

Our audits were made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying financial information listed under the supplementary information section in the index to the report is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the St. Bernard Port, Harbor and Terminal District. Such information has been subjected to the auditing procedures applied in the audits of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Our audit was made for the purpose of forming an opinion on the financial statements 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 financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 1996 on our consideration of the St. Bernard Port, Harbor and Terminal District's internal control structure and a report dated August 2, 1996 on its compliance with laws and regulations.

Duplantier, Haymann Hogan & Maher LLP

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

6. GENERAL LONG-TERM OBLIGATIONS: (Continued)Bonds Payable: (Continued)

A schedule of annual debt service requirements for the bonds payable for each of the next five years and thereafter is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------|------------------|------------------|
| 1997 | \$ 35,000 | \$ 34,627 | \$ 69,627 |
| 1998 | 38,000 | 33,024 | 71,024 |
| 1999 | 40,000 | 30,233 | 70,233 |
| 2000 | 43,000 | 27,296 | 70,296 |
| 2001 | 47,000 | 24,106 | 71,106 |
| 2002-2006 | <u>297,000</u> | <u>64,650</u> | <u>361,650</u> |
| | <u>\$ 500,000</u> | <u>\$213,936</u> | <u>\$713,936</u> |

Other Long-term Obligations:

The following is a summary of changes in other long-term obligations:

| | Balance July 1, 1995 | <u>Additions</u> | <u>Retirements</u> | Balance June 30, 1996 |
|------------------------|----------------------------|------------------|--------------------|-----------------------------|
| Compensated absences | \$ 87,210 | \$12,063 | \$13,058 | \$ 86,215 |
| Unearned lease revenue | 144,750 | -- | 52,875 | 91,875 |
| Deferred credit | 50,000 | -- | -- | 50,000 |
| Totals | <u>\$281,960</u> | <u>\$12,063</u> | <u>\$65,933</u> | <u>\$228,090</u> |

Unearned lease revenue at June 30, 1996 and 1995 is as follows:

| | <u>1996</u> | <u>1995</u> |
|-----------------------|------------------|------------------|
| Balance, June 30 | \$144,750 | \$211,500 |
| Less: current portion | <u>52,875</u> | <u>66,750</u> |
| Long-term portion | <u>\$ 91,875</u> | <u>\$144,750</u> |

For the years ended June 30, 1996 and 1995, \$66,750 and \$77,325, respectively, was recognized as lease revenue from these leases.

Following is a schedule of the unearned lease revenue to be recognized over the next three years:

| <u>YEAR ENDED</u> <u>JUNE 30</u> | <u>AMOUNT</u> |
|-------------------------------------|------------------|
| 1997 | \$ 52,875 |
| 1998 | 52,500 |
| 1999 | <u>39,375</u> |
| | <u>\$144,750</u> |

ST. BERNARD PARISH PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS BASED ON AN AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 1996

August 2, 1996

Board of Commissioners
St. Bernard Port, Harbor
and Terminal District
Chalmette, Louisiana

We have audited the financial statements of the St. Bernard Port, Harbor and Terminal District (the 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 August 2, 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 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 component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the District, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the component unit 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 component unit 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 tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Drs. Plante, Hapman, Hozer & Mahu LLP

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific 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 component unit 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. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Duplantier, Hapman, Hogan & Maher LLP

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON A COMPONENT UNIT FINANCIAL STATEMENT AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 1996

August 2, 1996

Board of Commissioners
St. Bernard Port, Harbor
and Terminal District
Chalmette, Louisiana

We have audited the financial statements of the St. Bernard Port, Harbor and Terminal District (the 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 August 2, 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 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 financial statements are free of material misstatement.

