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PORT OF NEW ORLEANS

Independent Auditors' Reports for the Years Ended June 30, 1996 and 1995:

- **Financial Statements and Supplemental Schedules**
- **Internal Control Structure**
- **Compliance with Laws, Regulations and Contracts**
- **Management Letter**

PORT OF NEW ORLEANS

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners of the
Port of New Orleans:

We have audited the accompanying financial statements of the Port of New Orleans, a component unit of the State of Louisiana, as of June 30, 1996 and 1995, and for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Port of New Orleans. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of New Orleans 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Port of New Orleans. These schedules are the responsibility of the management of the Port of New Orleans. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 1996 on our consideration of the Port of New Orleans' internal control structure and a report dated September 13, 1996 on its compliance with laws and regulations.

Deloitte + Touche LLP

September 13, 1996

Deloitte Touche Tohmatsu International

PORT OF NEW ORLEANS

BALANCE SHEETS
JUNE 30, 1996 AND 1995

ASSETS	1996	1995
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 3,979,752	$ 5,304,245
Investments (Note 2)	25,040,303	29,144,209
Trade accounts and damage claims receivable, less allowance for doubtful accounts of $424,906 and $896,303 at June 30, 1996 and 1995, respectively	6,576,788	6,173,582
Stores inventories	1,664,863	1,834,191
Other	2,645,064	1,938,924
Total current assets	39,906,770	44,395,151
DESIGNATED INVESTMENTS (Note 2)	21,601,454	33,122,068
PROPERTY - NET (Notes 3 and 7)	320,273,149	287,947,972
OTHER ASSETS	78,147	53,586
TOTAL	$381,859,520	$365,518,777

LIABILITIES AND EQUITY

	1996	1995
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 4)	$ 3,830,975	$ 5,107,924
Accounts payable	8,870,288	4,859,562
Deferred income	2,074,242	2,073,676
Other liabilities	2,452,594	1,913,940
Liability claims/workers' compensation payable (Note 5)	1,398,677	1,603,000
Total current liabilities	18,626,776	15,558,102
LONG-TERM DEBT (Note 4)	9,821,428	13,597,866
COMPENSATED ABSENCES PAYABLE	1,394,003	1,300,492
Total liabilities	29,842,207	30,456,460
EQUITY:		
Contributed capital (Note 6)	254,998,298	246,431,301
Retained earnings	97,019,015	88,631,016
Total equity	352,017,313	335,062,317
TOTAL	$381,859,520	$365,518,777

See notes to financial statements.

PORT OF NEW ORLEANS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS YEARS ENDED JUNE 30, 1996 AND 1995

	1996	1995
OPERATING REVENUES (Note 7)	$38,244,244	$41,932,015
OPERATING EXPENSES BEFORE DEPRECIATION:		
Corporate affairs	2,788,573	2,490,121
Finance and accounting	846,970	776,129
Marketing and sales/marine terminals	2,334,811	2,407,657
Planning, engineering and maintenance	10,137,515	10,281,681
Business development	1,494,492	1,521,213
Port safety and security	3,067,883	3,318,804
Executive staff functions	1,982,356	2,085,589
Liability claims/workers' compensation (Note 5)	179,963	1,153,016
Total	22,832,563	24,034,210
OPERATING INCOME BEFORE DEPRECIATION	15,411,681	17,897,805
DEPRECIATION	10,109,309	9,982,627
OPERATING INCOME	5,302,372	7,915,178
NON-OPERATING REVENUES (EXPENSES):		
Interest income	3,902,703	3,439,428
Interest expense	(725,565)	(925,468)
State gasoline tax	500,000	500,000
Miscellaneous - net (Note 5)	(591,511)	(1,944,469)
Total	3,085,627	1,069,491
NET INCOME	8,387,999	8,984,669
RETAINED EARNINGS, BEGINNING OF YEAR	88,631,016	79,646,347
RETAINED EARNINGS, END OF YEAR	$97,019,015	$88,631,016

See notes to financial statements.

