PORT OF NEW ORLEANS

Independent Auditors' Reports for the Years Ended June 30, 1999 and 1998:

- Financial Statements and Supplemental Schedules
- Compliance and Internal Control Over Financial Reporting
- Management Letter
- Year 2000 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, 1999 and 1998, 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 the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 1999 and 1998, 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 on pages 14 and 15 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.

The year 2000 supplementary information on page 16 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Port of New Orleans is or will become year 2000 compliant, that the Port of New Orleans' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Port of New Orleans does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 4, 1998 on our consideration of the Port of New Orleans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

Deloitte & Touche LLP

September 8, 1999

Deloitte Touche Tohmatsu

PORT OF NEW ORLEANS

BALANCE SHEETS
JUNE 30, 1999 AND 1998

ASSETS	1999	1998
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 5,282,780	$ 2,619,832
Investments (Note 2)	34,754,443	27,097,977
Trade accounts and damage claims receivable, less allowance for doubtful accounts of $318,830 and $408,330 at June 30, 1999 and 1998, respectively	4,889,650	5,996,684
Stores inventories	2,250,153	2,157,668
Other	3,279,457	3,264,246
Total current assets	50,456,483	41,136,407
DESIGNATED INVESTMENTS (Note 2)	18,278,790	18,584,175
PROPERTY - NET (Notes 3 and 7)	320,163,455	322,247,940
OTHER ASSETS	27,014	65,443
TOTAL	$388,925,742	$382,033,965
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 4)	$ 2,732,864	$ 2,593,293
Accounts payable	1,601,927	2,292,486
Deferred income	1,377,448	1,632,436
Other liabilities	2,204,091	2,063,072
Liability claims/workers' compensation payable (Note 5)	563,447	595,301
Total current liabilities	8,479,777	9,176,588
LONG-TERM DEBT (Note 4)	2,127,168	4,809,697
COMPENSATED ABSENCES PAYABLE	1,490,869	1,375,345
Total liabilities	12,097,814	15,361,630
COMMITMENTS AND CONTINGENCIES (Notes 5 and 6)	-	-
EQUITY:		
Contributed capital (Note 6)	254,171,040	254,163,377
Retained earnings	122,656,888	112,508,958
Total equity	376,827,928	366,672,335
TOTAL	$388,925,742	$382,033,965

See notes to financial statements.

PORT OF NEW ORLEANS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
OPERATING REVENUES (Note 7)	$ 42,119,005	$ 38,495,201
OPERATING EXPENSES BEFORE DEPRECIATION:		
Operations services:		
Senior managers	483,860	545,002
Vessel services	3,280,216	3,076,306
Terminals and property management	4,682,228	4,210,934
Engineering services	393,119	806,847
General maintenance	2,806,547	3,173,606
Bridge operations	685,693	479,976
Total operations services	12,331,663	12,292,671
Management services:		
Senior managers	421,636	392,211
Finance and information services	1,525,319	1,394,638
Administrative services	1,197,557	1,036,359
Communications	466,949	627,304
Corporate services	775,277	883,044
Legal/risk	880,250	1,105,362
Harbor Police/Safety Vessel	3,933,091	3,746,898
Total management services	9,200,079	9,185,816
Other operating:		
Executive	1,272,617	1,403,063
Workers' compensation	200,000	200,000
Total other operating	1,472,617	1,603,063
Total operating expenses before depreciation	23,004,359	23,081,550
OPERATING INCOME BEFORE DEPRECIATION	19,114,646	15,413,651
DEPRECIATION	10,973,411	11,251,684
OPERATING INCOME	8,141,235	4,161,967
NON-OPERATING REVENUES (EXPENSES):		
Interest income	2,917,903	2,763,499
Interest expense	(286,589)	(420,355)
State gasoline tax	500,000	500,000
Miscellaneous - net	(483,324)	(225,603)
Non-capitalized demolition costs	(641,295)	-
Total	2,006,695	2,617,541
NET INCOME	10,147,930	6,779,508
RETAINED EARNINGS, BEGINNING OF YEAR	112,508,958	105,729,450
RETAINED EARNINGS, END OF YEAR	$ 122,656,888	$ 112,508,958

See notes to financial statements.

