business interruption claims and are included in operating revenues. The Airport also received a $1,000,000 advance on the property damage from the CNA insurance coverage. In 2006, an additional $7,124,589 was received from CNA based on initial cost estimates. During June 2007, CNA remitted $2,365,813 for Katrina related damages. Two checks dated February 1, 2008, in the amounts of $5,041,706 and $958,294 were issued by CNA. The check for $5,041,706 covers undisputed loss on building. The check for $958,294 covers undisputed loss of business income and is included in operating revenue. During October 2008, CNA remitted $5,961,788 for Katrina related damages. This payment represented the final payment on Katrina related claims. On February 2, 2006, the Airport was struck by a tornado resulting in damages to several aircraft loading bridges, a portion of the Airport's roof and other damages for a damage estimate of $982,000. To date, the Airport has received $947,811 of insurance reimbursement related to the tornado, which is the final amount of the claim.

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 was authorized to receive up to a maximum of $28,000,000 from the FEMA Community Disaster Loan Program. On June 15, 2006, the Airport received an $8,112,103 Community Disaster Loan (CDL) from FEMA with an interest rate of 2.93% for a period of 60 months. On August 25, 2006, the Airport received an additional $2,187,816 CDL from FEMA with an interest rate of 3.06% for a period of 60 months. On October 4, 2006, the Airport received another $582,722 CDL from FEMA with an interest rate of 2.93% for a period of 60 months. In addition, the Board received approval for participation in the Gulf Tax Credit Bonds Program (Go Zone Tax Credit Bonds) sponsored by the State of Louisiana in an amount not exceeding $36,000,000. The Airport was approved for $35,371,990 for an interest free 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 Hancock Bank transferred an additional $25,129,440 in debt service between August 2006 and July 2008 which brought the loan to the approved amount of $35,371,990 as of December 31, 2008. The Trustee continues to be responsible for making all debt service payments on the bonds. In August 2008, the Airport resumed transferring to the Trustee the total principal and interest portions of the debt service.

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. Due to the drastic decrease in activity at the Airport, no fees were charged to the air carriers for the month of September 2005. In the aftermath of Hurricane 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 Rate 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 airlines. As of March 2008, lease negotiations resumed between the Airport and the airlines. Negotiations with the airlines on a new Airline-Airport Use and Lease Agreement (Agreement) have concluded and the Agreement became effective starting January 1, 2009. The new agreement has an overall residual airline rate-setting methodology and a five-year term, which expires on December 31, 2013. Other key provisions to the Agreement include, a single terminal building rental rate, an annual deposit requirement to the General Purposes Fund, and airline approved capital projects that the NOAB may undertake at any time as demand warrants. To date, nine airlines, representing the vast majority of aviation activity at the Airport, have executed the Agreement. Pre-Katrina, the Airport had 162 daily departures to 42 cities with 20,676 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 December 2007, the service level was 132 daily departures to 37 cities with 15,440 average daily seats. As of December 2008, the service level was 125 daily departures to 33 cities with 15,769 average daily seats. As of May 2009, the service level was 121 daily departures to 33 cities with 15,135 average daily seats.

The Rate Resolution 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 Rate 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. In November 2007, the Board approved the implementation of Rollover Coverage for Fiscal Year 2008. 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 Airport's calculation of the Historical Debt Service Coverage Ratio, as presented in the Supplemental Schedule III to the financial statements, is 128% for the year ended December 31, 2008. 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 the 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, 2008 and 2007 by $319,910,546 and $324,111,229, respectively. Of these amounts, $33,661,047 and $38,137,271 may be used to meet the Airport's ongoing obligations to its passengers, tenants, and creditors.
- The Airport's decrease in net assets was $4,200,683 (1%) for fiscal year 2008 and an increase of $2,632,053 (1%) for fiscal year 2007. The decrease in 2008 was due to a decrease in capital contributions received from the federal government to finance the cost of construction of airport facilities. In 2008, the Airport received $4,082,510 and in 2007 received $8,740,231 of capital contributions from the federal government.
- The Airport's total debt decreased by $5,113,822 (2%) during the current fiscal year. The key factors in this decrease were the payment of principal in the amount of $11,015,000, which was offset by an increase in the GO Zone Tax Credit Bonds for $4,144,357.
- Operating revenues increased by $3,372,442 (6%) over the prior year due primarily to the increase in air carrier operations, and passenger activity. This increase occurred particularly in the area of terminal building revenue which increased by $4,104,471(8%) primarily in the area of airline terminal building rentals in the amount of $1,927,394 (6%), ground transportation concessions in the amount of $1,062,123(273%) and car rental concessions in the amount of $603,944(7%). The increase in airline terminal rental revenue was a result of the increase in enplaned passengers of 207,162 over the prior year. Non airline revenue increased by $804,038 (3%), due primarily to an increase in ground transportation concessions in the amount of $1,062,123 (273%). This increase was offset by decreases in a variety of other revenues categories.

- Operating expenses before depreciation and amortization increased by $4,530,911 (11%) over the prior year, which were due primarily to an increase in bad debt expense in the amount of $632,607, increased costs for legal services of $352,556, increased utilities costs of $750,634, increased fire services of $874,003, increased shuttle services of $365,679, and increase HVAV mainteuance of $578,483.
- Capital contributions decreased $4,657,721 (53%) this fiscal year due to the decrease in construction projects funded by federal grants.

Financial Position

Total assets decreased by $3,252,055 (1%) this year due primarily to a decrease in non-current assets. Non-current assets decreased by $9,453,770, due to a decrease in long term investments of $6,650,651, a decrease in capital assets of $2,815,358. These decreases were offset by increases in a variety of current assets.

Current liabilities are higher this fiscal year by $6,767,450 (23%). This increase was due to increases in Accounts Payable and Capital Projects Payable of $ 4,661,935, and an Insurance Advance of $3,038,469. Total noncurrent liabilities have decreased by $5,818,822 (3%) due to the payment of principal on the bonds of $11,015,000. This decrease is offset by an increase in the Go Zone Tax Credit Bonds of $4,144,357.

The largest portion of the Airport's net assets, $212,864,112 (67%) for 2008 and $212,312,502 (66%) for 2007, 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, $73,385,387 (23%) for 2008 and $73,661,456 (23%) for 2007, 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, $33,661,047 (10%) for 2008 and $38,137,271 (11%) for 2007, 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.

(Continued)

Summary of Net Assets (in thousands)

	2008	2007	2006
Assets:			
Current and other assets	$ 187,108	$ 187,544	$ 149,717
Net capital assets	393,233	396,049	414,245
Total assets	$ 580,341	$ 583,593	$ 563,962
Liabilities:			
Current liabilities	$ 35,952	$ 29,184	$ 32,107
Long-term liabilities	224,479	230,298	210,375
Total liabilities	$ 260,431	$ 259,482	$ 242,482
Net assets:			
Invested in capital assets, net of debt	$ 212,864	$ 212,313	$ 215,122
Restricted	73,385	73,661	72,286
Unrestricted	33,661	38,137	34,071
Total net assets	$ 319,910	$ 324,111	$ 321,479

(Continued)

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, implemented the Rate 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.