PORT OF NEW ORLEANS

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1996 AND 1995

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	$ 5,302,372	$ 7,915,178
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	10,109,309	9,982,627
Other	-	(24,275)
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	(403,206)	(1,292,042)
Stores inventories	169,328	116,443
Other assets	(932,291)	1,618,641
Accounts payable	4,010,726	1,583,865
Other liabilities	403,865	(1,150,331)
Deferred income	566	252,859
Liability claims/workers' compensation payable	(204,323)	(34,574)
Compensated absences payable	93,511	66,222
Net cash provided by operating activities	18,549,857	19,034,613
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from state agencies	500,000	500,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction reimbursements from State of Louisiana	8,789,137	20,739,293
Expenditures for acquisition and construction of capital assets	(43,258,887)	(41,776,265)
Repayments of principal borrowed to finance acquisition and construction of capital assets	(5,053,387)	(3,874,774)
Interest paid on amounts to finance acquisition and construction of capital assets	(590,776)	(946,788)
Other	10,750	-
Net cash used in capital and related financing activities	(40,103,163)	(25,858,534)

(Continued)

PORT OF NEW ORLEANS

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1996 AND 1995

	1996	1995
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(71,922,848)	(107,692,283)
Proceeds from sales and maturities of investments	87,547,368	109,303,824
Cash received from interest on investments	4,104,293	3,316,291
Net cash provided by investing activities	19,728,813	4,927,832
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,324,493)	(1,396,089)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,304,245	6,700,334
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,979,752	$ 5,304,245

See notes to financial statements.

(Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Port of New Orleans (the "Port") is a component unit of the State of Louisiana, which unit is authorized by Louisiana Revised Statutes 34: 1-47. The Port is governed by a Board of Commissioners (the "Board") consisting of seven members appointed by the Governor. The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port.

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The accompanying financial statements present information only as to the operations of the Port. Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

Annually, the State of Louisiana issues general purpose financial statements which include the activity contained in the accompanying component unit financial statements of the Port. The general purpose financial statements of the State of Louisiana are audited by the Louisiana Legislative Auditor.

Basis of Accounting - The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The measurement focus emphasizes the determination of net income. The Port follows the accrual basis of accounting for its proprietary fund. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Under the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the Port has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

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.

Investments - The investments of the Port are recorded at cost or amortized cost.

Stores Inventories - The inventories of the Port consist of expendable materials, supplies and fuel and are valued at the lower of average cost or market.

Property and Depreciation - Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Wharves and sheds	30 - 50 years
Roadways and drainage	20 years
Marshalling areas	15 years
Buildings	15 - 40 years
Machinery and equipment	3 - 40 years

Deferred Income - Operating revenues include rental income derived from leasing Port-owned properties. Amounts due from certain lease agreements are billed in advance, and recognition of the related revenue is deferred and recognized over the appropriate lease term.

Compensated Absences - Employees accumulate vacation and sick leave at varying rates according to years of service. Upon termination, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes.

Statement of Cash Flows - For purposes of the statement of cash flows, cash and cash equivalents consist of demand deposits with banks and overnight repurchase agreements.

2. CASH AND INVESTMENTS

The Port's investments and cash primarily consist of investments in direct obligations of the United States Treasury or agencies thereof and deposits with financial institutions.

Deposits - At June 30, 1996, the carrying amount of the Port's deposits (demand deposits and time certificates of deposit) was $2,914,689 and the related bank balance was $3,079,092. Of the bank balance, $416,469 was covered by federal depository insurance and the remaining $2,662,623 was covered by collateral held by the pledging banks' trust department or agent in the Port's name.

In accordance with LRS 49:321, the Port requires as security for deposits authorized bonds or other interest-bearing notes; authorized promissory notes, warrants, or certificates of indebtedness which must be either unmatured or payable on demand; or notes representing loans to students which are guaranteed by the Louisiana Student Financial Assistance Commission. The market value, excluding interest, of such securities held by the depositing authority shall be equal to one hundred percent of the amount on deposit to the credit of the Port except that portion appropriately insured. Designated depositories may be granted a period not to exceed five days from the date of any deposit in which to post the necessary security.

Investments - The Port may invest idle funds as authorized by Louisiana Statutes, as follows:

(a) United States bonds, treasury notes, certificates, or any other federally insured investment.

(b) Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana.

(c) Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

The Port's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Port or its agent in the Port's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Port's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Port's name.