PORT OF NEW ORLEANS

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	$ 8,141,235	$ 4,161,967
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	10,973,411	11,251,684
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	1,862,034	(1,022,276)
Stores inventories	(92,485)	(345,413)
Other assets	(763,963)	(874,586)
Accounts payable	(690,559)	(1,270,571)
Other liabilities	176,814	(164,318)
Deferred income	(254,988)	(148,487)
Liability claims/workers' compensation payable	(31,854)	(633,426)
Compensated absences payable	115,524	(13,946)
Other, net	(437,230)	(221,786)
Net cash provided by operating activities	18,997,939	10,718,842
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from state agencies	500,000	500,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Utilization of construction funds appropriated by the State of Louisiana	-	(259,786)
Expenditures for acquisition and construction of capital assets	(8,888,926)	(10,213,662)
Repayments of principal borrowed to finance acquisition and construction of capital assets	(2,542,958)	(2,461,773)
Interest paid on amounts to finance acquisition and construction of capital assets	(322,384)	(453,490)
Other	(641,295)	-
Net cash used in capital and related financing activities	(12,395,563)	(13,388,711)

(Continued)

PORT OF NEW ORLEANS

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(57,100,306)	(46,314,318)
Proceeds from sales and maturities of investments	49,749,224	43,390,720
Cash received from interest on investments	2,911,654	3,140,184
Net cash (used in) provided by investing activities	(4,439,428)	216,586
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,662,948	(1,953,283)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,619,832	4,573,115
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,282,780	$ 2,619,832

See notes to financial statements.

(Concluded)

PORT OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1999 AND 1998

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.

Annually, the State of Louisiana issues general purpose financial statements which include the activities 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 - Investments of the Port, substantially all of which have original maturities of one year or less, are recorded at 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.

Reclassifications - Certain reclassifications have been made to the 1998 financial statements in order to conform with the classifications adopted for reporting in 1999.

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, 1998, the carrying amount of the Port's deposits (demand deposits and time certificates of deposit) was $5,382,780 and the related bank balances were $6,022,942. Of the bank balances, $135,411 were covered by federal depository insurance and the remaining $5,887,531 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, 1999 and 1998 were the following:

Securities Type	Credit Risk Category 1	2	3	Total 1999	1998
Investments in securities of:					
U.S. Government	$ -	$ -	$ -	$ -	$ 3,337,385
Federal agencies		52,933,233		52,933,233	42,244,767
	$ -	$52,933,233	$ -	52,933,233	45,582,152
Deposits:					
Certificates of deposit				100,000	100,000
Demand deposits with banks				5,282,780	2,619,832
Total cash and investments				$58,316,013	$48,301,984

The carrying value of investments at June 30, 1999 and 1998 approximated market value.

Designated Investments - The Board of Commissioners and management of the Port have designated investments of $18,278,790 and $18,584,175 at June 30, 1999 and 1998, respectively, to be used in the future for debt service, capital construction, insurance matters and special projects.

3. PROPERTY - NET

At June 30, 1999 and 1998, property consisted of the following:

	1999	1998
Land and improvements	$ 61,763,058	$ 61,492,458
Property	433,069,119	409,631,852
Furniture and fixtures	5,246,808	5,020,178
Equipment	14,268,564	13,804,480
Construction in progress	20,411,179	36,036,713
Total	534,758,728	525,985,681
Less accumulated depreciation	(214,595,273)	(203,737,741)
Property - net	$ 320,163,455	$ 322,247,940

4. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 1999 and 1998:

	1999	1998
Bonds payable	$ 4,506,394	$ 7,092,683
Long-term contracts payable	353,638	310,307
Total	4,860,032	7,402,990
Less current portion	(2,732,864)	(2,593,293)
Long term debt	$ 2,127,168	$ 4,809,697

The original amount of the bonds payable outstanding at June 30, 1999 was $23,000,000. All of the bonds were general obligation bonds.