The management of the 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 component unit 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 component unit financial statements of the 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 component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION PAID COMMISSIONERS
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

| | SALARY | |
|-------------------|-----------------|-----------------|
| | <u>1996</u> | <u>1995</u> |
| Sam A. Bella, Jr. | \$ -- | \$ -- |
| Harold G. Felger | 41,600 | 40,000 |
| Stephen C. Juan | -- | -- |
| Elton J. LeBlanc | -- | -- |
| LeRoy J. Phillips | <u>--</u> | <u>--</u> |
| Totals | <u>\$41,600</u> | <u>\$40,000</u> |

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

19. FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)

The following assumptions were made by the St. Bernard Port, Harbor and Terminal District on estimating the fair value of its financial instruments at June 30, 1996:

- a) Cash - for these short-term instruments, the carrying amount is a reasonable estimate of fair value.
- b) Bonds payable - because the District's bonds were issued near the end of the fiscal year, carrying value is a reasonable estimate of fair value.

The estimated fair values of financial assets and financial liabilities of the St. Bernard Port, Harbor and Terminal District at June 30, 1996 are as follows:

| | <u>Carrying Amount</u> | <u>Fair Value</u> |
|------------------------|----------------------------|-----------------------|
| Financial assets: | | |
| Cash | \$482,812 | \$482,812 |
| Financial liabilities: | | |
| Bonds payable | 500,000 | 500,000 |

20. USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

15. DEFERRED CREDIT - INSURANCE PAYMENT:

During the year ended June 30, 1995, the District received \$50,000 of insurance proceeds for damage to its facilities. Since the repairs to the facilities have not commenced as of year end, the insurance proceeds are recorded as a deferred credit to be offset against the cost of the repairs when made.

16. RECLASSIFICATION:

Certain amounts in 1995 have been reclassified to conform to the 1996 presentation.

17. CHANGE IN APPLICATION OF ACCOUNTING PRINCIPLE:

During the current year the District changed its method of accounting for depreciation related to capital assets acquired with funds received from governmental units to conform with the method used by the State of Louisiana. In the prior year depreciation related to assets purchased or constructed from governmental receipts was charged to contributed capital. In the current year, depreciation related to these assets was charged to retained earnings and not contributed capital. The change has no effect on net income, net assets or the total equity of the District.

18. POSTRETIREMENT HEALTH CARE BENEFITS:

The Board of Commissioners of the St. Bernard Port, Harbor and Terminal District has established the policy of providing certain continuing health care insurance benefits for its retired employees. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by the District. Upon retirement, all full-time District employees become eligible to receive these benefits. As of year end, two retirees were eligible to receive benefits and were doing so. The District's costs of providing retiree health care insurance benefits are recognized as expenses when the monthly premiums are paid. For the year ended June 30, 1996, the total cost of retiree's premiums was \$8,780.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Generally accepted accounting principles require the disclosure of fair value of financial instruments where it is considered practicable to estimate fair value. Because no readily available market exists for a portion of the reporting entity's financial instruments, fair value for these instruments is based on judgments regarding current economic conditions, interest rate risk characteristics, loss experience and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the calculated fair value estimates cannot always be substantiated by comparison to independent markets and, in many cases, may not be realized in a current sale of the instruments. Changes in assumptions could significantly affect the estimates.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

13. DEFERRED COMPENSATION PENSION FUND:

The Louisiana Public Employees Deferred Compensation Plan (the Plan) was adopted by the Louisiana Deferred Compensation Commission effective September 15, 1982. The plan was established in accordance with Louisiana Revised Statutes 42:1301 through 42:1308 and section 457 of the Internal Revenue Code of 1954, as amended, for the purpose of providing supplemental retirement income to employees by permitting them to defer a portion of compensation to be invested and distributed in accordance with the terms of the plan.

All deferred compensation, property and rights purchased with deferred compensation and income or earnings attributable to deferred compensation, property or rights shall constitute assets of the State of Louisiana and remain (until made available to a participant or beneficiary) the property of the State of Louisiana, subject only to the claims of the general creditors of the State of Louisiana. The maximum amount of compensation which may be deferred during a calendar year shall not exceed the lesser of 25% of a participant's adjusted gross income or \$7,500.