Included in cash and investments at June 30, 1996 were the following:

Securities Type	Credit Risk Category 1	Credit Risk Category 2	Credit Risk Category 3	Carrying Amount	Market Value
U.S. government	$ -	$ 5,032,752	$ -	$ 5,032,752	$ 5,039,767
Federal agencies		38,882,068		38,882,068	38,996,783
Repurchase agreements		3,792,000		3,792,000	3,792,000
Total investments	$ -	$47,706,820	$ -	47,706,820	$47,828,550
Deposits:					
Certificates of deposit				2,726,937	
Demand deposits with banks				187,752	
Total cash and investments				$50,621,509	

The carrying value of investments at June 30, 1995 approximated market value.

Designated Investments - The Board of Commissioners and management of the Port have designated investments of $21,601,454 and $33,122,068 at June 30, 1996 and 1995, respectively, to be used in the future for debt service, capital construction, insurance matters and special projects.

3. PROPERTY - NET

At June 30, 1996 and 1995, property consisted of the following:

	1996	1995
Land and improvements	$ 50,972,513	$ 50,374,613
Property	349,090,689	339,043,358
Furniture and fixtures	4,733,263	3,612,375
Equipment	13,243,765	13,196,672
Construction in progress	85,748,544	55,557,839
Total	503,788,774	461,784,857
Less accumulated depreciation	(183,515,625)	(173,836,885)
Property - net	$ 320,273,149	$ 287,947,972

4. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 1996 and 1995:

	1996	1995
Bonds payable	$ 13,311,859	$ 17,832,980
Long-term contracts payable	340,544	872,810
Total	13,652,403	18,705,790
Less current portion	(3,830,975)	(5,107,924)
Long term debt	$ 9,821,428	$ 13,597,866

Debt service requirements relating to bonds outstanding are as follows:

Year Ending June 30	Principal	Interest	Total
1997	$ 3,764,172	$ 599,062	$ 4,363,234
1998	2,455,004	453,490	2,908,494
1999	2,586,289	322,384	2,908,673
2000	2,725,863	193,119	2,918,982
Thereafter	1,780,531	77,982	1,858,513
Total	$ 13,311,859	$ 1,646,037	$ 14,957,896

The bonds payable have various interest rates ranging from 3.5% to 6.5% and are guaranteed by the State of Louisiana. All bonds mature serially from 1997 through 2001 based upon stated maturity dates subject to certain early redemption provisions. The redemption prices for some of the bonds include premiums ranging downward from 3%.

5. SELF-INSURANCE, DEFERRED CREDIT AND CONTINGENCIES

The Port is self-insured for workers' compensation and police professional liability claims. The Port continues to be liable for each claim up to $1,000,000, with settlements over the $1,000,000 limit being covered by the Port's umbrella liability policy up to $30,000,000 for each occurrence. For the years ended June 30, 1996 and 1995, the Port's expenses for workers' compensation and other liability claims were $179,963 and $1,153,016, respectively. There were no expenses related to police professional liability incurred during 1996 and 1995. During the three years ended June 30, 1996, there were no settlements that exceeded the Port's insurance coverage.

An analysis of activity in the liability for claims is as follows:

	1996	1995
Balance at beginning of year	$ 1,603,000	$ 1,637,574
Claims and changes in estimates	-	618,992
Benefit payments	(204,323)	(653,566)
Balance at end of year	$ 1,398,677	$ 1,603,000

Under earlier contracts entered into with the Port, two riverboat gaming operators each agreed absolutely and unconditionally to pay to the Port an amount not to exceed $7,051,500 each ($14,103,000 total), which sums were to be used to reimburse the Port for infrastructure repairs, improvements and modifications to be undertaken by the Port along the riverfront. These funds were placed in escrow and the Port was granted a security interest in the escrow accounts with the absolute right to withdraw the funds in accordance with the parties' contracts as work progressed. As a result of work performed, approximately $2,000,000 in each ($4,000,000 total) of the gaming operators' escrow accounts remained at June 30, 1995. By amendments entered into during fiscal 1996, the Port agreed to rebate to each of these gaming operators, over a ten year period, the amounts spent for work performed (approximately $10,000,000 total at June 30, 1995). However, the Port's agreement and obligation to make the rebate payments to each of these gaming operators was expressly conditioned upon the requirement that previously entered into berthing agreements with each gaming operator not terminate for any reason during that ten year period. The two gaming operators ceased operations during June 1995, shortly after start up, and certain bankruptcy proceedings were initiated during July 1995. During March 1996, the Port was awarded the remaining balance in the two escrow accounts by order of the bankruptcy court and the gaming operators' trustees agreed to release all claims for the return of the escrow funds. Management of the Port believes that any obligation to return any of the escrow funds does not exist and, accordingly, no liability related to this issue has been recorded in the accompanying financial statements.