	2008	2007	2006
Signatory Airlines rates and charges:			
Rate Resolution (per enplaned passenger)	$ 8.00	$ 8.00	$ 8.00
Landing fee-per 1,000 lbs. unit	1.07	1.07	1.07

As previously discussed, a new Airline – Airport Use and Lease Agreement has been negotiated and is effective starting January 1, 2009. These rates are as follows:

Terminal building rental rates (per sq. ft.)	$ 98.94
Landing fee rate per (1,000 lbs.)	1.69
Apron Use Fee rate (per sq. ft.)	2.44
Loading Bridge use fee (per bridge)	24,960.00

LOUIS ARMSTRONG NEW ORLEANS INTERNATIONAL AIRPORT

(A Component Unit of the City of New Orleans)

Management's Discussion and Analysis

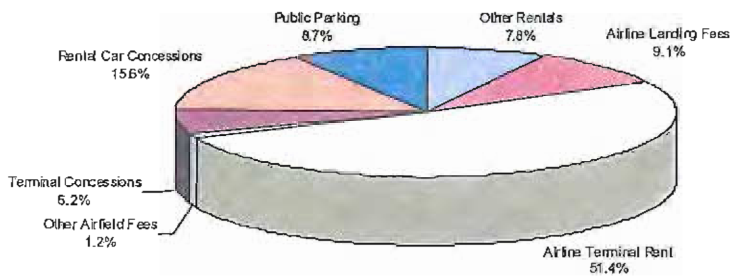
December 31, 2008 and 2007

(Unaudited)

Revenues

The following chart shows major sources and the percentage of operating revenues for the year ended December 31, 2008.

Operating Revenue



Operating Revenues by Major Source (in thousands)

	2008	2007	2006
Passenger and cargo airlines:			
Airline landing fee payments	$ 5,675	$ 5,159	$ 4,406
Airline terminal rental payments	31,921	29,994	24,717
Ground rents	50	62	74
Other rentals and fees	664	527	610
Total passenger and cargo airlines	38,310	35,742	29,807
Non airline rentals:			
Concessions-terminal	3,847	3,470	3,666
Concessions-car rentals	9,706	9,102	9,261
Public parking	5,374	5,331	5,081
Other rentals and fees	4,860	4,121	3,538
Business interruption insurance income	-	958	-
Total nonairline rentals	23,787	22,982	21,546
Total operating revenues	$ 62,097	$ 58,724	$ 51,353

(Continued)

2008 vs. 2007

The Rate Resolution implemented in 2005 was in effect for 2008. Total air carrier revenue for 2008 increased by $2,568,414 (7%) over 2007 due to increased airline operations and passenger activity. The landing fees increased $516,027 (10%) and airline terminal rentals increased by $1,927,394 (6%). The increase in airline terminal rental revenue was a result of the increase in enplaned passengers of 207,162 over the prior year. Nonairline revenue increased by $804,038 (3%), due primarily to an increase in ground transportation concessions in the amount of $1,062,123 (273%). This increase was offset by decreases in a variety of other revenues categories.

2007 vs. 2006

The Rate Resolution implemented in 2005 remains in effect. Total air carrier revenue for 2007 increased by $5,934,716 (20%) over 2006 due to increased airline operations and passenger activity. The landing fees increased $752,731 (17%) and airline terminal rentals increased by $5,276,915 (21%). The increase in airline terminal rental revenue was a result of the increase in enplaned passengers of 656,473 over the prior year. Nonairline revenue increased by $1,437,090 (7%), due primarily to proceeds received from business interruption insurance in the amount of $958,294.

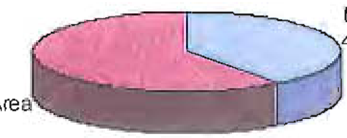
Cost per enplaned passenger is a measure used by the airline industry to reflect the costs an airline pays to operate at an airport based upon the number of enplaned passengers for that airport. The cost per enplaned passenger decreased from $9.37 in 2006 to $9.34 in 2007 and increased to $9.46 in 2008.

	2008	2007	2006
Cost per enplaned passenger:			
Airline revenues (in thousands)	$ 37,596	$ 35,153	$ 29,123
Enplaned passengers (in thousands)	3,973	3,765	3,108
Cost per enplaned passenger	$ 9.46	$ 9.34	$ 9.37

Expenses

The following chart shows major expense categories and the percentage of operating expenses for the year ended December 31, 2008.

Operating Expenses (Excluding Depreciation)



Operating Expenses before Depreciation (in thousands)

	2008	2007	2006
Direct (airfield, terminal building and area, hangars, leased sites, heliport)	$ 18,705	$ 16,154	$ 14,691
Administration Area	27,573	25,593	22,701
	$ 46,278	$ 41,747	$ 37,392

2008 vs. 2007

The operating expenses before depreciation and amortization increased by $4,530,911 (11%) over the prior year, which were due primarily to an increase in bad debt expense in the amount of $632,607, increased costs for legal services of $352,556, increased utilities costs of $750,634, increased fire services of $874,003, increased shuttle services of $365,679, and increase HVAV maintenance of $578,483.

2007 vs. 2006

The operating expenses before depreciation increased by $4,354,590 (12%) over the prior year, due primarily to increased security costs of $2,098,399, costs in the Capital Improvement Fund that were expensed in the amount of $1,559,896, increased janitorial costs of $874,003, increased utilities costs of $409,878, increased shuttle services of $476,444. These increases were offset by decreases in a variety of other expense categories.

Nonoperating Revenues, Net

2008 vs. 2007

Nonoperating revenues, net consists primarily of passenger facility charge (PFC) revenue, investment income, FAA grant revenue, and interest expense. PFC revenue increased 15% from $15,598,476 in 2007 to $16,298,855 in 2008. Investment income decreased by 58% from $6,448,430 in 2007 compared to $2,714,493 in 2008 due to unfavorable interest rates. FAA grant revenue decreased 53% from $8,740,231 in 2007 to $4,082,510 in 2008 due primarily to a decrease in the in capital contributions received from the federal government.. Interest expense and bond costs increased 4% from $13,686,783 in 2007 to $14,237,371 in 2008 as a result of higher interest expense.

2007 vs. 2006

Nonoperating revenues, net consists primarily of passenger facility charge (PFC) revenue, investment income, FAA grant revenue, and interest expense. PFC revenue increased 15% from $13,598,301 in 2006 to $15,598,476 in 2007. Investment income increased by 36% from $4,739,600 in 2006 compared to $6,448,430 in 2007 due to an increase in investments and favorable interest rates. FAA grant revenue increased 45% from $6,042,248 in 2006 to $8,740,231 in 2007 due primarily to the grant revenue for the Security Operations Center Project 1542. Interest expense and bond costs decreased 5% from $14,406,036 in 2006 to $13,686,783 in 2007 as a result of lower financing costs and interest expense, primarily on the 2004A Drawdown Bond Facility, which was paid off by the 2007 Refunding Bonds at a lower interest rate.

Total Revenues and Expenses (in thousands)

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

	2008	2007	2006
Total operating revenues	$ 62,097	$ 58,724	$ 51,353
Total nonoperating revenues	20,548	22,048	18,338
Total revenues	$ 82,645	$ 80,772	$ 69,691
Total operating expenses	$ 76,691	$ 72,363	$ 68,298
Total nonoperating expenses	14,237	14,517	15,747
Total expenses	$ 90,928	$ 86,880	$ 84,045

Summary of Changes in Net Assets (in thousands)

	2008	2007	2006
Summary of changes in net assets:			
Operating revenues	$ 62,097	$ 58,724	$ 51,353
Operating expenses	46,278	41,746	37,392
Operating income before depreciation and amortization	15,819	16,978	13,961
Depreciation and amortization	30,413	30,616	30,906
Operating loss	(14,594)	(13,638)	(16,945)
Nonoperating revenues, net	6,311	7,530	2,591
Loss before capital contributions and transfers	(8,283)	(6,108)	(14,354)
Capital contributions	4,082	8,740	6,042
Change in net assets	$ (4,201)	$ 2,632	$ (8,312)