Debt service requirements relating to bonds outstanding are as follows:

Year Ending June 30	Principal	Interest	Total
2000	$2,725,863	$ 193,119	$ 2,918,982
2001	1,780,531	77,982	1,858,513
Total	$4,506,394	$271,101	$ 4,777,495

The bonds payable have various interest rates ranging from 2.25% to 6.5% and are guaranteed by the State of Louisiana. All bonds mature serially from 1998 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 general maritime claims ("Jones Act"). 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 $50,000,000 for each occurrence. For the years ended June 30, 1999 and 1998, the Port's expenses for workers' compensation and other liability claims were $200,000 and $200,000, respectively. There were no expenses related to police professional liability incurred during 1999 and 1998. During the three year period ended June 30, 1999, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 1999, the Port has determined, through an analysis of historical experience, the adequacy of liability recorded to cover all losses and claims, both incurred and reported and incurred but not reported (IBNR), under its self-insurance programs.

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

	1999	1998
Balance at beginning of year	$ 595,301	$ 1,228,727
Provision for claims	200,000	200,000
Benefit payments	(231,854)	(833,426)
Balance at end of year	$ 563,447	$ 595,301

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. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port.

6. CONTRIBUTED CAPITAL

Changes in contributed capital during the years ended June 30, 1999 and 1998 were as follows:

	1999	1998
Balance, beginning of year	$254,163,377	$254,414,092
Reduction of contributed capital for specific projects	-	(259,786)
Other	7,663	9,071
Balance, end of year	$254,171,040	$254,163,377

As a part of the Port's long-term capital construction program, commitments related to such capital construction projects were approximately $14 million as of June 30, 1999.

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 $23,295,106 and $19,160,000 during the years ended 1999 and 1998, respectively.

As of June 30, 1999, 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
2000	$ 19,790,929
2001	16,400,367
2002	14,546,583
2003	13,396,608
2004	12,446,401
Thereafter	43,430,871
Total future minimum lease payments	$120,011,759

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, 1999 was $9,953,005 of which $8,463,718 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 12.4% of the employees' salaries toward future benefits. Provisions for employer and employee contributions are in LRS 42:651; 712; 712.1; 712.3.

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, 30 years at any age or after 20 years at any age with a reduced benefit. Effective January 1, 1996, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. 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 average annual compensation for the highest 3 consecutive years of employment multiplied by the number of years with certain limitations 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.

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, 1998 audited financial reports. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, LA 70804-4213.

Total contributions for the year ended June 30, 1999 were $1,684,281 which consisted of employee contributions of $634,778 and employer contributions of $1,049,503. Total contributions for the years ended June 30, 1998 and 1997 were $1,816,499 and $1,795,968, respectively. These amounts are equal to the required contributions for each of these three years.

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 defined benefit pension plan administered by a eight member Board of Trustees. The Port's total payroll for the year ended June 30, 1999 was $9,953,005, of which $1,489,287 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.

   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, 1999 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 Port had no net pension obligation at June 30, 1999 or 1998.

   The following is a summary of statement of the plan net assets available for benefits as of June 30, 1999 and 1998 and changes in net assets for the years then ended:

Statement of Plan Net Assets	**1999**	**1998**
Investments at fair value	$11,203,418	$10,919,737
Accounts receivable	122,963	106,101
Net assets available for benefits	$11,326,381	$11,025,838

Statement of Changes in Net Assets	**1999**	**1998**
Additions:		
Contributions	$ 247,619	$ 257,927
Investment income, including unrealized gains	693,636	1,497,079
Other	104,781	24,025
Total additions	1,046,036	1,779,031
Deductions:		
Benefits paid	640,927	964,418
Other	104,566	138,672
Total deductions	745,493	1,103,090
Net increase	300,543	675,941
Net assets available for benefits:		
Beginning of year	11,025,838	10,349,897
End of year	$11,326,381	$11,025,838

2. *Contribution Requirements and Contributions Made* - 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 cost method is used. As assets were in excess of actuarial liabilities, the aggregate actuarial cost method was applicable for fiscal years 1999, 1998, and 1997. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The Port funded a rate of 10% for fiscal year 1998, in accordance with the recommendation of the HPERS's Board of Trustees.

   Total contributions for the year ended June 30, 1999 were $247,619, which consisted of employee contributions of $104,249 and employer contributions of $143,370. Total contributions for the years ended June 30, 1998 and 1997 were $257,927 and $226,454, respectively. These amounts were equal to the required contributions and the annual pension cost for fiscal years 1999, 1998, and 1997.

3. The HPERS issues a publicly available financial report that includes financial statements and required supplementary information for the HPERS. That report may be obtained by writing to the Harbor Police Retirement System, Post Office Box 60046, New Orleans, LA 70160.