The St. Bernard Port, Harbor and Terminal District makes contributions to the Plan on behalf of each employee based on the following schedule.

| <u>YEARS OF SERVICE</u> | <u>MONTHLY CONTRIBUTION</u> |
|-------------------------|-----------------------------|
| 0-2 | \$ 20 |
| 3-5 | 40 |
| 6-9 | 60 |
| 10-14 | 80 |
| 15 and over | 100 |

Contributions to the Plan by employees totaled \$21,842 and \$21,248, respectively, for the years ended June 30, 1996 and 1995. Contributions to the Plan by the District totaled \$12,680 and \$13,900, respectively, for the years ended June 30, 1996 and 1995.

14. CONTINGENCIES:

In 1991 a substance was found in the soil on part of the Kaiser plant site which could possibly create an environmental problem. The engineers of the District have presented the Department of Environmental Quality (DEQ) with a plan to monitor the situation. The DEQ must make a determination on the potential danger the substance creates, if any, and if a cleanup of the site will be necessary. The District is currently monitoring the situation in accordance with DEQ requirements and is in the process of preparing a risk assessment workplan. It is the Port's opinion that potential costs of cleanup will be shared all or in part by the original owner of the property.

In 1996, a project involving the installation of a pump on the District's property was substantially completed. Several subcontractors involved in this project have not been paid by the general contractor for their services as of June 30, 1996 and as a result have placed liens on the pump totaling \$65,794. Retainage withheld of \$32,530 on this contract has been turned over to the local authorities for settlement of these liens. Any remaining balance of the liens is expected to be paid by the performance bond issued on this contract.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

12. PENSION PLAN: (Continued)

The System, a cost-sharing, multiple-employer public employee retirement system, is controlled and administered by a separate Board of Trustees. For the year ended June 30, 1995 the total payroll for employees in the System was \$1,547,977,166. The total payroll for all covered employees of the District for the year ended June 30, 1996 was \$394,538.

All permanent employees, who meet the age requirements and who are paid wholly or in part from the District funds must be members of the System. Under the plan, employees who retire, with 30 years of accredited service, at or after age 60 with at least 10 years of accredited service, or at or after age 55 with 25 years of accredited service, are entitled to a retirement benefit, payable monthly for life, equal to 2-1/2% of their average compensation for each year of creditable service plus three hundred dollars.

Annual retirement benefits paid under the plan cannot exceed 100% of average earnable compensation. Employees who terminate with at least the amount of credited service stated previously, and who do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

State statute requires employees covered by the plan to contribute 7.5% of their salary to the System; the District must contribute 12.0% of the salary for each employee for a total contribution of 19.5% per covered employee at June 30, 1996.

Although contributions are determined by state statute rather than actuarial calculations, actuarially required contributions are determined for the System. For the year ended June 30, 1995, the System's total actuarially required contribution, using the individual entry age normal cost method was \$197,339,946.

The actual and statutorily required contribution by the District for the year ended June 30, 1996 was \$76,935, which consisted of \$47,345 as the employer contribution and \$29,590 from covered employees. The actuarially required contribution by the District and its employees for the year ended June 30, 1996 represents less than one percent of the total actuarially required contribution of all participating employers and employees.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's component unit financial statements. Benefits granted by the System are guaranteed by the State of Louisiana under the 1974 Louisiana Constitution.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)

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ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

7. CONTRIBUTED CAPITAL:

A cumulative summary of contributed capital at June 30, 1996 is as follows:

| | |
|---|---------------------|
| Residual equity transfers | \$ 612,831 |
| State bond proceeds | 16,400,858 |
| State general appropriations | 176,807 |
| State Rural Development proceeds | 250,000 |
| Federal funding | 260,238 |
| Less disposition of and depreciation on property, plant, and equipment constructed or acquired from State bonds proceeds | <u>(937,194)</u> |
| Total | <u>\$16,763,540</u> |