The Port is a party to various legal proceedings incidental to its business. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are not expected to have a material adverse effect on the financial statements of the Port.

The Port has entered into an agreement with a tenant of certain Port facilities, Silocaf of New Orleans, Inc., to serve as a potential guarantor for $2,500,000 of tenant indebtedness, the proceeds of which were used to make improvements on Port property. The agreement, which expires in June 1998, serves to empower the Port to protect its interest in the property in the event of a default on the indebtedness by the tenant.

6. CONTRIBUTED CAPITAL

Changes in contributed capital during the years ended June 30, 1996 and 1995 were as follows:

	1996	1995
Balance, beginning of year	$246,431,301	$225,692,008
Utilization of construction funds appropriated by the State of Louisiana - Act 16 of 1989	8,556,247	20,739,293
Other	10,750	-
Balance, end of year	$254,998,298	$246,431,301

The additions to contributed capital in 1996 and 1995 represent contributions from the State of Louisiana under a capital improvements plan. The plan provides for a total of $242 million in capital improvements, with the State of Louisiana to provide $100 million via gasoline tax revenues, as set forth under legislation passed in 1990. The Port has received $100 million from the State of Louisiana through June 30, 1996. The plan calls for the Port to fund costs of the capital improvements plan in excess of the $100 million commitment by the State of Louisiana.

As a part of the Port's long-term capital construction program, commitments related to such capital construction projects were approximately $33 million as of June 30, 1996.

7. LEASES

The Port leases to others substantially all of its land, property and equipment. These leases are classified as operating leases. Operating lease rental income was approximately $13,169,000 and $11,523,000 during the years ended 1996 and 1995, respectively.

As of June 30, 1996 future minimum rental payments to be received under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

	Total
1997	$ 8,020,532
1998	7,169,239
1999	6,907,147
2000	6,374,194
Thereafter	51,083,247
Total future minimum lease payments	$79,554,359

8. RETIREMENT PLANS

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS") or the Harbor Police Employees' Retirement System ("HPERS").

Disclosures relating to these plans follow:

A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

All full-time employees of the Port participate in the LASERS, with the exception of harbor police, who are covered under the HPERS. The LASERS is a single employer plan administered on a statewide basis, covering all classified and unclassified employees of the state government of Louisiana, of which the Port is a component unit. The Port's total payroll for the year ended June 30, 1996 was $10,634,637 of which $9,303,767 in covered payroll related to participants in the LASERS.

The LASERS is a defined benefit contributory pension plan to which employees contribute 7.5% of their salaries and the Port contributes 11.9% of the employees' salaries toward future benefits. Provisions for employer and employee contributions are in LRS 42:651; 712; 712.1; 712.3. Amounts contributed for the year ended June 30, 1996 by employees and the Port were $697,781 and $1,116,108, respectively.

Members are vested after 10 years of service. A member is eligible to retire after at least 10 years of service at age 60, 25 years at age 55, or after 30 years at any age. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% of the highest 3 consecutive years of creditable service. Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

Act 14 of the 1990 Louisiana Legislature provided for a new retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to two years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

The "pension benefit obligation" is a standardized disclosure measure 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 LASERS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among pension plans and employers.

The LASERS does not make separate measurements of assets and the pension benefit obligation for individual component units. The pension benefit obligation at June 30, 1995 for the LASERS as a whole, determined through an actuarial valuation performed as of that date, was $5.697 billion. The LASERS's net assets available for benefits on that date (valued at amortized cost) were $3.666 billion, leaving an unfunded pension benefit obligation of $2.107 billion.

Pension plan investments, other than U.S. government agency obligations, that exceeded five percent of net assets available for benefits include 24% invested in domestic common stocks, 9% in international common stocks and 10% in short-term investments.

Ten-year historical trend information showing the LASERS's progress in accumulating sufficient assets to pay benefits when due is presented in the LASERS's June 30, 1995 audited financial reports.

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

1. *Plan Description* - All commissioned members of the Harbor Police Department of the Port who are under the age of 50 on the date of employment are eligible to participate in the HPERS, a single-employer plan administered by a seven member Board of Trustees. The Port's total payroll for the year ended June 30, 1996 was $10,634,637, of which $1,330,870 in covered payroll related to participants in the HPERS.

   Member benefits are equal to 3-1/3% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. However, if a person retires before age 50, the benefit is 2 1/2% of average final compensation, as defined, multiplied by creditable service years, not to exceed 85% of final salary. Members are eligible to retire at any age with 30 years service, at age 60 with 10 years service and at age 45 with 20 years service. The HPERS also provides benefits for surviving spouses and disabled members. If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee.

   Funding of the HPERS is provided from contributions from members and the Port. Members contribute, by payroll deduction, 7% of covered payroll.

2. *Funding Status and Progress* - The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure 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. Pension benefit obligations include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. The measure is intended to help users assess the HPERS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is independent of the funding method used to determine contributions to the HPERS.

   The actuarial present value of the pension benefit obligation is determined by consulting actuaries and is that amount that results from applying actuarial assumptions to adjust the pension benefit obligations to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment. The significant actuarial assumptions used in determining pension benefit obligations as of June 30, 1996 were (a) the determination of life expectancy based on the 1971 Group Annuity Mortality Table (b) the determination of participant retirements based on an expected retirement age of 63 years (c) an assumed average rate of return on investment of 7.0% and (d) projected salary increases of 5% per year (2.5% increase for inflation and 2.5% increase for seniority and merit raises).

The assets in excess of the pension benefit obligation at June 30, 1996 (the date of the most recent valuation) were as follows:

Pension benefit obligation:	
Vested benefits:	
Participants receiving benefits	$5,283,147
Other participants	2,593,462
Total vested benefits	7,876,609
Non-vested benefits	494,209
Total pension benefit obligation	8,370,818
Net assets available for benefits, at market value	9,314,028
Assets in excess of pension benefit obligation	$ 943,210

Pension plan investments, other than U.S. government and agency obligations, that exceeded five percent of net assets available for benefits include 9% invested in corporate bonds and 9% invested in cash equivalent securities.

3. *Contribution Requirements and Contributions Made* - As previously noted, employees are required to contribute 7% of their covered payroll to the HPERS. The Port is required to make contributions to the HPERS at actuarially determined rates expressed as a percentage of members' covered payroll, not to exceed 13%. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial method until assets exceed accrued actuarial liabilities, at which point the aggregate actuarial method is used. As assets were in excess of actuarial liabilities, the aggregate method was applicable for fiscal year 1996. The Port funded a rate of 10% for fiscal year 1996, in accordance with the recommendation of the HPERS's Board of Trustees. Total contributions for the year ended June 30, 1996 were $215,273, which consisted of employee contributions of $82,186 and employer contributions of $133,087.

4. *Trend Information* - Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Seven-year trend information is included in the HPERS's audited financial statements for the year ended June 30, 1996. For the three years ended 1996, 1995 and 1994, respectively, available assets were sufficient to fund 111, 104 and 109 percent of the pension benefit obligation. The overfunded pension benefit obligation represented 70, 27 and 56 percent of the annual covered payroll for 1996, 1995 and 1994, respectively. Presenting the overfunded pension benefit obligation as a percentage of annual covered payroll adjusts for the approximate effect of inflation for analysis purposes. In addition, for the three years ended 1996, 1995 and 1994, the Port's contributions to the HPERS, all made in accordance with actuarially determined requirements, were 10 percent of annual covered payroll.

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PORT OF NEW ORLEANS

SUPPLEMENTAL SCHEDULE OF FIXED ASSETS BY DEPARTMENT
JUNE 30, 1996

	Cost	Accumulated Depreciation	Net Book Value
PROPERTY:			
Docks	$301,795,588	$139,111,844	$162,683,744
Public grain elevator	245,000	245,000	-
Foreign trade zone	2,529,567	1,942,278	587,289
Public commodity warehouse	4,387,824	3,301,987	1,085,837
I. H. navigational canal	26,080,726	16,722,021	9,358,705
Public bulk terminal	11,547,373	10,699,975	847,398
Engineering department	593,673	497,167	96,506
M. R. gulf outlet	1,092,338	860,303	232,035
General	818,600	767,007	51,593
Total	349,090,689	174,147,582	174,943,107
FURNITURE AND FIXTURES:			
Docks	1,012,336	407,837	604,499
Foreign trade zone	18,257	8,398	9,859
Public commodity warehouse	4,658	4,625	33
I. H. navigational canal	42,644	25,171	17,473
Engineering department	1,186,260	778,924	407,336
Administrative department	2,266,569	1,429,578	836,991
Bulk handling facilities	-	-	-
Port relations	202,539	168,896	33,643
Total	4,733,263	2,823,429	1,909,834
EQUIPMENT:			
Docks	4,654,470	1,453,149	3,201,321
Foreign trade zone	52,555	18,122	34,433
Public commodity warehouse	4,219	2,021	2,198
I. H. navigational canal	19,552	18,767	785
Engineering department	5,725,991	4,158,335	1,567,656
Administrative department	2,584,710	744,300	1,840,410
Bulk handling facilities	202,268	149,920	52,348
Total	13,243,765	6,544,614	6,699,151
TOTAL PROPERTY, FURNITURE AND FIXTURES AND EQUIPMENT	$367,067,717	$183,515,625	$183,552,092
LAND	$ 50,972,513	$ -	$ 50,972,513

PORT OF NEW ORLEANS

SUPPLEMENTAL SCHEDULE OF DEBT OBLIGATIONS
JUNE 30, 1996

	Original Issue	Outstanding June 30, 1995	Additions (Deductions)	Outstanding June 30, 1996	Final Payment Date	Interest Rates	Future Interest Requirement
BONDS PAYABLE:							
Port Commission Series 1961 - 16th issue	$17,000,000	$ 930,000	$ (930,000)	$ -	1996	3.75 %	$ -
Port Commission Series Issue of 1962	25,000,000	2,810,000	(1,380,000)	1,430,000	1997	3.50 %	21,450
Port Commission Series Issue of 1966	20,000,000	4,910,000	(915,000)	3,995,000	2000	4.00 %	261,987
General Obligation Bonds - Series 1975B	12,000,000	4,789,091	(676,364)	4,112,727	2000	6.50 %	701,468
General Obligation Bonds - Series 1976B	11,000,000	4,393,889	(619,757)	3,774,132	2001	5.60 %	661,132
Total		17,832,980	(4,521,121)	13,311,859			$1,646,037
CONTRACT PAYABLE:							
International Business Machines Corporation-computer equipment purchase		183,697	(66,799)	116,898	1998	5.86 %	
OTHER - LOANS UNDER CONTRACT:							
American Commercial Barge Line - moving facilities		36	-	36	*	NONE	
MECO - Flood protection		173,321	43,330	216,651	*	NONE	
New Orleans Waterfront Village - Bermuda Street Wharf		15,756	(8,797)	6,959	*	6.00 %	
Total		189,113	34,533	223,646			
NOTE PAYABLE:							
Audubon Park Commission		500,000	(500,000)	-	1996	NONE	
TOTAL		$18,705,790	$(5,053,387)	$13,652,403			

*The maturity dates are to be determined.

Deloitte &
Touche LLP

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS

The Board of Commissioners of the
Port of New Orleans:

We have audited the financial statements of the Port of New Orleans, 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 September 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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 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 operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation and other administrative matters that we have reported to the management of the Port of New Orleans in a separate letter dated September 13, 1996.

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

Deloitte + Touche LLP

September 13, 1996

Deloitte & Touche LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON THE AUDIT OF FINANCIAL STATEMENTS

The Board of Commissioners of the
Port of New Orleans:

We have audited the financial statements of the Port of New Orleans, a component unit of the State of Louisiana, as of June 30, 1996 and for the year then ended, and have issued our report thereon dated September 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations and contracts applicable to the Port of New Orleans is the responsibility of management of the Port of New Orleans. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Port of New Orleans' compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the 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 the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Deloitte + Touche LLP

September 13, 1996

Deloitte & Touche LLP

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September 13, 1996

Board of Commissioners of the
Port of New Orleans
P. O. Box 60046
New Orleans, Louisiana 70160

Dear Sirs:

In planning and performing our audit of the financial statements of the Port of New Orleans, a component unit of the State of Louisiana, for the year ended June 30, 1996 (on which we have issued our report dated September 13, 1996), we developed observations and recommendations concerning certain matters related to its internal control structure. Our comments are presented in Exhibit I and are listed in the table of contents thereto.

This report is intended solely for the information and use of the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing the recommendations.

Yours truly,

Deloitte + Touche LLP

EXHIBIT I

PORT OF NEW ORLEANS

TABLE OF CONTENTS

CURRENT YEAR COMMENTS

ACCOUNT RECONCILIATIONS

Observation

We noted that reconciliations of certain detail asset and liability accounts were not reconciled to the respective general ledger accounts at year end, specifically property and equipment and accounts payable. Port personnel, with our assistance, located, reconciled and adjusted any differences at year end.

Recommendation

Reconciliations and comparisons of all significant balance sheet accounts with related detail records provide independent checks over the output of a general ledger system and are integral elements of an effective internal control structure. We recommend that supporting subsidiary records be maintained and timely reconciliations of these records to the general ledger be performed on a regular basis.

INFORMATION SECURITY

Observation

Physical access to the computer room is not currently controlled by the Management Information System (MIS) director.

Background

Physical access to the computer room is maintained by building security, via picture badges/access cards. Prior to the move into the new building, MIS maintained control of personnel with access to the computer room. Under the current arrangement, MIS is unsure who building security has given access to. Since the MIS department is not staffed at all times, it is not currently possible to maintain control regarding computer room access. One example of unauthorized access is the outside cleaning crew, who enter the Port building/MIS department after hours without departmental supervision.

Recommendation

Access to the computer room should be controlled by the MIS director. Current access to the computer room should be re-evaluated and only authorized personnel should be granted access.

Observation

Access to sensitive forms is not limited to authorized personnel.

Background

Sensitive forms (payroll checks, voucher checks, and purchase orders) are kept in a locked storage room within the MIS department. Access to this storage room is restricted by keyed lock with building security maintaining distribution of the keys. MIS is uncertain who has access to this room, and on occasion has seen unfamiliar people enter the storage room.

Recommendation

Sensitive forms should be stored in a secured vault or storage room with access restricted to personnel authorized by the MIS director.

Observation

Reliance on the Local Area Network (LAN) is increasingly critical to the day to day operations of the Port.

Background

LAN's are susceptible to many control weaknesses including but not limited to viruses, unauthorized intrusion, the use of bootleg software, etc. Control procedures have been established but not formally documented.

Recommendation

Established controls related to the LAN should be formally documented and compliance with such controls should be periodically monitored. In addition, the effectiveness of the established controls should be regularly evaluated, particularly given an ever changing technical environment, by personnel with LAN security expertise.

BUSINESS INTERRUPTION PLAN

Observation

The Port has not completed written business contingency plans. As a result, business operations could be delayed or suspended for an extended period of time due to many types of disasters.

Recommendation

Management should consider completing comprehensive written corporate-wide contingency plans. The contingency plans should include emergency, data processing, business site and end user procedures, and should be distributed to, and reviewed with the appropriate personnel. Management should establish a policy that ensures procedures are periodically updated to reflect current operations. The contingency plans should also be reviewed and tested at least annually to ensure their viability. As an initial priority, mission critical systems such as payroll and billings should have an alternative site available and tested in the event of a disaster, or significant computer failure.

STATUS OF PRIOR YEAR COMMENTS

WORKERS' COMPENSATION CLAIMS

Observation

The Port made annual payments of approximately $35,000 during fiscal year 1995 to individuals who are receiving monthly benefits under workers' compensation claims.

Background

Employees injured as a result of work-place accidents are entitled to receive benefits under workers' compensation statutes. At June 30, 1995, the Port has recorded an accrual for estimated probable liabilities for workers' compensation claims which are expected to be settled through a one-time lump sum payment. However, in certain situations, settlement payments are also made to claimants on a monthly basis for such benefits.

These payments are currently accumulated through the Port's accounts payable system and monitored by its legal department. A liability for the estimated present value of these future monthly payments (which is not currently material) is not included in the Port's financial statements.

Recommendation

The Port should establish procedures in order to evaluate an estimate of future workers' compensation benefits to be remitted to claimants in a series of payments.

This evaluation should address not only the estimation of benefits to be paid, but also:

- An estimate of the period of time over which those payments will be made.
- A calculation of the present value of that stream of payments using current interest rates.

Current Year Status

The worker's compensation account has been monitored throughout the year. Adjustments to the reserve have been made to accommodate the liability for estimated future payments. The Port made annual long-term payments of $16,172 during Fiscal Year 96. The reserve at year end was more than sufficient to cover the present value of future payments for these individuals.

PROPERTY SYSTEM

Observation

The Port's fixed asset accounting system could be enhanced to provide for improved detail summarization of property transactions (additions, disposals, transfers, reclassifications, etc.) that have been recorded during an accounting period. This information is difficult to access because of the Port's current account code structure.

Background

The Port's capital improvements plan has resulted in a significant number of capital transactions. The fixed asset accounting system provides the subsidiary accounting records for all Port property, which is a significant element of the Port's balance sheet.

Although the Port's fixed asset system provides sufficient detail of fixed assets to allow for their safe-guarding, the current activity provided does not allow management to easily compile for review summarized capital transaction information.

Recommendation

The Port should review its current fixed asset system and related account code structure to determine the feasibility of modification to provide easier access to a detailed summary of property transactions. A summarization at this level of fixed asset transactions would allow for management to better monitor capital expenditures and subsequent additions to its depreciable property base.

Current Year Status

In working with the software company for the asset module, a review is currently in progress to determine the capability of the module as it relates to capital transaction information. This study will be concluded in Fiscal Year 97 and the recommendations and/or changes necessary to provide detailed summarization of property transactions will be implemented accordingly.

PORT OF
NEW ORLEANS

September 13, 1996

Mr. Michael J. Keeffe
Audit Partner
Deloitte & Touche LLP
One Shell Square - Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700

RE: 1996 AUDIT MANAGEMENT LETTER

Dear Mr. Keeffe:

We have reviewed the fiscal 1996 audit observations concerning suggested improvements to Board operations. Our response to your findings and recommendations is as follows:

ACCOUNT RECONCILIATIONS

The General Ledger Department will review procedures for reconciliation of major accounts. Significant asset and liability accounts lacking structured reconciling procedures will be brought to the attention of the Director of Finance along with recommendations for enhancing the control methods. Monthly reconciling procedures will be implemented by the third quarter of Fiscal 1997.

INFORMATION SECURITY

Observation One-

M.I.S. does not directly control the computer hardware that manages the security system. However, tighter control is necessary. Under no circumstances should anyone be given access to the computer room and storage room without M.I.S. authorization. A task force comprised of M.I.S., internal audit and safety and security will look into this security issue and develop a solution within the next 90 days.

Observation Two-

Key access to the storage room should be limited to one or two individuals and the storage room placed on the electronic security system. Key access would only be used in an emergency when the electronic security system malfunctions. In addition, weekly reports should be furnished to M.I.S. by safety and security, showing weekly log of all entry activity for the computer and storage rooms. This recommendation will be implemented within the next 120 days.

Observation Three-

M.I.S. has implemented many controls to insure that the Board's LAN is virus free and secure. Additional controls will be implemented to oversee software license compliance. This improvement will be instituted within the next 60 days. Formal documentation of LAN controls will be produced within 90 days. A periodic audit to review these controls will be instituted.

BUSINESS INTERRUPTION PLAN

The Board is continuing to study, analyze and develop the necessary components of an overall plan. A business interruption plan for the Boards administrative offices is being developed. Further, a plan developed with the assistance of a records consultant incorporating the Boards vital records is programed to be completed in fiscal 1997.

PRIOR YEAR COMMENTS

WORKER'S COMPENSATION CLAIMS

The worker's compensation account has been monitored throughout the year. Adjustments to the reserve have been made to accommodate the liability for estimated future payments. The Port made annual long-term payments of $16,172 during FY96.

PROPERTY SYSTEM

In working with the software company for the asset module, a review is currently in progress to determine the capability of the module as it relates to capital transaction information. This study will be concluded in FY97 and the recommendations and/or changes necessary to provide detailed summarization of property transactions will be implemented accordingly.

Sincerely,

David A. Wagner
Managing Director

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS

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