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PORT OF NEW ORLEANS

SUPPLEMENTAL SCHEDULE OF FIXED ASSETS BY DEPARTMENT
JUNE 30, 1999

	Cost	Accumulated Depreciation	Net Book Value
PROPERTY:			
Docks	$381,817,099	$174,119,054	$207,698,045
Public grain elevator	245,000	245,000	-
Foreign trade zone	7,160,984	5,796,071	1,364,913
Public commodity warehouse	-	-	-
I. H. navigational canal	28,715,674	18,734,803	9,980,871
Engineering department	820,614	553,831	266,783
Building	11,821,417	985,055	10,836,362
M. R. gulf outlet	1,092,337	1,074,605	17,732
General	1,395,994	746,454	649,540
Total	433,069,119	202,254,873	230,814,246
FURNITURE AND FIXTURES:			
Docks	1,313,775	874,051	439,724
Foreign trade zone	24,492	20,804	3,688
I. H. navigational canal	45,912	35,271	10,641
Engineering department	1,192,951	931,593	261,358
Administrative department	2,523,763	1,921,617	602,146
Port relations	145,915	126,499	19,416
Total	5,246,808	3,909,835	1,336,973
EQUIPMENT:			
Docks	5,085,839	2,310,439	2,775,400
Foreign trade zone	56,771	43,492	13,279
I. H. navigational canal	32,264	19,962	12,302
Engineering department	6,240,956	4,973,383	1,267,573
Administrative department	2,852,734	1,083,289	1,769,445
Total	14,268,564	8,430,565	5,837,999
TOTAL PROPERTY, FURNITURE AND FIXTURES AND EQUIPMENT	$452,584,491	$214,595,273	$237,989,218
LAND	$ 61,763,058	$ -	$ 61,763,058

PORT OF NEW ORLEANS

SUPPLEMENTAL SCHEDULE OF DEBT OBLIGATIONS
JUNE 30, 1999

	Original Issue	Outstanding July 1, 1998	Additions (Deductions)	Outstanding June 30, 1999	Final Payment Date	Interest Rates	Future Interest Requirement
BONDS PAYABLE:							
Port Commission Series Issue of 1966	$20,000,000	$2,065,000	$(1,015,000)	$1,050,000	2000	2.5 % - 4 %	$ 11,813
General Obligation Bonds - Series 1975B	12,000,000	2,620,909	(820,909)	1,800,000	2001	6.5 %	118,596
General Obligation Bonds - Series 1976B	11,000,000	2,406,774	(750,380)	1,656,394	2001	5.6 %	140,692
Total		7,092,683	(2,586,289)	4,506,394			$271,101
OTHER - LOANS UNDER CONTRACT:							
American Commercial Barge Line - moving facilities		36	-	36			
MECO - Flood protection		303,312	43,331	346,643			
New Orleans Waterfront Village - Bermuda Street Wharf		6,959	-	6,959			
Total		310,307	43,331	353,638			
TOTAL		$7,402,990	$(2,542,958)	$4,860,032			

THE PORT OF NEW ORLEANS

YEAR 2000 SUPPLEMENTARY INFORMATION (UNAUDITED)
YEAR ENDED JUNE 30, 1999

The year 2000 issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. For many years, programmers eliminated the first two digits from a year when writing programs. For example, programmers would designate January 1, 1965 as "01/01/65" instead of "01/01/1965." On January 1, 2000 at 12:00:01 a.m., the internal clock in computers and other equipment will roll over from "12/31/99" to "01/01/00." Unfortunately, many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1900. This may cause the programs to process data inaccurately or to stop processing data altogether. Another factor that may cause problems in programs is the leap-year calculation. Some programs are unable to detect the year 2000 as a leap year.

Problems affecting a wide range of governmental activities will likely result if computers and other electronic equipment that are dependent upon date-sensitive coding are not corrected. These problems have the potential for causing a disruption to some government operations and may temporarily increase the cost of those operations.

The Port of New Orleans has committed to spend less than $100,000 subsequent to June 30, 1999 in connection with the year 2000 issue. The Port of New Orleans has completed the awareness and assessment stages of its year 2000 program. The remediation and validation testing stage is to be completed prior to November 30, 1999.