Operating income before depreciation and amortization decreased $1,159,468 or (7%) over last fiscal year. Depreciation and amortization expense decreased $202,768 (1%). Capital contributions decreased by $4,657,721 (53%) due primarily to a decrease in the capital contributions received from the federal government. 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 Assets

The Airport's investment in capital assets can be noted in the following table. The total increase for this fiscal year was 3% before accumulated depreciation and amortization. Major capital asset events occurring this fiscal year include the following:

- Land Improvements/Other Buildings increased as a result of the completion cost of the East/West Runway (10/28) for $989,278, Master Drainage Plan for $120,627, and additional cost for Airport Perimeter fencing for $32,427.
- Terminal Buildings and Furnishings increased due to New ARFF Fire Truck for $743,349, Rent-A-Car Improvements for $531,788, and completion costs for Denver Jet Bridges for $116,740.
- Construction in Progress increased due to the Security Operations Center for $5,375,377, Terminal Exterior Improvements for $2,258,058, Terminal Interior Improvements for $798,869, Aircraft Loading Bridges for $7,561,819, and the Aircraft Rescue Fire Fighting (ARFF) for $370,057, Expansion of Concourse "D" for $404,512, Terminal Apron Rehab for $459,033, and the Conrac Garage for $2,746,204.

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

Net Capital Assets (in thousands)

	2008	2007	2006
Land	$ 86,598	$ 84,325	$ 84,252
Air rights	18,817	18,503	18,495
Land improvements	322,090	321,148	321,934
Buildings and furnishings	296,066	294,338	290,797
Equipment	5,862	6,492	6,353
Utilities	7,786	7,786	7,786
Heliport	3,070	3,067	3,067
Construction in process	49,990	27,653	18,744
Total capital assets	790,279	763,312	751,428
Less accumulated depreciation and amortization	397,046	367,263	337,183
Net capital assets	$ 393,233	$ 396,049	$ 414,245

Debt Activity

At the end of the current fiscal year, the Airport had total debt outstanding of $238,154,444. 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)

	2008	2007	2006
Bonds:			
Refunding Bonds 1993B – C, 1995 and 1997A	$ 102,030	$ 112,760	$ 122,840
Revenue Bonds 1997B	11,300	11,585	11,855
Revenue Refunding Bonds 1999 (PFC)	-	-	27,220
Revenue Refunding Bonds 2007 (PFC)	88,370	88,370	-
Drawdown Bond Facility 2004A	-	-	49,585
Unamortized bond discount	(45)	(47)	(414)
Unamortized loss on advanced refunding	(11,328)	(12,787)	(13,172)
Unamortized bond premium	771	798	-
Loans payable:			
FEMA	10,883	10,883	10,883
Go Zone Tax Credit Bonds	35,372	31,227	13,251
Interest payable:			
FEMA	801	479	157
	$ 238,154	$ 243,268	$ 222,205

The Airport's total debt decreased $5,113,822 (2%) during the current fiscal year due to the payment of principal in the amount of $11,015,000, which was offset by an increase in the Go Zone Tax Credit Bonds for $4,144,357.

More detailed information on long-term debt can he 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 Bonds Series 1993B, 1993C, 1995A, and 1997A and the Revenue Bonds Series 1997B-1 and 1997B-2. The bond resolution for the Revenue Refunding Bonds Series 2007A, 2007B-1 and 2007B-2, PFC Projects had 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 Rate Resolution in November 2005, which significantly reduced the fees 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 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 Account 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 accounts for one business day and then were wired back to the Airport Operating Fund to be used to pay operation and maintenance expenses of the Airport. During 2007, the $13,000,000 Rollover Coverage was wired back to the Airport Operating Fund to be used to pay operation and maintenance expenses of the Airport. On November 9, 2007, the Board approved the implementation of Rollover Coverage for Fiscal Year 2008 in the amount of $7,000,000. The funds were wire transferred to the Trustee in December 2007 and transferred to the Airport Operating Account in 2008. On December 17, 2008, the Board approved the implementation of Rollover Coverage for Fiscal Year 2009 in the amount of $5,600,000. The funds were wired to the Trustee on December 20, 2008, and transferred to the Airport Operating Account in 2009. As a result of the rollover coverage, the Airport is in compliance with the debt service coverage ratio at December 31, 2008.

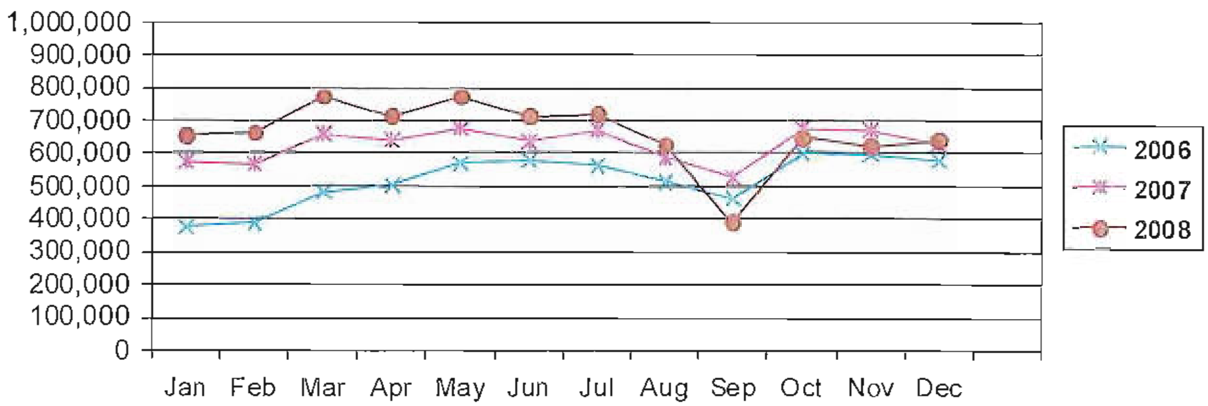
	2008	2007	2006
Refunding Bonds and Revenue Bonds	128%	185%	176%
Revenue Refunding Bonds	121	115	107

Airport Activities and Highlights

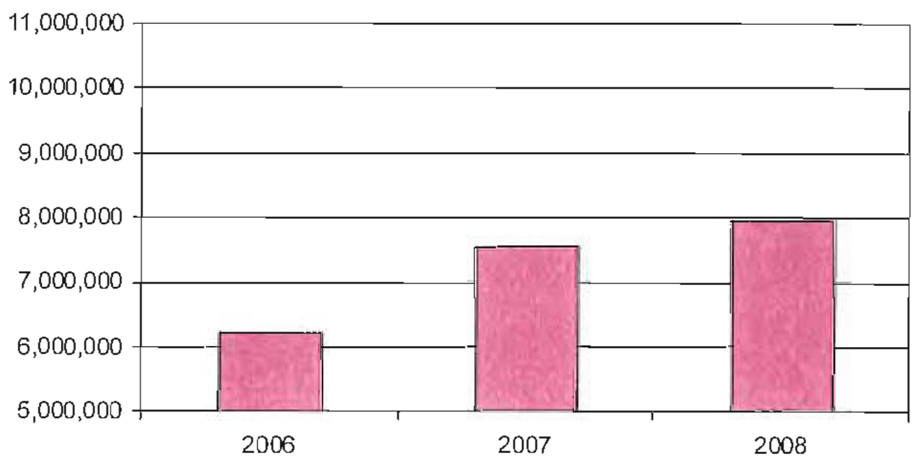
Passenger totals for 2008 increased by 412,500 (5%) over 2007 due to an increase in air carrier operations and passenger activity. Since the Airport resumed air service in September 2005, air carrier operations have continued to increase as flights and destinations have been added. Prior to Hurricane Katrina the Airport had 162 daily flights to 42 cities with 20,676 average daily seats. On December 31, 2005, the Airport had 56 flights to 21 cities with 6,769 average daily seats. By December 31, 2006, the Airport had 110 flights to 31 cities with 12,962 average daily seats. As of December 2007, the Airport has 132 flights to 37 cities with 15,440 average daily seats. As of December 2008, the Airport had 125 daily departures to 33 cities with 15,769 average daily seats. As of May 2009, the Airport had 121 daily departures to 33 cities with 15,135 average daily seats. The aircraft landed weight decreased by 26% in 2006, increased by 20% in 2007 and increased by 9% in 2008.

The Airport is continuing a program to rehabilitate aging infrastructure to meet current demands. Work has been completed on the Rehabilitation of Runway 10/28 project, and is ongoing on the Security Operations Center. In addition, the Airport is continuing work on two projects: Aircraft Loading Bridges and Terminal Improvements. Also, the Airport is in the implementing stage on the Concourse D Expansion project and the Conrac Garage project.

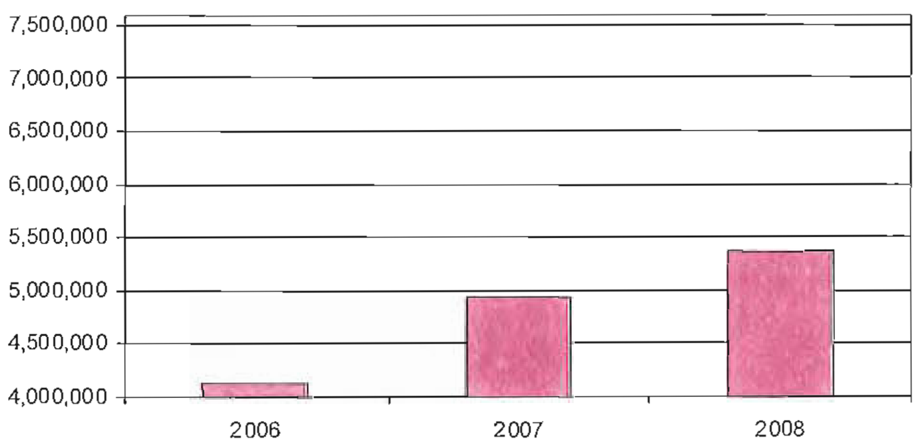
Total Passengers



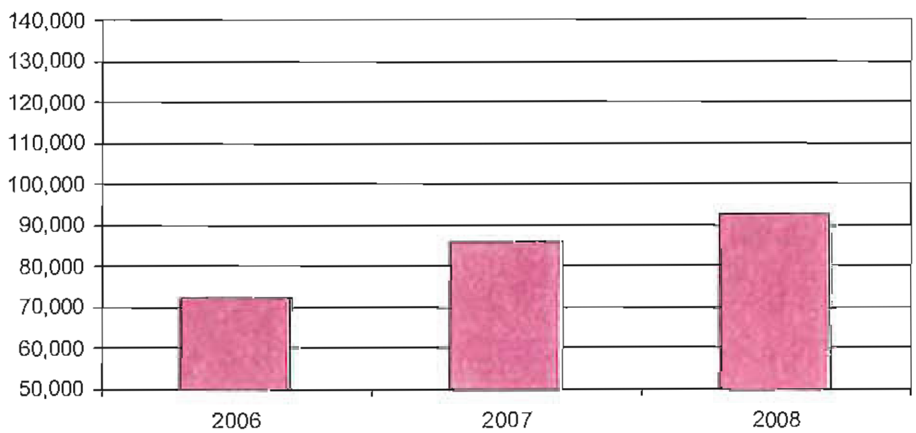
Total Passengers



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	landed weight (1,000 pound units)	Air carrier operations
2006	6,218,419	4,117,683	72,338
2007	7,525,533	4,936,391	85,885
2008	7,944,397	5,365,879	92,989

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, 2008 and 2007

Assets		**2008**		**2007**
Current assets:				
Unrestricted assets:				
Cash (note 2)	$	3,255,197	$	6,548,070
Accounts receivable, less allowance for doubtful accounts of $1,251,420 in 2008; $1,840,941 in 2007		9,336,040		9,792,664
Investments (note 2)		79,110,926		69,966,406
Interest receivable		1,707		306,403
Insurance proceeds receivable		—		4,038,298
Inventory of materials and supplies		116,542		100,361
Prepaid expenses and deposits		968,385		2,222,103
Due from City of New Orleans		1,187,263		—
Total unrestricted assets		93,976,060		92,974,305
Restricted assets (notes 2, 3, and 5):				
Cash		159,074		285,666
Investments		20,487,294		14,440,611
Passenger facility charges receivable		1,490,937		1,749,443
Capital grant receivable		554,252		1,015,877
Total restricted assets		22,691,557		17,491,597
Total current assets		116,667,617		110,465,902
Noncurrent assets:				
Long-term investments (note 2):				
Investments, restricted		64,851,329		71,501,980
Total long-term investments		64,851,329		71,501,980
Capital assets (note 4):				
Capital assets not being depreciated		136,587,642		111,977,561
Capital assets being depreciated		653,691,948		651,333,976
Less accumulated depreciation		(397,046,324)		(367,262,913)
Total capital assets, net		393,233,266		396,048,624
Prepaid insurance on revenue bonds, less accumulated amortization of $1,073,083 ($931,429 in 2007)		2,667,333		2,808,987
Deferred cost of bond issuance, less accumulated amortization of $1,964,958 ($1,761,733 in 2007)		2,921,792		2,767,899
Total noncurrent assets		463,673,720		473,127,490
Total assets	$	580,341,337	$	583,593,392

(Continued)

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

Balance Sheets

December 31, 2008 and 2007

Liabilities and Net Assets		**2008**		**2007**
Current liabilities:				
Payable from unrestricted assets:				
Accounts payable	$	6,270,860	$	4,570,570
Due to City of New Orleans		—		3,584,038
Accrued salaries and other compensation		1,849,883		2,025,956
Capital projects payable		1,642,675		871,736
Accrued Expenses		3,038,469		—
Due to FAA- Iafrate		457,903		640,000
Total unrestricted current liabilities		13,259,790		11,692,300
Payable from restricted assets:				
Accounts payable		—		555,795
Accrued bond interest payable		3,168,185		863,932
Bonds payable, current portion (note 5)		13,675,000		12,970,000
Capital projects payable		5,848,372		3,101,870
Total restricted current liabilities		22,691,557		17,491,597
Total current liabilities		35,951,347		29,183,897
Noncurrent liabilities:				
Bonds payable, less current portion, unamortized loss on advance refunding and unamortized discount (note 5)		177,424,222		187,709,327
Loans payable		46,254,630		42,110,274
Loan interest payable		800,592		478,665
Total noncurrent liabilities		224,479,444		230,298,266
Total liabilities		260,430,791		259,482,163
Net assets:				
Invested in capital assets, net of related debt		212,864,112		212,312,502
Restricted for:				
Debt service		17,163,996		15,205,537
Capital acquisition		41,836,966		42,803,356
Operating reserve		14,384,425		15,652,563
Unrestricted		33,661,047		38,137,271
Total net assets		319,910,546		324,111,229
Total liabilities and net assets	$	580,341,337	$	583,593,392

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, 2008 and 2007

	2008	2007
Operating revenues (note 8):		
Landing and airfield fees	$ 6,512,475	$ 6,081,862
Terminal building	53,652,932	49,548,461
Ground transportation and other areas	1,931,485	2,135,833
Recoveries from business interruption insurance	—	958,294
Total operating revenues	62,096,892	58,724,450
Operating expenses:		
Direct	18,705,183	16,153,566
Depreciation	30,413,037	30,615,805
Administrative	27,572,567	25,593,274
Total operating expenses	76,690,787	72,362,645
Operating loss	(14,593,895)	(13,638,195)
Nonoperating revenues (expenses):		
Investment income	2,714,493	6,448,430
Interest expense	(14,237,371)	(13,686,783)
Passenger facility charges	16,298,885	15,598,476
Customer facility charges	1,299,254	—
Other, net	235,441	(830,106)
Total nonoperating revenues, net	6,310,702	7,530,017
Loss before capital contributions	(8,283,193)	(6,108,178)
Capital contributions (note 6)	4,082,510	8,740,231
Change in net assets	(4,200,683)	2,632,053
Total net assets, beginning of year	324,111,229	321,479,176
Total net assets, end of year	$ 319,910,546	$ 324,111,229

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, 2008 and 2007

		2008		2007
Cash flows from operating activities:				
Cash received from customers	$	62,553,516	$	60,126,458
Cash paid to suppliers for goods and services		(41,849,787)		(41,755,360)
Cash paid to employees and on behalf of employees for services		(6,993,305)		(7,477,913)
Other receipts		859,315		995,418
Net cash provided by operating activities		14,569,739		11,888,603
Cash flow from noncapital financing activities:				
Sales tax receipts		625,202		594,984
Insurance proceeds receipts		12,596,132		2,365,813
Net cash provided by noncapital financing activities		13,221,334		2,960,797
Cash flows from capital and related financing activities:				
Passenger facility charges collected		16,557,391		15,904,398
Customer facility charges collected		1,299,254		—
Acquisition and construction of capital assets		(24,080,239)		(10,942,520)
Capital grants received		4,362,038		9,074,025
Principal paid on revenue bond maturities		(11,015,000)		(87,155,389)
Issuance of revenue bonds		—		88,370,000
Proceeds from loans payable to Go Zone		4,144,356		17,976,661
Interest paid on bonds and loans		(11,080,492)		(13,224,737)
Cost of bond issuance and insurance		(357,119)		(2,923,720)
Projects paid from insurance receipts		(5,519,365)		(7,894,118)
Net cash provided by (used in) capital and related financing activities		(25,689,176)		9,184,600
Cash flows from investing activities:				
Sales of investments		136,668,581		210,100,957
Purchases of investments		(145,209,132)		(237,192,656)
Interest and dividends on investments		3,019,189		6,417,524
Net cash used in capital and related financing activities		(5,521,362)		(20,674,175)
Net decrease in cash and cash equivalents		(3,419,465)		3,359,825
Cash and cash equivalents at beginning of year		6,833,736		3,473,911
Cash and cash equivalents at end of year (note 2)	$	3,414,271	$	6,833,736
Noncash investing activities:				
Decrease in investments due to change in fair value	$	(48,233)	$	(247,773)
Noncash financing activities:				
Amortization of bond-related costs	$	(1,779,774)	$	(1,315,364)
Loss on disposal of assets	$	—	$	(167,671)

(Continued)

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

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (14,593,895)	$ (13,638,195)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	30,413,037	30,615,805
Increase in allowance for doubtful accounts	(589,560)	(3,053,492)
Other	859,315	37,124
Changes in assets and liabilities:		
Accounts receivable	1,046,184	2,360,302
Insurance proceeds receivable	—	(4,038,298)
Inventory of materials and supplies	(16,181)	(19,621)
Prepaid expenses and deposits	1,253,718	(1,625,660)
Due from City of New Orleans	(1,999,856)	—
Accounts payable	1,144,495	(1,008,381)
Accrued salaries and other compensation	(176,073)	(85,148)
Due to City of New Orleans	(2,771,445)	2,344,167
Total adjustments	29,163,634	25,526,798
Net cash provided by operating activities	$ 14,569,739	$ 11,888,603

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, customer facility charges, federal and state 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.

(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. There was capitalized interest in the amount of $397,158 in 2008 and none in 2007.

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 $1,514,755 and $1,442,624 for the years ended December 31, 2008 and 2007, 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 2007, 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.

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. 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 Governmental Accounting Standards Board No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for*

Insurance Recoveries (GASB Statement No. 42). The major impact to the Airport was related to operations, and no fees were charged to the air carriers for the month of September 2005. 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, fees 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. On January 1, 2009 all prospective Signatory Airlimes will begin paying Signatory Airline rates and charges per the new lease agreement. The rates are as follows:

Terminal building rental rates (per sq. ft.)	$ 98.94
Landing fee rate per (1,000 lbs.)	1.69
Apron Use Fee rate (per sq. ft.)	2.44
Loading Bridge use fee (per bridge)	24,960.00

(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, 2008 the Airport is authorized to collect up to $485,996,121 of PFC revenue of which $228,806,039 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 January 1, 2020.

(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, 2008, the Airport received $2,213,867 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 annual and 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.

(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, 2007 and 2006, the fair value of all securities regardless of balance sheet classifications as cash and cash equivalents or investments was as follows:

	2008	2007
Securities:		
U.S. Treasury and government agency securities	$ -	$ 2,678,081
Common Stock: Airline Bankruptcies	491,920	569,188
Local government investment pool	62,080,020	52,876,168
Investment in money market funds	101,877,609	99,785,560
Total securities, at fair value	$ 164,449,549	$ 155,908,997

These securities are held in the following accounts:

	2008	2007
Current assets:		
Cash and cash equivalents	$ 3,414,271	$ 6,833,736
Investments	99,598,220	84,407,017
Noncurrent assets:		
Investments	64,851,329	71,501,980
Total cash and investments	167,863,820	162,742,733
Less cash on deposit	(3,414,271)	(6,833,736)
Total securities, at fair value	$ 164,449,549	$ 155,908,997

(Continued)

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 2008, and 2007, 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, 2008

Investment type	Less than 1 year	1 to 5 years	Total
U.S. Treasury and government agency securities	$ -	$ -	$ -
Common Stock: Airline Bankruptcies	491,920	-	491,920
Local government investment pool	62,080,020	-	62,080,020
Money market funds	101,877,609	-	101,877,609
	$ 164,449,549	$ -	$ 164,449,549

Investment Maturities at December 31, 2007

Investment type	Less than 1 year	1 to 5 years	Total
U.S. Treasury and government agency securities	$ 2,678,081	$ -	$ 2,678,081
Common Stock: Airline Bankruptcies	569,188	-	569,188
Local government investment pool	52,876,168	-	52,876,168
Money market funds	99,785,560	-	99,785,560
	$ 155,908,997	$ -	$ 155,908,997

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.

In 2007, the Airport acquired common stock as a result of bankruptcy proceedings of three airlines. The common stock with a market value of $491,920 at December 31, 2008 was subject to market risk as a result of the volatility of the stock market.

LAMP: LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to provide immediate access to participants. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares, investments are valued at amortized cost.

(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, 2008 and 2007:

2008

	Debt service fund	Debt service reserve fund	Renewal and replacement fund	Operations and maintenance reserve fund	Capital Improvement fund	Defeasance Escrow fund	Receipts fund	Rollover fund	PFC collect	Cost of issue	Receivable	2008 total
Assets:												
Cash and certificates of deposits	$ 168	—	—	—	—	—	—	—	158,906	—	—	159,074
Dreyfus Treasury Prime Cash Management	4,235,443	6,743,923	—	—	46,814,451	—	725,866	5,600,000	—	—	—	64,119,683
JPM U.S. Treasury and U.S. money market fund	1,641,159	2,810,511	2,036,857	8,784,425	1,044,844	—	—	—	—	—	—	16,317,796
U.S. Treasury and U.S. agency obligations	4,901,144	—	—	—	—	—	—	—	—	—	—	4,901,144
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	1,490,937	1,490,937
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	370,142	370,142
Transportation Security Admin Grant receivable	—	—	—	—	—	—	—	—	—	—	118,800	118,800
Hazard Material Grant receivable	—	—	—	—	—	—	—	—	—	—	65,310	65,310
	$ 10,777,914	9,554,434	2,036,857	8,784,425	47,859,295	—	725,866	5,600,000	158,906	—	2,045,189	87,542,886

2007

	Debt service fund	Debt service reserve fund	Renewal and replacement fund	Operations and maintenance reserve fund	Capital Improvement fund	Defeasance Escrow fund	Receipts fund	Rollover fund	PFC collect	Cost of issue	Receivable	2007 total
Assets:												
Cash and certificates of deposits	$ 124	—	—	—	83,625	231	—	939	200,747	—	—	285,666
JPM U.S. Treasury and U.S. money market fund	3,243,992	10,149,084	2,006,064	8,651,624	50,021,372	—	1,840,906	7,000,000	—	353,156	—	83,266,198
U.S. Treasury and U.S. agency obligations	2,674,196	2,197	—	—	—	—	—	—	—	—	—	2,676,393
Passenger facility charges receivable	—	—	—	—	—	—	—	—	—	—	1,749,443	1,749,443
Capital grant receivable	—	—	—	—	—	—	—	—	—	—	1,015,877	1,015,877
	$ 5,918,312	10,151,281	2,006,064	8,651,624	50,104,997	231	1,840,906	7,000,939	200,747	353,156	2,765,320	88,993,577

(Continued)

(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, 2008 and 2007 is as follows:

	Balance December 31, 2007	Additions/ transfers during year	Deletions/ transfers during year	Balance December 31, 2008
Capital assets not being depreciated:				
Land	$ 84,325,000	$ 2,586,754	$ (313,930)	$ 86,597,824
Construction in progress	27,652,561	28,110,105	(5,772,848)	49,989,818
Total capital assets not being depreciated	111,977,561	30,696,859	(6,086,778)	136,587,642
Capital assets being depreciated:				
Air rights	18,503,125	313,930	-	18,817,055
Land improvements	321,148,047	1,142,333	(200,000)	322,090,380
Buildings and furnishings	294,337,818	1,411,802	316,740	296,066,360
Equipment	6,491,976	-	(629,626)	5,862,350
Utilities	7,786,124	-	-	7,786,124
Heliport	3,066,886	2,793	-	3,069,679
Total capital assets being depreciated	651,333,976	2,870,858	(512,886)	653,691,948
Total capital assets	763,311,537	33,567,717	(6,599,664)	790,279,590
Less accumulated depreciation:				
Air rights	2,148,713	741,448	-	2,890,161
Land improvements	154,604,931	15,134,672	-	169,739,603
Buildings and furnishings	197,741,354	13,974,037	-	211,715,391
Equipment	5,534,006	302,701	(629,626)	5,207,081
Utilities	4,168,834	258,634	-	4,427,468
Heliport	3,065,075	1,545	-	3,066,620
Total accumulated depreciation	367,262,913	30,413,037	(629,626)	397,046,324
Total capital assets, net	$ 396,048,624	$ 3,154,680	$ (5,970,038)	$ 393,233,266

	Balance December 31, 2006	Additions/ transfers during year	Deletions/ transfers during year	Balance December 31, 2007
Capital assets not being depreciated:				
Land	$ 84,251,895	$ 81,688	$ (8,583)	$ 84,325,000
Construction in progress	18,744,182	13,628,201	(4,719,822)	27,652,561
Total capital assets not being depreciated	102,996,077	13,709,889	(4,728,405)	111,977,561
Capital assets being depreciated:				
Air rights	18,494,542	8,583	-	18,503,125
Land improvements	321,934,423	(673,565)	(112,811)	321,148,047
Buildings and furnishings	290,797,127	3,314,746	225,945	294,337,818
Equipment	6,352,732	139,244	-	6,491,976
Utilities	7,786,124	-	-	7,786,124
Heliport	3,066,886	-	-	3,066,886
Total capital assets being depreciated	648,431,834	2,789,008	113,134	651,333,976
Total capital assets	751,427,911	16,498,897	(4,615,271)	763,311,537
Less accumulated depreciation:				
Air rights	1,408,626	740,087	-	2,148,713
Land improvements	139,657,569	15,483,467	(536,105)	154,604,931
Buildings and furnishings	184,005,891	13,735,463	-	197,741,354
Equipment	5,137,405	396,601	-	5,534,006
Utilities	3,910,200	258,634	-	4,168,834
Heliport	3,063,522	1,553	-	3,065,075
Total accumulated depreciation	337,183,213	30,615,805	(536,105)	367,262,913
Total capital assets, net	$ 414,244,698	$ (14,116,908)	$ (4,079,166)	$ 396,048,624

Construction in progress is composed of the following at December 31, 2008:

Description		Project authorization	Expended to December 31, 2008	Remaining commitments
Security Operations Center	$	28,170,190	19,814,657	8,355,533
Transport Center Expansion		2,000,000	338,823	1,661,177
Expansion Concourse "D"		37,933,000	4,614,244	33,318,756
New ARFF Fire Station		11,900,000	1,815,173	10,084,827
Terminal Apron Rehabilitation		35,000,000	1,671,980	33,328,020
Aircraft Loading Bridge		28,914,000	9,571,187	19,342,813
Terminal Exterior Improvements		3,387,359	2,787,794	599,565
Terminal Interior Improvements		7,223,378	1,286,370	5,937,008
Strategic Development Plan		4,723,276	2,599,984	2,123,292
Inter-Concourse Connector		2,000,000	2,023	1,997,977
Term/Con Hurricane Roof Repairs		5,210,514	18,893	5,191,621
Demo #10		250,000	17,403	232,597
USACE Airport Levee Coordination		5,830	5,830	—
Wildlife Management Study		500,000	3,758	496,242
Ross Upgrade to Ren 5.9		513,608	150,195	363,413
Termin Fids. Bids. Gids		2,310,069	134,859	2,175,210
Consolidated Rental Car Facility (CONRAC) Garage		118,000,000	2,149,483	115,850,517
Term/Baggage Claim Improvements		5,087,060	50,545	5,036,515
Expansion Taxiway Gulf Phase 1		10,601,755	7,496	10,594,259
Ext Term 2-Lower and Upper Roads		5,319,246	205,126	5,114,120
Job Order Costing		9,560	9,560	—
Hazard Mitigation Plan		234,800	120,484	114,316
Concourse "D" Apron		5,000,000	9,412	4,990,588
Other		2,604,539	2,604,539	—
	$	316,898,184	49,989,818	266,908,366

Land Swap

The City of New Orleans acting through the New Orleans Aviation Board completed the two step process referenced in the Notes to the Financial Statements for December 31, 2008 and 2007. On October 30, 2008, the Board purchased the remaining 2/7 of the Iafrates parcels for the sum of $2,100,000, as per the parties previous agreement dated June 14, 2006, which was reached pursuant to appraisals dated May 11, 2006.

(5) Long-term Debt

Long-term debt activity for the years ended December 31, 2008 and 2007 was as follows:

Long-Term Debt	Balance December 31, 2007	Additions	Deductions	Balance December 31, 2008	Amounts due within one year
Bonds Payable:					
Series 1993B Refunding bonds, variable rates, final maturity 2016	$ 81,095,000	$ -	$ (7,970,000)	$ 73,125,000	$ 8,405,000
Series 1993C Refunding bonds, variable rates, final maturity August 3, 2011	1,295,000	-	(280,000)	1,015,000	310,000
Series 1995A Refunding bonds, variable rates, final maturity August 1, 2015	12,700,000	-	(1,310,000)	11,390,000	1,425,000
Series 1997A Refunding bonds, variable rates, final maturity August 5, 2015	17,670,000	-	(1,170,000)	16,500,000	1,275,000
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 Deeember 31, 2004), final maturity October 1, 2027	9,030,000	-	(285,000)	8,745,000	305,000
Series 2007A Revenue Bonds with fixed interest rate Jannary 1, 2038 at 4.25% final maturity	65,530,000	-	-	65,530,000	605,000
Series 2007B-1 Reveaue Refunding bonds with fixed interest rate Jannary 1, 2020 at 4.25% final maturity	4,295,000	-	-	4,295,000	-
Series 2007B-2 Revenue Refunding bonds, with fixed interest rate January 1, 2019 at 4.25% final maturity	18,545,000	-	-	18,545,000	1,350,000
	212,715,000	-	(11,015,000)	201,700,000	13,675,000

Bonds payable	Balance December 31, 2007	Additions	Deductions	Balance December 31, 2008	Amounts due within one year
Less:					
Unamortized loss on advance refunding	$ (12,787,348)	$ -	$ 1,459,305	$ (11,328,043)	$ -
Unamortized discount on bonds	(46,495)	-	2,195	(44,300)	-
Unamortized premium on bonds	798,170	-	(26,606)	771,564	-
	200,679,327	-	(9,580,106)	191,099,221	13,675,000
Loans payable:					
FEMA	10,882,641	-	-	10,882,641	-
Go Zone	31,227,633	4,144,357	-	35,371,990	-
	42,110,274	4,144,357	-	46,254,631	-
Other liabilities:					
FEMA Interest Payable	478,665	321,927	-	800,592	-
	478,665	321,927	-	800,592	
	$ 243,268,266	$ 4,466,284	$ (9,580,106)	$ 238,154,444	$ 13,675,000

	Balance December 31, 2006	Additions	Deductions	Balance December 31, 2007	Amounts due within one year
Series 1993B Refunding bonds, variable rates, final maturity 2016	$ 88,650,000	$ -	$ (7,555,000)	$ 81,095,000	$ 7,970,000
Series 1993C Refunding bonds, variable rates, final maturity Augnst 3, 2011	1,550,000	-	(255,000)	1,295,000	280,000
Series 1995A Refunding bonds, variable rates, final maturity August 1, 2015	13,895,000	-	(1,195,000)	12,700,000	1,310,000
Series 1997A Refunding bonds, variable rates, final maturity August 5, 2015	18,745,000	-	(1,075,000)	17,670,000	1,170,000
Series 1997B-1 Revenue bonds, with fixed interest rate at 5.45%, final maturity Oetober 1, 2027	2,555,000	-	-	2,555,000	-
Series 1997B-2 Taxable revenue bonds, fixed interest rates (6.45% at Deeember 31, 2004), final maturity October 1, 2027	9,300,000	-	(270,000)	9,030,000	285,000
Series 1999A-1 Revenue refunding bonds 2002), interest rates (5.00% at December 31, 2004), final maturity September 1, 2018, refunded in 2007	22,655,000	-	(22,655,000)	-	-
Series 1999A-2 Revenue refunding bonds, with fixed interest rate at 6.00%, final maturity September 1, 2019, refunded in 2007	4,565,000	-	(4,565,000)	-	-
Series 2004A Drawdown Bond Faeility, variable rates, final uaturity December 31, 2007	49,585,389	-	(49,585,389)	-	-
Series 2007A Revenue Bonds with fixed interest rate January 1, 2038 at 4.25% final maturity	-	65,530,000	-	65,530,000	605,000
Series 2007B-1 Revenue Refunding bonds with fixed interest rate January 1, 2020 at 4.25% final maturity	—	4,295,000	-	4,295,000	-
Series 2007B-2 Revenue Refunding bonds, with fixed interest rate at 4.25% final maturity	—	18,545,000	—	18,545,000	1,350,000
	$ 211,500,389	88,370,000	(87,155,389)	212,715,000	12,970,000

	Balance December 31, 2006	Additions	Deductions	Balance December 31, 2007	Amounts due within one year
Less:					
Unamortized loss on advance refunding	$ (13,171,785)	$ (990,010)	$ 1,374,447	$ (12,787,348)	$ -
Unamortized disconnt on bonds	(414,026)	(9,173)	376,704	(46,495)	-
Unamortized premium on bonds	-	798,170	-	798,170	
	197,914,578	88,168,987	(85,404,238)	200,679,327	12,970,000
Loans payable:					
FEMA	10,882,641	-	-	10,882,641	
Go Zone	13,250,972	17,976,661	-	31,227,633	-
	24,133,613	17,976,661	-	42,110,274	-
Other liabilities:					
FEMA Interest Payable	157,181	321,484	-	478,665	-
	157,181	321,484	-	478,665	
	$ 222,205,372	$ 106,467,132	$ (85,404,238)	$ 243,268,266	$ 12,970,000

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

	Interest	Principal	Total
Bonds payable:			
December 31:			
2009	11,080,621	13,675,000	24,755,621
2010	10,315,407	15,010,000	25,325,407
2011	9,481,559	15,925,000	25,406,559
2012	8,585,492	16,910,000	25,495,492
2013	7,635,197	17,885,000	25,520,197
2014-2018	24,122,498	56,485,000	80,607,498
2019-2023	15,081,740	17,080,000	32,161,740
2024-2028	10,793,961	15,025,000	25,818,961
2029-2033	6,714,856	14,770,000	21,484,856
2034-2038	2,459,125	18,935,000	21,394,125
	$ 106,270,456	$ 201,700,000	$ 307,970,456

Debt service requirements to maturity for all outstanding loans payable, assuming that all approved funds are borrowed under the GO Zone loan and FEMA are as follows:

	Interest	Principal	Total
Notes payable:			
December 31:			
2011	$ 1,552,720	$ 10,882,641	$ 12,435,361
2012	1,641,260	1,684,138	3,325,398
2013-2017	6,959,053	9,667,940	16,626,993
2018-2022	4,498,060	12,128,933	16,626,993
2023-2025	1,410,616	11,890,979	13,301,595
	$ 16,061,709	$ 46,254,631	$ 62,316,340

Bonds Payable

On November 20, 2007, the New Orleans Aviation Board issued in its own name for the benefit of the City of New Orleans the following tax exempt obligations: The $65,530,000 New Orleans Aviation Board Revenue Bonds (Passenger Facility Charge Projects) Series 2007A and the $22,840,000 New Orleans Aviation Board Revenue Refunding Bonds (Passenger Facility Charge Projects) Series 2007B.

The proceeds of the Series 2007A Bonds were used to 1) pay the entire outstanding balance of bond anticipation notes previously issued by the Board to pay the bond financed costs of the rehabilitation of Runway 10/28 at the Airport, 2) provide an additional $10,000,000 to pay the costs of acquiring, constructing and installing approximately 17 aircraft loading bridges at the Airport, 3) provide a debt service reserve fund for such bonds, 4) pay the costs of credit enhancement, and 5) pay the costs of issuance incurred in connection with such bonds.

The proceeds of the Series 2007B Bonds were used to 1) refinance the $35,585,000 original principal amount New Orleans Aviation Board Revenue Refunding Bonds Series 1999 A-1 and Series 1999 A-2, 2) provide a debt service reserve fund for such bonds, 3) pay the costs of credit enhancement, 4) pay the costs of issuance incurred in connection with such bonds.

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 January 1, 2018. 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 $49,585,389 at December 31, 2006. Proceeds of the Series 2007A bonds were used to refinance these bonds in 2007.

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 were secured by a pledge of PFC revenue expected to be collected through January 1, 2018 and by certain other Airport funds, including a portion of the Debt Service Reserve Account. Proceeds of the Series 2007B bonds were used to refinance these bonds in 2007.

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-1, and $10,945,000 in Taxable Revenue Bonds, Series 1997B-2. The Series 1997B-1 bonds were issued for the purpose of reimbursing the Airport for costs previously paid by the Airport in connection with, or financing the costs of, the Airport's continuing Noise Mitigation and Land Acquisition Program at the Airport, including the purchase of certain noise-impacted properties, the purchase of properties for development purposes, the 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, 2006.

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.

Interest Rate Swaps

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, 2008, $102,030,000 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 agreements were 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 $88,650,000, $1,550,000, $13,895,000, and $18,745,000 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, 2008 is a liability of $17.1 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, 2008, 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, 2008.

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, 2008 is a liability of $1,734,864, 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, 2008, 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%.

The Board approved the Rate 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. In November 2007, the Board approved the Rollover Coverage Resolution which allowed the Airport to provide for $7,000,000 of rollover coverage for the December 31, 2008 debt service coverage ratio calculation. The operating funds were transferred to the NOAB Rollover Account 2008, held by The Bank of New York Mellon December 18, 2007.

Subsequent Activity

In February 2009, the New Orleans Aviation Board issued $144,355,000 in Revenue Refunding Bonds, Series (Restructuring GARB's) Series 2009. The proceeds of these bonds were used to refund and defease the 1993B, 1993C, 1995A, 1997A, 1997B1 and 1997B2 bonds. They also paid the termination fees due with respect to the swap agreements associated with the 1993B bonds.

Loans Payable

The Board was authorized to receive up to a maximum of $28,000,000 from the FEMA Community Disaster Loan (CDL) Program. On June 15, 2006, the Airport received an $8,112,103 CDL from FEMA with an interest rate of 2.93% for a period of 60 months. On August 25, 2006, the Airport received a $2,187,816 CDL from FEMA with an interest rate of 3.06% for a period of 60 months. On October 4, 2006, the Airport received a $582,722 CDL from FEMA with an interest rate of 2.93% for a period of 60 months. The balance outstanding on these loans at December 31, 2008 is $10,882,641.

In addition, the Board received approval for participation in the Gulf Tax Credit Bonds Program (Go Zone Tax Credit Bonds) sponsored by the State of Louisiana in an amount not exceeding $36,000,000. The Airport was approved for $35,371,990 for an interest free 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 Hancock Bank transferred an additional $25,129,440 in debt service between August 2006 and July 2008 which brought the loan to the approval amount of $35,371,990 as of December 31, 2008. The Trustee continues to be responsible for making all debt service payments on the bonds.

(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 year ended December 31, 2008, the FAA contributed approximately $3,898,401, Transportation Security Administration contributed $118,800, and FEMA contributed $65,310. During 2007, FAA contributed approximately $8,740,231, 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, 2007 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, 2008 and 2007 was $362,462 and $411,457, 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 not signed in 2005 due to Hurricane Katrina with a consensus between the Airport and the airlines. The Board implemented the Rate Resolution in agreement with the airlines. 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. On January 1, 2009 all prospective Signatory Airlines will begin paying Signatory Airlines rates and charges per the new lease agreement.

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. The Commencement Date as defined in the Ground Lease went into effect January 1, 2002, and the ground rental term began. 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 2008 monthly ground rent was $12,686.

The following is a schedule by year of aggregate future minimum rentals receivable on noncancelable operating leases as of December 31, 2008:

2009	3,226,910
2010	4,179,170
2011	4,151,932
2012	3,942,067
2013	3,404,482
2014-2022	5,696,151
	$ 24,600,712

These 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 $13,955,759 in 2008 and $11,626,625 in 2007.

(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, 2008 in accordance with the Single Audit Act of 1996, these programs are still subject to financial and compliance audits by governmental agencies.

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, 2008

Description	Year acquired	Maturity date	Par value	Fair value
Unrestricted investments:				
Special receipts:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	$ 1,551,635	1,551,635
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2004	N/A	6,528,883	6,528,883
PFC reimbursement:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	2,400,351	2,400,351
Stock: Airline Bankruptcies	2007	N/A	491,920	491,920
NOAB Reserve:				
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2004	N/A	6,058,116	6,058,117
City of New Orleans:				
LAMP	2003	N/A	62,080,020	62,080,020
Total unrestricted investments			79,110,925	79,110,926
Restricted investments:				
Debt service fund:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York	2008	N/A	4,235,443	4,235,443
JPM U.S. Treasury Plus				
Investments				
The Bank of New York	2004	N/A	1,641,159	1,641,159
U.S. Treasury Bills				
The Bank of New York Mellon	2008	7/31/2009	4,909,000	4,901,144
			10,785,602	10,777,746
Debt service reserve fund:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	6,743,923	6,743,923
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2004	N/A	2,810,511	2,810,511
			9,554,434	9,554,434
Renewal and replacement:				
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2004	N/A	2,036,857	2,036,857
Operations and maintenance				
Reserve fund:				
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2004	N/A	8,784,425	8,784,425
Receipts fund:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	725,866	725,866

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, 2008

Description	Year acquired	Maturity date	Par value	Fair value
Time reimbursement:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	$ 9,021,145	9,021,145
Project account:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	4,096,098	4,096,098
JPM U.S. Treasury Plus				
Investments				
The Bank of New York Mellon	2004	N/A	1,044,844	1,044,844
			5,140,942	5,140,942
PFC restricted:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	33,697,208	33,697,208
Rollover account:				
Dreyfus Treasury Prime				
Cash Management				
The Bank of New York Mellon	2008	N/A	5,600,000	5,600,000
Total restricted investments			85,346,479	85,338,623
Total			$ 164,457,404	164,449,549

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, 2008

	Landing area	Terminal buildings and area	Ground transportation	Total
Operating revenues	$ 6,512,475	53,652,932	1,931,485	62,096,892
Direct expenses	2,461,695	14,509,733	1,733,755	18,705,183
Operating revenues, less direct expenses	4,050,780	39,143,199	197,730	43,391,709
Depreciation of area assets	15,879,333	12,575,908	1,102,758	29,557,999
Operating revenues, less direct expenses and depreciation	$ (11,828,553)	26,567,291	(905,028)	13,833,710
Other operating expenses:				
Depreciation of general assets				855,038
Administrative				27,572,567
Total other operating expenses				28,427,605
Operating loss				$ (14,593,895)

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, 2008

(Unaudited)

Revenues:		
Airline rentals and landing fees	$	37,596,018
Other operating revenues		25,771,936
Nonoperating revenues		2,806,353
Rollover coverage		7,000,000
Total revenues		73,174,307
Less reserve requirements:		
Operation and maintenance reserve fund requirement		(891,499)
Operation and maintenance expenses		(46,633,933)
Net revenues	$	25,648,875
Debt service fund requirement:		
Principal payments	$	11,305,417
Interest expense		8,686,604
Total debt service fund requirement	$	19,992,021
Historical debt service coverage ratio		1.28

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.

(2) Rollover Coverage

The Board approved the Rollover Coverage Resolution on November 9, 2007 which allowed the Airport to apply $7,000,000 of rollover coverage for the December 31, 2008 debt service coverage ratio calculation. The operating funds were transferred to the NOAB Rollover Account 2008 held by the Bank of New York Mellon on December 18, 2007.