A summary of changes in contributed capital for the years ended June 30, 1996 and 1995 follows:

| | <u>1996</u> | <u>1995</u> |
|---|---------------------|---------------------|
| Contributed capital at July 1 | \$11,738,310 | \$11,311,848 |
| State general appropriations | 176,807 | -- |
| State bond proceeds | 4,593,885 | 647,574 |
| Federal funding | 254,538 | 5,700 |
| Less: | | |
| Depreciation on property, plant and equipment acquired by capital contributions | <u>--</u> | <u>(226,812)</u> |
| Contributed capital at June 30 | <u>\$16,763,540</u> | <u>\$11,738,310</u> |

8. LEASE REVENUES:

The District leases property and buildings located on the former Kaiser Aluminum Plant site and dock and barge facilities located at the Chalmette Slip to various businesses. These leases are reported as operating leases. Minimum future rentals on cancelable leases as of June 30, 1996 are as follows:

| YEAR ENDED <u>JUNE 30</u> | |
|------------------------------|--------------------|
| 1997 | \$1,304,683 |
| 1998 | 1,263,858 |
| 1999 | 896,478 |
| 2000 | 371,415 |
| 2001 | 299,784 |
| Thereafter | 82,803 |
| TOTAL | <u>\$4,219,021</u> |

In addition to the lease revenues above, the District became the assignee of several leases for pipeline right of ways when the District acquired the property at the Chalmette Slip. The terms of the leases are indefinite, thus the District will receive approximately \$19,300 annually under these leases.

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R E P O R T

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)

JUNE 30, 1996 AND 1995

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

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

4. DUE FROM OTHER GOVERNMENTAL UNITS: (Continued)

The remainder of appropriations due to the District, upon request, for Act 1137 and Act 45 is \$16,335 and \$1,652,183, respectively, at June 30, 1996.

5. PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION:

A summary of changes in property, plant, equipment and depreciation for the year ended June 30, 1996 follows:

| | Balance July 1, 1995 | Additions | Retirements | Balance June 30, 1996 |
|----------------------------|---|------------------------------|-----------------|--|
| Land and improvements | \$ 8,635,051 | \$1,800,000 | \$ -- | \$10,435,051 |
| Dock and barge facilities | 2,203,000 | -- | -- | 2,203,000 |
| Buildings and improvements | 1,690,890 | 2,869,640 | -- | 4,560,530 |
| Dock and marina facilities | 566,118 | -- | -- | 566,118 |
| Furniture and equipment | <u>236,048</u> | <u>330,243</u> | <u>9,375</u> | <u>556,916</u> |
| Totals | <u>\$13,331,107</u> | <u>\$4,999,883</u> | <u>\$ 9,375</u> | <u>\$18,321,615</u> |
| | Accumulated Depreciation July 1, 1995 | Deprecia- tion Expense | Retirements | Accumulated Depreciation June 30, 1996 |
| Dock and barge facilities | \$ 354,928 | \$ 146,867 | \$ -- | \$ 501,795 |
| Buildings and improvements | 82,245 | 82,455 | -- | 164,700 |
| Dock and marina facilities | 291,154 | 47,797 | -- | 338,951 |
| Furniture and equipment | <u>144,647</u> | <u>54,193</u> | <u>8,799</u> | <u>190,041</u> |
| Totals | <u>\$ 872,974</u> | <u>\$ 331,312</u> | <u>\$ 8,799</u> | <u>\$ 1,195,487</u> |

6. GENERAL LONG-TERM OBLIGATIONS:

Bonds Payable:

In April of 1996, the District issued bonds payable in the amount of \$500,000. These bonds have stated interest rates ranging from 7.25% to 7.75% and maturities ranging from October of 1996 to April of 2006. The following is a summary of the bonds payable transactions for the year ended June 30, 1996.