The Port New Orleans does not provide assurance that it is or will become year 2000 compliant, that its year 2000 remediation efforts will be successful in whole or in part, or that parties with which it does business are or will become year 2000 compliant.

Deloitte &
Touche

Deloitte & Touche LLP
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One Shell Square
701 Poydras Street
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 1999, and have issued our report thereon dated September 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Port of New Orleans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port of New Orleans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Port of New Orleans, in a separate letter dated September 8, 1999.

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 is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

September 8, 1999

Deloitte & Touche

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September 8, 1999

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, 1999 (on which we have issued our report dated September 8, 1999), we developed the following recommendations concerning certain matters related to its internal control and certain observations and recommendations on other accounting, administrative, and operating matters. A description of the responsibility of management for establishing and maintaining internal control, and of the objectives of and inherent limitations of internal control, is set forth in the attached Appendix, and should be read in conjunction with this letter. Our comments are presented in Exhibit I and are listed in the table of contents thereto.

In our letter to senior management and the Board of Commissioners of the Port of New Orleans dated September 8, 1999, we informed you that (1) we made limited inquiries of management regarding their activities to address the year 2000, (2) our audit of the Port of New Orleans' financial statements for the year ended June 30, 1999, does not provide any assurances, nor do we express any opinion, that the Port of New Orleans' systems or any other systems, such as those of the Port of New Orleans' vendors, service providers, customers, or other third parties, are year 2000 compliant, and (3) we were not engaged to perform, nor did we perform as part of our audit engagement, any procedures to test whether the Port of New Orleans' systems or any other systems are year 2000 compliant or whether the plans and activities of the Port of New Orleans are sufficient to address and correct system or any other problems that might arise because of the year 2000, nor did we express any opinion or provide any assurances with respect to these matters.

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 is not intended to be and should not be used by anyone other than these specified parties.

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

Deloitte Touche
Tohmatsu

EXHIBIT I

PORT OF NEW ORLEANS

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*See prior year's comment

STATUS OF PRIOR YEAR COMMENTS

ACCOUNTS PAYABLE TRIAL BALANCE AND RECONCILIATIONS

The present system of recording trade accounts payable and related deferred income does not provide a monthly detail trial balance of outstanding trade accounts payable by vendor. The lack of a trial balance prevents the Port from preparing a proper reconciliation of the general ledger to the trial balance.

Background

The lack of a reconciliation between the general ledger and the subsidiary ledger impacts the effectiveness of internal controls involving accounts balances.. A monthly detail trial balance would assist the accounting department in reconciling vendor statements. Accounts are currently reconciled by researching several computer programs against the vendor's monthly statement.

Recommendation

As a means of strengthening controls over accounts payable and improving the completeness of the accounts payable records, we believe that a detailed accounts payable subsidiary ledger should be provided on a monthly basis and reconciled to the general ledger with prompt management reviews.

Current Year Status

Management is in the process of addressing this matter.

INVENTORY OBSOLESCENCE

Observation

Based upon inventory testing, we noted that some items contained in the storeroom warehouse appeared to be obsolete. Per review of a report listing all inventory items which had not been issued for use in the last 12 months, we noted that there were many items which had not been issued for use since the late 1980's and early 1990's.

Background

In order for an item to be declared obsolete and officially written off the books, someone must first prepare the necessary list of items for approval. Secondly, these items must then go up for bid and either sold, sold for scrap, or declared obsolete and, thus, disposed. Additionally, prior to going up for bid, this bidding process must be advertised in the newspaper, per Louisiana law. Until this process is initiated, these items remain on the books as inventory.

Recommendation

We suggest that the Port maintain an allowance for obsolete inventory to write down old items to their net realizable value. We also suggest that the warehouse supervisors initiate the process of disposing of obsolete inventory on a quarterly basis. Additionally, the Port should consider more expedient procedures in the process of declaring inventory items obsolete.

Current Year Status

Management is in the process of addressing this matter.

CONSTRUCTION IN PROGRESS

Observation

The Port does not have procedures in place to effectively review and determine on a timely basis which open construction in progress ("CIP") orders should be properly closed during an accounting period. As the case in prior years, we noted CIP orders that were completed in the current year, yet were not closed out on a timely basis, or even closed out at all.

