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Public Belt Railroad Commission for the City of New Orleans

Management's Discussion and Analysis, Financial Statements and Additional Information for the Year Ended December 31, 2003, and Independent Auditors' Report

PUBLIC BELT RAILROAD COMMISSION FOR THE CITY OF NEW ORLEANS

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Management's Discussion and Analysis

This narrative discussion and analysis is intended to serve as an introduction to the general purpose financial statements as of and for the year ended December 31, 2003, of the Public Belt Railroad Commission for the City of New Orleans (the "Commission"). The information presented here should be read in conjunction with the general purpose financial statements, notes and additional information found in this report.

Overview of the Financial Statements

The Commission operates a railroad system in and around the City of New Orleans as well as a bridge across the Mississippi River ("Huey P. Long Bridge"). The financial statements in this report present the financial condition, results of operations and cash flows of the Commission, including its railroad system fund ("Public Belt Railroad") and its bridge operations fund ("Mississippi River Bridge"). See the notes to the financial statements for a summary of the Commission's significant accounting policies.

The Commission's financial statements consist of three sections – Management's Discussion and Analysis (this section), the general purpose financial statements (including the notes to the general purpose financial statements) and additional information. This information taken collectively is designed to provide readers with an understanding of the Commission's financial condition and its operations.

The *Combining Balance Sheets* present information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Commission's financial position is improving or deteriorating.

The *Combining Statements of Revenues, Expenses and Changes in Net Assets* present information showing how the Commission's net assets changed as a result of current year operations. Changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not affect cash until future fiscal periods.

The *Combining Statements of Cash Flows* present information showing how the Commission's cash balance changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes a reconciliation of net (loss) income to net cash provided by operating activities (indirect method) as required by Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This reconciliation is provided to assist in the understanding of the difference between cash flows from operating activities and net (loss) income.

In addition to the general purpose financial statements and accompanying notes, this report also presents *Additional Information* comprised of a Schedule of Insurance in Force as of December 31, 2003, and a Schedule of Operating Statistics for the years ended December 31, 2003 and 2002.

Financial Position

Summary of Net Assets

	2003	2002	Increase (Decrease)	Percent Increase (Decrease)
ASSETS:				
Current and other assets	$ 16,228,562	$ 17,157,286	$ (928,724)	(5.4%)
Net capital assets	24,623,796	23,530,012	1,093,784	4.6%
Total Assets	40,852,358	40,687,298	165,060	0.4%
LIABILITIES:				
Current liabilities	2,357,048	2,444,654	(87,606)	(3.6%)
Long-term liabilities	0	651,787	(651,787)	(100.0%)
Casualty and other reserves	3,129,013	1,799,654	1,329,359	73.9%
Total Liabilities	5,486,061	4,896,095	589,966	12.0%
NET ASSETS:				
Invested in Capital Assets, Net of Debt	24,623,796	22,153,988	2,469,808	11.1%
Unrestricted	10,742,501	13,637,215	(2,894,714)	(21.2%)
Total Net Assets	$ 35,366,297	$ 35,791,203	$ (424,906)	(1.2%)