| | |
|------------------------------|------------------|
| Outstanding at June 30, 1995 | \$ -- |
| Additions | 500,000 |
| Reductions | -- |
| Outstanding at June 30, 1996 | <u>\$500,000</u> |

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

3. AD VALOREM TAXES:

Property taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on December 31. Property taxes are levied on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the District. Assessed values are established by the St. Bernard Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list on January 1, 1996. The assessed value upon which the 1995 and 1994 levy was based was \$244,184,457 and \$238,131,622, respectively, with homestead exemptions of \$102,181,083 and \$101,556,828, respectively.

The District is permitted by Article 7, Section 23 of the 1974 Constitution and Act 228 of 1960 of the State of Louisiana to levy taxes up to \$5.00 per \$1,000 of assessed valuation on property within the District to defray their administrative, operative and maintenance expenditures. The tax rate to finance expenses for the years ended June 30, 1996 and 1995 was \$3.25 per \$1,000.

Ad valorem taxes are generally collected in December of the current year and January and February of the ensuing year. Current tax collections for the years ended June 30, 1996 and 1995 were 99.28 per cent and 99.45 percent, respectively, of the tax levy.

As required by State of Louisiana Statutes, prescribed deductions are made from the District's property tax receipts to cover contributions to various pension funds. The deduction for the years ended June 30, 1996 and 1995 was \$14,447 and \$14,008, respectively.

4. DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 1996, amounts due from other governmental units consisted of \$3,527 from the St. Bernard Parish Tax Collector, \$281,373 of State bond proceeds receivable and \$26,835 of federal funds. At June 30, 1995, amounts due from other governmental units consisted of \$973 from the St. Bernard Parish Tax Collector, \$43,763 from State bond proceeds, \$25,283 from State general appropriations, and \$212,174 from the State waste tire fund.

An analysis of intergovernmental revenues for the years ended June 30, 1996 and 1995 follows:

| | <u>1996</u> | <u>1995</u> |
|--------------------------------|------------------|------------------|
| State of Louisiana: | | |
| State revenue sharing | \$125,000 | \$125,000 |
| State general appropriations | 72,169 | 25,283 |
| State bond proceeds - Act 1013 | -- | 69,723 |
| State bond proceeds - Act 1137 | -- | 46,397 |
| State bond proceeds - Act 45 | 247,500 | 101,956 |
| State waste tire fund | -- | <u>204,656</u> |
| Totals | <u>\$444,669</u> | <u>\$573,015</u> |

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Compensated Absences

Accumulated vacation and sick leave is accrued as an expense of the period in which incurred. Administrative employees earn from 12 to 25 days of vacation and sick leave each year depending on length of service with the District. Accumulation of vacation leave is limited to 60 days per employee, with the exception of one employee grandfathered in at 94.5 days. Accumulation of sick leave is limited to 25 days per employee. Upon termination of employment, unused vacation and sick leave will be paid to employees at the employee's current rate of pay.

Lease Revenues

The District's revenues include the leasing of land and improvements under cancelable operating leases. The leases are accounted for using the operating method whereby the amount of revenue recognized in each accounting period is equivalent to the amount of rent receivable according to the provisions of the lease. Unearned lease revenue includes the estimated fair value of improvements to the District's buildings paid for by lessees. The revenue is being recognized over the terms of the operating leases.

2. CASH:

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

The District had cash bank balances totaling \$682,405 and \$242,660 at June 30, 1996 and 1995, respectively. The cash at June 30, 1995 represents one N.O.W. account which is earning interest at varying rates and one non-interest bearing imprest account. For the year ended June 30, 1996, the District opened an additional interest bearing account to accumulate funds necessary to meet the annual principal and interest payments related to the District's certificate of indebtedness.