Background

The engineering department currently manages a significant number of construction projects which constitutes a substantial dollar value. There are no specific procedures for reviewing the construction in progress work order report periodically to ensure CIP work orders with little or no activity are closed out on a timely basis.

Recommendation

The Port should establish procedures to facilitate the proper review and closure of open CIP work orders. A review of construction in progress would allow for management to better monitor open construction in progress and transfers to property.

Current Year Status

This comment was resolved in the current year.

APPENDIX

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL

The following comments concerning management's responsibility for internal control and the objectives and inherent limitations of internal control are adapted from the Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls.

Objectives

The objectives of internal control 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.

Limitations

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

PORT OF
NEW ORLEANS

September 10, 1999

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

Dear Mr. Keeffe:

We have reviewed the Fiscal Year 1999 audit observations concerning suggested improvements to Board operations. Our response to your recommendations regarding current year comments is as follows:

ACCOUNTS PAYABLE TRIAL BALANCE AND RECONCILIATIONS

A detailed trail balance by vendor has been developed through the Lawson General Ledger system. There are balances in the report from prior years that are in the process of being researched. After completion of this effort the detailed vendor report will be utilized to provide a proper reconciliation of the general ledger to the trial balance.

INVENTORY OBSOLESCENCE

A preliminary analysis of inventory usage and current requirements has been conducted. As a result, over 125 items have been discontinued and are being sold as surplus to the Board needs. During the course of the upcoming year, the remaining items identified as "slow-moving" will be reviewed in greater detail to insure that the Board has no need of such inventory. Note that these items cannot be readily identified as obsolete. The Board has several old structures and an assessment of possible maintenance requirements needs to be conducted. Once this is accomplished then an ongoing review process will be developed to maintain a current stock of inventory parts.

Sincerely,

David A. Wagner
Executive Vice President

Deloitte &
Touche

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September 8, 1999

Mr. Ron Brinson, President and CEO,
Mr. Russell Honsinger, Senior Manager of Financial Services,
and Members of the Board of Commissioners
Port of New Orleans
New Orleans, Louisiana

Dear Mr. Brinson, Mr. Honsinger, and Members of the Board of Commissioners:

The approach of the year 2000 presents significant issues for many financial, information, and operational systems. Many systems in use today may not be able to interpret dates after December 31, 1999 appropriately, because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 2000, from January 1, 1900, which could have adverse consequences on the operations of the entity and the integrity of information processing, causing safety, operational, and financial issues.

Our audit of the Port of New Orleans' financial statements for the year ended June 30, 1999, does not provide any assurances, nor do we express any opinion, that the Port of New Orleans' systems or any other systems, such as those of the Port of New Orleans' vendors, service providers, or other third parties, are year 2000 compliant. In addition, we were not engaged to perform, nor did we perform as part of our audit engagement, any procedures to test whether the Port of New Orleans' systems or any other systems are year 2000 compliant or whether the plans and activities of the Port of New Orleans are sufficient to address and correct system or any other problems that might arise because of the year 2000, nor do we express any opinion or provide any assurances with respect to these matters.

However, during the week ended September 3, 1999, we made limited inquiries about the Port of New Orleans' activities to address the year 2000 issue. We have not performed any procedures to test the accuracy or completeness of the responses to our inquiries, but we have included our observations resulting from those inquiries in the following paragraph. Our observations supplement the communications that were previously made to the Board of Commissioners and are appropriate as of the date of this letter. Because year 2000 activities are currently in process, we may have had additional observations had we made inquiries after the date of this letter. Accordingly, we encourage the management and Board of Commissioners to continue its oversight of the Port of New Orleans' year 2000 activities.

We discussed the Port's Year 2000 activities with senior management. Their response to our inquiries is as follows:

> The Port of New Orleans has committed to spend less than $100,000 subsequent to June 30, 1999 in connection with the year 2000 issue. The Port of New Orleans has completed the awareness and assessment stages of its year 2000 program. The remediation and validation testing stage is to be completed prior to November 30, 1999.
>
> The Port New Orleans does not provide assurance that it is or will become year 2000 compliant, that its year 2000 remediation efforts will be successful in whole or in part, or that parties with which it does business are or will become year 2000 compliant.

This report is intended solely for the information and use of management, the Board of Commissioners, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP