

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

The Board of Commissioners
Morgan City Harbor and Terminal District
State of Louisiana
Morgan City, Louisiana

We have audited the general purpose financial statements of the Morgan City Harbor & Terminal District, as of and for the year ended June 30, 1996, and have issued our report thereon dated July 19, 1996.

In connection with our audit of the general purpose financial statements of the Morgan City Harbor & Terminal District, and with our consideration of the District's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, Audits of State and Local Governments, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1996. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; matching; level of effort or earmarking requirements; and reporting that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Morgan City Harbor & Terminal District's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect of items not tested, nothing came to our attention that caused us to believe that the Morgan City Harbor & Terminal District, had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of the Morgan City Harbor & Terminal District's Board of Commissioners. However, This report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Morgan City, Louisiana
July 19, 1996

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements (Continued)

the primary term of the lease (first adjustment period) may not exceed \$48,000. The rental for the four ten year renewal (option) periods may range from the minimal rental of \$36,000 to the maximum of \$64,000 for the first option period, \$85,333 for the second option period, \$113,777 for the third option period and \$151,702 for the fourth and final option period.

- B. A lease commencing June 3, 1991, for a servitude through the seawall opening of Federal Avenue to be used for access to the dock and waterfront property described above with an annual rental of \$1,200. The rental is for a period of three years with an option to renew for an additional ten years.

Minimum future rental payments under non-cancelable operating leases, having remaining terms in excess of one year as of June 30, 1996, for each of the next five years are:

<u>Year Ended June 30,</u>	<u>Amount</u>
1997	\$ 37,200
1998	44,200
1999	44,200
2000	44,200
2001	<u>44,200</u>
	\$214,000
	=====

(9) Designation of Fund Balance

The District has designated \$500,000 of its fund balance for complete assurance to the United States Army Corps of Engineers. In the amended act of Assurance of Agreement and Designation dated August 14, 1973, the District has given continuing assurances to contribute 25% of the construction costs of the Atchafalaya River and Bayou Boeuf, Black and Chene Projects. Payments contributed in prior years toward these guarantees reduced the total amount designated at June 30, 1996 to \$402,050.

In accordance with the grant agreements that the District has executed with the State of Louisiana, the District is required to fund a portion of the wharf construction projects. The State of Louisiana will fund 75% of the cost of the project. The District will match the remaining 25%. Therefore, at June 30, 1996, the District has designated \$490,000 of fund balance as a guarantee that the 25% local matching funds are available.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
General Fund

Statement of Expenditures Compared to Budget (GAAP Basis)
Year Ended June 30, 1996
With Comparative Actual Amounts for Year Ended June 30, 1995

	1996		Variance - Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
Current -				
Economic port development -				
Administrative:				
Salaries	\$146,370	\$150,130	\$ (3,760)	\$ 113,851
Personnel related benefits	30,900	31,145	(245)	20,497
Office supplies	10,250	10,124	126	5,964
Telephone	14,250	13,445	805	8,259
Miscellaneous	6,800	10,273	(3,473)	34,924
Janitorial/pest control	5,200	5,106	94	3,592
Insurance	60,900	76,635	(15,735)	86,215
Legal retainer	1,800	1,800	-	3,600
Legal fees	19,000	22,121	(3,121)	34,127
Auditor fees	8,700	8,686	14	11,450
Security	-	-	-	4,378
Repairs and maintenance	6,200	6,783	(583)	1,555
Supplies	2,000	1,710	290	76
Bank charges	-	-	-	795
Deduction from ad valorem taxes for-				
Retirement system	12,464	12,464	-	13,196
Total administrative	<u>324,834</u>	<u>350,422</u>	<u>(25,588)</u>	<u>342,479</u>
Promotional:				
Promotion	8,700	9,169	(469)	9,288
Automobile expense	4,200	3,847	353	1,754
Conference and travel	23,000	23,035	(35)	13,337
Advertising and dues	12,500	11,521	979	14,350
Total promotional	<u>48,400</u>	<u>47,572</u>	<u>828</u>	<u>38,729</u>
Development:				
Port consultant fees	79,050	79,050	-	88,647
Engineering	2,000	2,221	(221)	27,118
Engineering retainer	1,800	1,800	-	1,800
Repairs and maintenance	1,145	1,122	23	4,469
Total development	<u>83,995</u>	<u>84,193</u>	<u>(198)</u>	<u>122,034</u>
Rental:				
Facility rental	42,000	41,927	73	47,317
Utilities	10,000	10,144	(144)	9,225
Total rental	<u>52,000</u>	<u>52,071</u>	<u>(71)</u>	<u>56,542</u>
Port operations:				
Contracted services	61,000	44,575	16,425	-
Repairs and maintenance	5,000	10,448	(5,448)	-
Supplies	5,700	3,715	1,985	-
Security	-	1,410	(1,410)	-
Fuel	-	1,501	(1,501)	-
Miscellaneous	2,200	2,115	85	-
Total port operations	<u>73,900</u>	<u>63,764</u>	<u>10,136</u>	<u>-</u>
Capital outlay:				
Leasehold improvements	-	-	-	481
Equipment	117,500	129,395	(11,895)	26,094
Wharf project	200,000	209,146	(9,146)	4,824,766
Total capital outlay	<u>317,500</u>	<u>338,541</u>	<u>(21,041)</u>	<u>4,851,341</u>
Total expenditures	<u>\$900,629</u>	<u>\$936,563</u>	<u>\$(35,934)</u>	<u>\$5,411,125</u>

OTHER SUPPLEMENTAL INFORMATION

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Schedule of Federal Financial Assistance
Year Ended June 30, 1996

<u>Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Assistance I.D. Number</u>	<u>Grant Funds Earned</u>	<u>Expended This Year</u>
Department of Commerce: Grants and Loans for Public Works and Development Facilities			\$49,883	\$49,883
Total nonmajor federal assistance			\$49,883 =====	\$49,883 =====

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

The Board of Commissioners
Morgan City Harbor and Terminal District
State of Louisiana
Morgan City, Louisiana

We have audited the general purpose financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated July 19, 1996. These general purpose financial statements are the responsibility of the Morgan City Harbor and Terminal District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the Morgan City Harbor and Terminal District taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Morgan City, Louisiana
July 19, 1996

This report is intended for the information of the Morgan City Harbor and Terminal District's Board of Commissioners. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Morgan City, Louisiana
July 19, 1996

We noted one certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Morgan City Harbor and Terminal District's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response:

No response is considered necessary.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is a material weakness.

This report is intended for the information of the Morgan City Harbor and Terminal District Board of Commissioners. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Morgan City, Louisiana
July 19, 1996

accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Controls

Cash receipts
 Receivables
 Purchases/disbursements
 Property and equipment
 Accounts payable
 Payroll
 General Ledger

Administrative Controls

General Requirements

Political activity
 Davis-Bacon Act
 Civil rights
 Cash management
 Federal financial reports
 Allowable costs/cost principles
 Drug-free Workplace Act
 Administrative requirements

Specific Requirements

Types of services allowed
 or unallowed
 Matching, level of effort and/or
 earmarking requirements
 Reporting

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

During the year ended June 30, 1996, the Morgan City Harbor and Terminal District had no major federal financial assistance programs and expended 100% of its total federal financial assistance under the following nonmajor federal financial assistance program: Economic Development - Grants and Loans for Public Works and Development Facilities.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor program. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Board of Commissioners
Morgan City Harbor and Terminal District
State of Louisiana
Morgan City, Louisiana

We have audited the general purpose financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated July 19, 1996.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose statements are free of material misstatement.

In planning and performing our audit for the year ended June 30, 1996, we considered the internal control structure of the Morgan City Harbor and Terminal District in order to determine our auditing procedures for the purpose of expressing our opinion on the District's general purpose financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated July 19, 1996.

The management of the Morgan City Harbor and Terminal District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Morgan City Harbor and Terminal District
State of Louisiana
Morgan City, Louisiana

We have audited the general purpose financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated July 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Morgan City Harbor and Terminal District is the responsibility of management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our test disclosed no instances of noncompliance that are required to be reported under Governmental Audit Standards.

This report is intended for the information of the Board of Commissioners of the Morgan City Harbor and Terminal District. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Morgan City, Louisiana
July 19, 1996

We noted one certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response:

No response is considered necessary.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is a material weakness.

This report is intended for the information of the Board of Commissioners of the Morgan City Harbor and Terminal District. However, this report is a matter of public record and its distribution is not limited.

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Morgan City, Louisiana
July 19, 1996

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Morgan City Harbor and Terminal District
State of Louisiana
Morgan City, Louisiana

We have audited the general purpose financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated July 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Morgan City Harbor and Terminal District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Morgan City Harbor and Terminal District for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Board of Commissioners
Morgan City Harbor and Terminal District
State of Louisiana
Morgan City, Louisiana

We have audited the general purpose financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated July 19, 1996.

We have applied procedures to test the Morgan City Harbor and Terminal District's compliance with the following requirements applicable to its federal financial assistance program, which is identified in the Schedule of Federal Financial Assistance, for the year ended June 30, 1996:

General Requirements

Political activity
Davis-Bacon Act
Civil rights
Cash management
Federal financial reports
Allowable costs/cost principles
Drug-free Workplace Act
Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Morgan City Harbor and Terminal District's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements (Continued)

(10) Commissioners' Compensation

During the year ended June 30, 1996, none of the following commissioners were compensated for their services to the District:

Alfred Lippman, President
Larry J. Doiron, Vice President
Doyle Berry, Secretary
Shirley Bailey, Treasurer
Gary Duhon
Bernie Hunter
Raymond Wade
Wallace Carline
Earl Hebert

(11) Litigation and Claims

There is no litigation pending against the district. The United States Army Corps of Engineers has billed the Port Commission \$456,000 as its share of the costs of reacquiring certain rights-of-ways in the Atchafalaya River, Bayou Chene, Bayou Boeuf and Bayou Black Projects. Management and legal counsel for the district are of the opinion that there is little, if any, liability thereunder. Therefore, this billing has not been accrued at June 30, 1996.

(12) Change in Accounting Principle

On July 1, 1995, the District adopted Government Accounting Standards Board (GASB) Statement No. 16 "Accounting for Compensated Absences". The cumulative affect of applying GASB No. 16 is reported as a restatement of the June 30, 1994 accrued compensated absences payable. Accrued compensated absences payable at June 30, 1994 has increased by \$7,894 for the effects of this change in accounting principle.

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**MORGAN CITY HARBOR
AND TERMINAL DISTRICT
STATE OF LOUISIANA**

ANNUAL FINANCIAL STATEMENT

Year Ended June 30, 1996

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

Release Date ~~OCT 09 1996~~

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements (Continued)

	<u>Project Authorization</u>	<u>Expended to 6/30/96</u>	<u>Committed</u>	<u>Required Future Financing</u>
Wharf Facility				
Construction	\$4,236,981	\$4,236,981	\$ -	\$ -
Transit Shed and				
Truck Yard	137,996	137,996	-	-
Railroad Spur	13,586	13,586	-	-
Tidewater Point	<u>23,342</u>	<u>23,342</u>	<u>-</u>	<u>-</u>
Total	<u>\$4,411,905</u>	<u>\$4,411,905</u>	<u>\$ -</u>	<u>\$ -</u>

The amount committed is financed with federal and state grants.

(7) Retirement Commitments

All employees of the District who are hired on a permanent basis not participating in another public funded retirement system are required to participate in the Louisiana State Employees Retirement System.

State statute requires covered employees to contribute 7.5 percent of their salaries to the System. The System required an employer contribution equal to 11.9 percent of each covered member's salary for wages paid to members. The District's contribution to the System for the years ended June 30, 1996, 1995 and 1994 were \$28,557, \$22,087 and \$12,720 respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Louisiana State Employees' Retirement System.

(8) Long-Term Leases

The District leases port facilities under operating lease agreements as follows:

- A. A lease commencing February 1, 1991, for land and buildings to be used as a port commission for the regulation, establishment, operation and maintenance of navigable waterway systems in the Atchafalaya River and other waters of the district. The annual rental of the first nine years is \$36,000 per year. The rental for the remaining ten years of

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements (Continued)

(4) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in September and are billed to the taxpayers by the Assessor in October. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year.

Taxes are budgeted and the revenue recognized in the year of the assessment, when the majority of the taxes are actually collected.

The taxes are based on assessed values determined by the Tax Assessor of St. Mary Parish and are collected by the Sheriff. The taxes are remitted to the District net of deductions for Pension Fund contributions.

For the year ended June 30, 1996, taxes of 4.58 mills were levied on property with net assessed valuations totaling \$86,495,280 and were dedicated to paying the administrative, operative and maintenance expenditures of the District.

Total taxes levied during 1996 were \$396,148. There were no taxes receivable at June 30, 1996.

(6) Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance <u>July 1, 1995</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 1996</u>
Equipment	\$ 86,799	\$ 17,321	\$ -	\$ 104,120
Leasehold Improvements	19,237	-	-	19,237
Wharf Equipment	1,940,345	112,074	-	2,052,419
Construction in Progress				
-Wharf Project	4,202,759	34,222	-	4,236,981
-Transit Shed	-	137,996	-	137,996
-Railroad Spur	-	13,586	-	13,586
-Tidewater Point	-	23,342	-	23,342
Total	<u>\$6,249,140</u>	<u>\$338,541</u>	<u>\$ -</u>	<u>\$6,587,681</u>

Construction in progress of \$4,411,905 at June 30, 1996, consisted of the following:

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 1996, the District has cash and interest-bearing deposits (book balances) totaling \$974,098, as follows:

Demand deposits	\$ 1,896
Money market accounts and time deposits	<u>972,202</u>
Total	<u>\$974,098</u> =====

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 1996 are as follows:

Bank balances	<u>\$986,471</u>
---------------	------------------

At June 30, 1996, the deposits are secured as follows:

Federal deposit insurance	\$580,000
Securities pledged	<u>406,471</u>
Total	<u>\$986,471</u> =====

(3) Investments

Investments made by the District are in the form of U. S. Treasury Bills. The treasury bills are held by the District's agent in the District's name.

	Carrying Amount	Market Value
U. S. government securities	\$741,515	\$746,412
	=====	=====

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements (Continued)

II. Vacation and Sick Leave

On October 14, 1986, the District adopted an annual and sick leave policy for all full-time unclassified civil service employees. This policy accrues annual and sick leave based upon the length of service. The amount of vacation and sick leave that may be accumulated by the employee is unlimited. Upon termination, the employee will be compensated for hours of unused vacation leave at the employee's hourly rate of pay. There will be no payment of accrued sick leave.

The liability for unused vacation leave payable at June 30, 1996, is estimated to be \$7,587, which is accounted for in the General Long-Term Debt Account Group.

I. Total Columns

Total columns are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and results of operations.

K. Adoption of GASB Statement #27

During the year ended June 30, 1996, the Morgan City Harbor & Terminal District adopted GASB Statement #27. Accounting for Pensions by State and Local Government Employers. Although this statement is effective for periods beginning June 15, 1999, the Governmental Accounting Standards Board is encouraging early implementation.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements (Continued)

D. Budgetary Practices

Annually, the district adopts a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget. Formal budgetary integration is employed as a management control device during the year. The budget is prepared on a modified accrual basis. Budget amounts included in the accompanying financial statements reflect originally adopted budget amounts and all subsequent amendments. All budgetary appropriations lapse at the end of each year.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District as an extension of formal budgetary integration in the funds.

F. Interest-Bearing Deposits and Investments

Interest-bearing deposits and investments are stated at cost, which approximates market.

G. Fixed Assets and Long-Term Liabilities

The fixed assets used in the governmental fund type operations of the District are accounted for in the General Fixed Assets Account Group, rather than in the governmental fund. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

Account groups are not funds. They are concerned only with the measurement of financial position and are not involved with measurement of results of operation.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements (Continued)

General Fund

The General Fund, as provided by Louisiana Revised Statute 33:1422, is the principal fund of the District's office and accounts for the operations of the District's office. The District's primary sources of revenue are ad valorem taxes, state grants and federal grants. Other sources of revenue include state revenue sharing and interest earned on investments. General operating expenditures are paid from this fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District's records are maintained on the cash basis of accounting. However, the accompanying component unit financial statements have been converted to a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Ad valorem taxes and the related state revenue sharing (which are based on population and homesteads in the parish) are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on December 31 of each year and become delinquent on January 1. The taxes are generally collected in December, January and February of each fiscal year. Interest earned on time deposits is recorded when the time deposits have matured and the income is available. Substantially all other revenues are recorded when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for salaries and accumulated vacation leave, which are recognized when paid.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget
(GAAP Basis) and Actual - Governmental Fund Type - General Fund
Year Ended June 30, 1996
With Comparative Actual Amounts for Year Ended June 30, 1995

	1996		Variance - Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
Revenues:				
Taxes - ad valorem	\$ 385,000	\$ 399,036	\$ 14,036	\$ 439,188
Intergovernmental	-	12,632	12,632	4,356,102
Miscellaneous				
Interest	80,000	72,492	(7,508)	101,575
Rental	<u>168,420</u>	<u>143,453</u>	<u>(24,967)</u>	<u>23,871</u>
Total revenues	<u>633,420</u>	<u>627,613</u>	<u>(5,807)</u>	<u>4,920,736</u>
Expenditures:				
Current -				
Economic port development				
Administrative	324,834	350,422	(25,588)	342,479
Promotional	48,400	47,572	828	38,729
Development	83,995	84,193	(198)	122,034
Rental	52,000	52,071	(71)	56,542
Port operations	73,900	63,764	10,136	-
Capital outlay -				
Leasehold improvements	-	-	-	481
Equipment	117,500	129,395	(11,895)	26,094
Construction in Progress	<u>200,000</u>	<u>209,146</u>	<u>(9,146)</u>	<u>4,824,766</u>
Total expenditures	<u>900,629</u>	<u>936,563</u>	<u>(35,934)</u>	<u>5,411,125</u>
Deficiency of revenues over expenditures	(267,209)	(308,950)	(41,741)	(490,389)
Fund balance, beginning	<u>2,029,774</u>	<u>2,029,774</u>	<u>-</u>	<u>2,520,163</u>
Fund balance, ending	<u>\$1,762,565</u>	<u>\$1,720,824</u>	<u>\$(41,741)</u>	<u>\$2,029,774</u>

The accompanying notes are an integral part of this statement.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA

Combined Balance Sheet - Governmental Fund Type and Account Groups
June 30, 1996

	Governmental Fund Type General Fund	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Debt	1996	1995
ASSETS					
Cash	\$ 398,098	\$ -	\$ -	\$ 398,098	\$ 205,819
Interest-bearing deposits	576,000	-	-	576,000	576,000
Investments, at cost	741,515	-	-	741,515	1,031,228
Receivables:					
Port	31,239	-	-	31,239	-
Taxes	-	-	-	-	72
Accrued interest on taxes	-	-	-	-	667
Accrued interest - other	14,760	-	-	14,760	23,251
Due from other governmental units	-	-	-	-	474,586
Deposits	225	-	-	225	225
Property and equipment	-	6,587,681	-	6,587,681	6,249,140
Amount to be provided for retirement of general long-term debt	-	-	7,587	7,587	10,340
Total assets	\$1,761,837	\$6,587,681	\$7,587	\$8,357,105	\$8,571,328
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 37,076	\$ -	\$ -	\$ 37,076	\$ 15,132
Retainage payable	-	-	-	-	263,132
Accrued liabilities	3,937	-	-	3,937	3,810
Compensated absences	-	-	7,587	7,587	10,340
Total liabilities	41,013	-	7,587	48,600	292,414
Fund equity:					
Investment in general fixed assets	-	6,587,681	-	6,587,681	6,249,140
Fund balances - unreserved -					
Designated for continuing assurances to the U. S. Army Corps of Engineers	402,050	-	-	402,050	402,050
Designated for 25% local match to state grants for wharf construction	490,000	-	-	490,000	490,000
Undesignated	828,774	-	-	828,774	1,137,724
Total fund balances	1,720,824	-	-	1,720,824	2,029,774
Total fund equity	1,720,824	6,587,681	-	8,308,505	8,278,914
Total liabilities and fund equity	\$1,761,837	\$6,587,681	\$7,587	\$8,357,105	\$8,571,328

The accompanying notes are an integral part of this statement.

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

In accordance with Governmental Auditing Standards, we have also issued a report dated July 14, 1996 on our consideration of the Morgan City Harbor & Terminal District's internal control structure and a report dated July 14, 1996 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Other Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The financial information for the preceding year which is included for comparative purposes was taken from the general purpose financial report for that year in which we expressed a qualified opinion on the general purpose financial statements due to the uncertain effects on the general purpose financial statements of such adjustments, if any, as might have been required had the accrual of the disputed amount referred to above been made.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Morgan City, Louisiana
July 19, 1996

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Morgan City Harbor and Terminal District
State of Louisiana
Morgan City, Louisiana

We have audited the accompanying general purpose financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 11 to the general purpose financial statements, the Morgan City Harbor and Terminal District is contesting a billing by the U. S. Corps of Engineers for reacquiring rights-of-ways in certain areas within the district. The ultimate resolution of this charge cannot presently be determined and no provision or accrual for this liability has been made in the financial statements.

In our opinion, except for the effects on the general purpose financial statements of such adjustments, if any, as might have been required had the accrual of the disputed amount referred to in the preceding paragraph been made, the general purpose financial statements referred to above present fairly the financial position of the Morgan City Harbor and Terminal District at June 30, 1996, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

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INTERNAL CONTROL, COMPLIANCE

AND

OTHER GRANT INFORMATION