State law requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. These pledged securities are held in the name of the pledging fiscal agent bank and the District in a custodial bank. The District's deposits at June 30, 1996 and 1995 were fully collateralized as required by law.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Accounting

The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts (enterprise fund) that comprise its assets, liabilities, fund equity, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

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

The Enterprise Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and investments with original maturities of three months or less.

Accounts Receivable

The District uses the direct write off method to record the write-off of uncollectible accounts receivable. This method approximates methods in accordance with generally accepted accounting principles.

Property, Plant and Equipment

Property, plant, and equipment associated with the activity of the District are recorded as assets of that fund. All purchased property, plant and equipment are valued at cost. Depreciation of these assets is computed on the straight-line method over the estimated useful lives of the assets.

Restricted Assets

Certain resources set aside for the repayment of bonds payable are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

NATURE OF OPERATIONS:

The St. Bernard Port, Harbor and Terminal District (the District) was created as a public corporation and political subdivision of the State of Louisiana under Louisiana Revised Statute 34:1701-1714. The District is governed by a Board of Commissioners consisting of five members appointed by the Governor upon the recommendation of a majority of the Legislative delegation from St. Bernard Parish. The Board has the power to regulate the commerce and traffic of the District in such manner as may be best for the public interest; and it is empowered to own and have charge of, to administer, construct, operate and maintain wharves, warehouses, landings, docks, sheds, belt and connection railroads, shipways, canals, channels, slips, basins, locks, elevators and other structures and facilities necessary and proper for the use and development of the business of the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board
 - a. The ability of the reporting entity to impose its will on the organization
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity
2. Organizations which are fiscally dependent
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship

Because the Governor appoints the governing board, the District was determined to be a component unit of the State of Louisiana. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the State of Louisiana, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

Annually, the State of Louisiana issues audited general purpose financial statements which include the activity contained in the accompanying financial statements.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

| | <u>1996</u> | <u>1995</u> |
|---|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating loss | \$ (896,470) | \$ (988,539) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 331,312 | 279,153 |
| Noncash lease revenues | (66,750) | (77,325) |
| Net book value of assets retired | 574 | 285 |
| (Increase) decrease in assets: | | |
| Accounts receivable | (61,065) | (66,599) |
| Prepaid insurance | (40,474) | (27,021) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and other | (198,692) | 162,415 |
| Compensated absences | (995) | 19,898 |
| Total adjustments | <u>(36,090)</u> | <u>290,806</u> |
| Net cash used in operating activities | <u>(932,560)</u> | <u>(697,733)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| State bond proceeds | 269,135 | 228,941 |
| State general appropriations | 302,108 | -- |
| Ad valorem tax receipts | 455,458 | 441,436 |
| State revenue sharing | 125,000 | 125,000 |
| Net cash provided by noncapital financing activities | <u>1,151,701</u> | <u>795,377</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of property and equipment | (4,612,295) | (555,900) |
| Contributed capital - state bond proceeds | 4,342,158 | 1,092,608 |
| Contributed capital - state general appropriations | 176,807 | -- |
| Contributed capital - federal funds | 241,521 | 5,700 |
| Construction in progress | (577,722) | (837,546) |
| Noncash penalty income | 102,000 | |
| Insurance proceeds - deferred credit | -- | 50,000 |
| Proceeds from issuance of debt | 500,000 | -- |
| Net cash provided by (used in) capital and related financing activities | <u>172,469</u> | <u>(245,138)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received on investments | <u>19,101</u> | <u>11,472</u> |
| Net increase (decrease) in cash | 410,711 | (136,022) |
| CASH - Beginning of year | <u>72,101</u> | <u>208,123</u> |
| CASH - End of year | <u>\$ 482,812</u> | <u>\$ 72,101</u> |

See accompanying notes.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

| | <u>1996</u> | <u>1995</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Lease revenues (Notes 1, 6, and 8) | \$ 1,382,964 | \$ 1,116,616 |
| Other fees and permits | 33,370 | 43,636 |
| Sale of surplus property | 50,112 | 102,271 |
| Total operating revenues | <u>1,466,446</u> | <u>1,262,523</u> |
| OPERATING EXPENSES: | | |
| Personal services | 640,563 | 538,687 |
| Supplies and materials | 16,351 | 16,260 |
| Other services and charges | 880,492 | 1,186,228 |
| Promotion and marketing | 74,138 | 135,322 |
| Professional services | 420,060 | 95,412 |
| Depreciation (Note 5) | 331,312 | 279,153 |
| Total operating expenses | <u>2,362,916</u> | <u>2,251,062</u> |
| Operating loss | <u>(896,470)</u> | <u>(988,539)</u> |
| NONOPERATING REVENUES (EXPENSES): | | |
| Taxes - ad valorem (Note 3) | 458,012 | 441,152 |
| Intergovernmental revenues (Note 4) | 444,669 | 573,015 |
| Federal funds | 13,818 | -- |
| Interest earned | 19,101 | 11,472 |
| Penalty income | 102,000 | -- |
| Total nonoperating revenues | <u>1,037,600</u> | <u>1,025,639</u> |
| Net income | 141,130 | 37,100 |
| ADD DISPOSITION OF AND DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT ACQUIRED BY CAPITAL CONTRIBUTIONS THAT REDUCES CONTRIBUTED CAPITAL (Notes 7 and 17) | <u>--</u> | <u>226,812</u> |
| INCREASE IN RETAINED EARNINGS | 141,130 | 263,912 |
| RETAINED EARNINGS - Beginning of year | <u>1,525,533</u> | <u>1,261,621</u> |
| RETAINED EARNINGS - End of year | <u>\$ 1,666,663</u> | <u>\$ 1,525,533</u> |

See accompanying notes.

LIABILITIES AND FUND EQUITY

| | <u>1996</u> | <u>1995</u> |
|---|----------------------|----------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 383,607 | \$ 370,046 |
| Unearned lease revenue (Notes 1 and 6) | 52,875 | 66,750 |
| Current maturities of long-term debt (Notes 6 and 19) | 35,000 | -- |
| Total current liabilities | <u>471,482</u> | <u>436,796</u> |
| LONG-TERM OBLIGATIONS: (Note 6) | | |
| Unearned lease revenue, less current portion (Note 1) | 91,875 | 144,750 |
| Compensated absences (Note 1) | 86,215 | 87,210 |
| Bond payable (Note 19) | 465,000 | -- |
| Deferred credit - insurance payment (Note 15) | 50,000 | 50,000 |
| Total long-term obligations | <u>693,090</u> | <u>281,960</u> |
| Total liabilities | <u>1,164,572</u> | <u>718,756</u> |
| CONTINGENCIES: (Notes 11 and 14) | | |
| FUND EQUITY: | | |
| Contributed capital (Note 7) | 16,763,540 | 11,738,310 |
| Retained earnings | <u>1,666,663</u> | <u>1,525,533</u> |
| Total fund equity | <u>18,430,203</u> | <u>13,263,843</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 19,594,775</u> | <u>\$ 13,982,599</u> |

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 BALANCE SHEETS
JUNE 30, 1996 AND 1995

ASSETS

| | <u>1996</u> | <u>1995</u> |
|---|--------------------------|--------------------------|
| CURRENT ASSETS: | | |
| Cash (Notes 1, 2, and 19) | \$ 465,678 | \$ 72,101 |
| Accounts receivable (Note 1) | 142,213 | 81,148 |
| Prepaid insurance | 265,569 | 225,095 |
| Due from other governmental units (Note 4) | 311,735 | 282,193 |
| Total current assets | <u>1,185,195</u> | <u>660,537</u> |
| RESTRICTED ASSETS: (Notes 1 and 19) | | |
| Cash - bonds payable sinking fund | <u>17,134</u> | -- |
| Total restricted assets | <u>17,134</u> | <u>--</u> |
| PROPERTY, PLANT AND EQUIPMENT: (Notes 1 and 5) | | |
| Land and improvements | 10,435,051 | 8,635,051 |
| Dock and barge facilities | 2,203,000 | 2,203,000 |
| Buildings and improvements | 4,560,530 | 1,690,890 |
| Dock and marina facilities | 566,118 | 566,118 |
| Furniture and equipment | 556,916 | 236,048 |
| | <u>18,321,615</u> | <u>13,331,107</u> |
| Less accumulated depreciation | <u>1,195,487</u> | <u>872,974</u> |
| | <u>17,126,128</u> | <u>12,458,133</u> |
| Construction in progress | <u>1,266,318</u> | <u>863,929</u> |
| Net property, plant and equipment | <u>18,392,446</u> | <u>13,322,062</u> |
| TOTAL ASSETS | <u>\$ 19,594,775</u> | <u>\$ 13,982,599</u> |

See accompanying notes.



KENNETH J. BROOKS, C.P.A.
MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GEFIN, JR., C.P.A.

DAVID J. MUMFREY, C.P.A.
LINDSAY J. CALUB, C.P.A.
GUY L. DUPLANTIER, C.P.A.
BONNIE J. McAFFEE, C.P.A.
DAVID A. BURGARD, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.

821 Gravier St., Suite 1300 • New Orleans, LA 70112
(504) 586-8866
Fax (504) 525-5888

JAMES MAHER, JR., C.P.A.
(Retired)

A.J. DUPLANTIER, JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA. C.P.A.'S

INDEPENDENT AUDITOR'S REPORT

August 2, 1996

To the Board of Commissioners
St. Bernard Port, Harbor and
Terminal District
Chalmette, Louisiana

We have audited the balance sheets of the St. Bernard Port, Harbor and Terminal District (the District), a component unit of the State of Louisiana, as of June 30, 1996 and 1995, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. For the year ended June 30, 1996, we also conducted our audit in accordance with the provisions of 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the St. Bernard Port, Harbor and Terminal District as of June 30, 1996 and 1995 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 18 to the financial statements, in the current year the District changed its method in which depreciation expense is recorded.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996 AND 1995

9. LEASE EXPENSE COMMITMENTS:

Commitments under noncancelable operating leases provide for the following future minimum rentals:

| YEAR ENDED <u>JUNE 30</u> | <u>AMOUNT</u> |
|------------------------------|-----------------|
| 1997 | \$ 4,553 |
| 1998 | 346 |
| | <u>\$ 4,899</u> |

Rental expenses under operating leases for the years ended June 30, 1996 and 1995 were \$16,148 and \$11,783, respectively.

10. INDUSTRIAL DEVELOPMENT REVENUE BONDS:

On December 20, 1984 the District entered into an agreement with Raymar & Associates. The agreement required the District to issue \$1,000,000 of Industrial Development Revenue Bonds. The bond proceeds are to be used for the project specified in the agreement. Raymar & Associates has unconditionally guaranteed the principal and interest on the bonds. The District did not incur either a direct or contingent liability as a result of the above transaction.

11. LITIGATION:

There are several lawsuits and claims pending against the District, some of which seek substantial monetary damages. Management of the District is of the opinion that, even if adversely decided, the District is adequately insured against such claims and the disposition of the claims will not have a material effect on the operations or the financial position of the District.

12. PENSION PLAN:

Substantially all employees of the District are members of the Louisiana State Employees' Retirement System (the System).

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

The most recent information for the System follows:

| | |
|-------------------------------------|-----------------|
| Valuation date | 6/30/95 |
| Pension benefit obligation | \$5,696,909,256 |
| Net assets available for benefits | \$3,665,863,068 |
| Unfunded pension benefit obligation | \$2,084,280,556 |