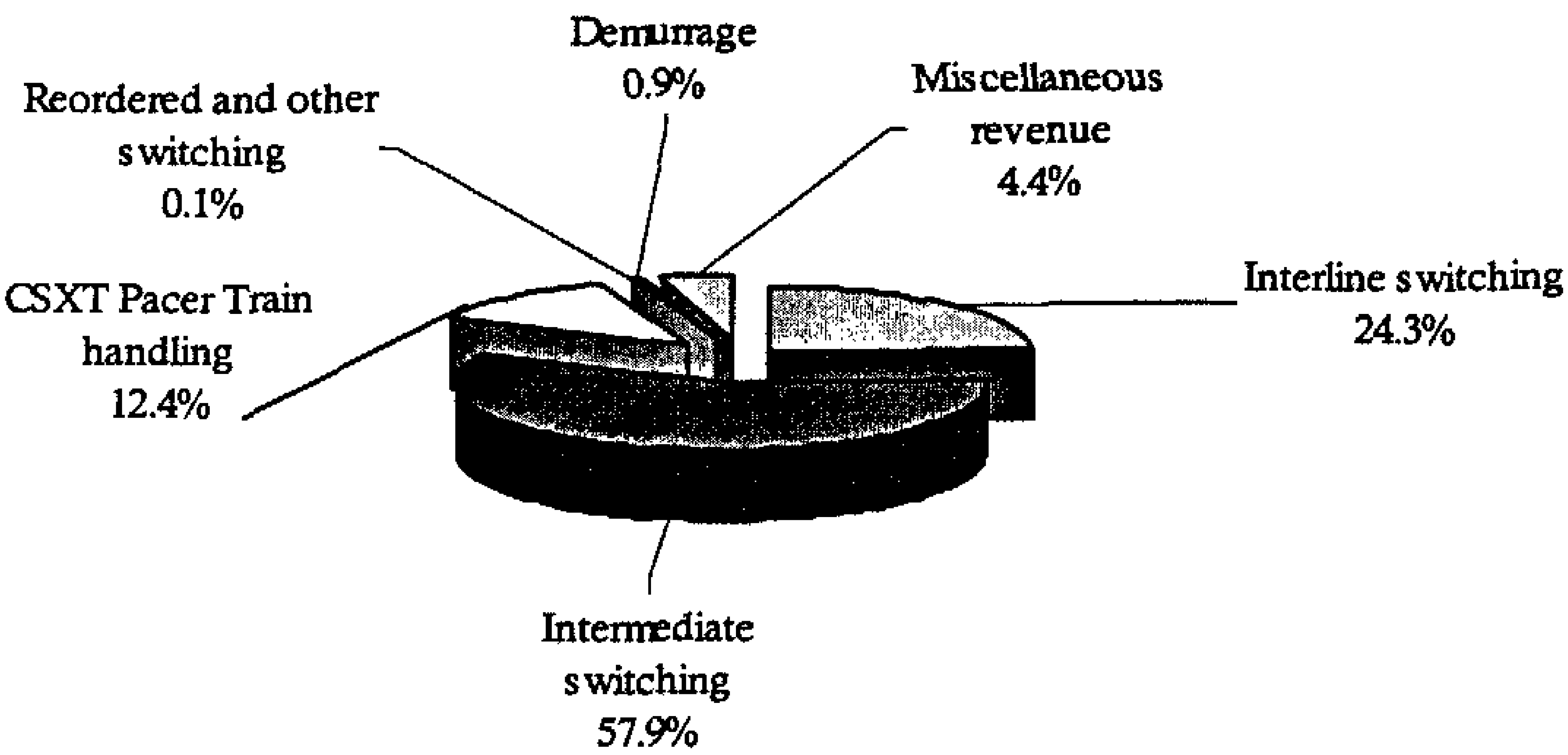
Total assets increased .4% in 2003 due primarily to a net increase in capital assets of $1,787,633 (4.9%) before accumulated deprecation. Public Belt Railroad saw an upsurge in 2003 of such capital assets due to rail laying projects and railway equipment purchases. There was also a $252,006 increase in trade accounts receivable during 2003 while cash and investments decreased during the year.

Total liabilities increased 12% this year, due mainly to a $1,329,359 net increase in the railroad's casualty reserve. The Commission is the defendant in legal proceedings which seek compensation for personal injury and/or property damage. The casualty reserve represents an estimate of its liability under these legal actions. The reserve balance is adjusted each year based on information and advice received from the Commission's legal counsel. Additional details regarding the reserve may be found in Note 7 to the accompanying financial statements. Current liabilities decreased 3.6% and long-term liabilities decreased 100% this year as a result of the payoff of all of Public Belt Railroad's debt related to capital assets.

The largest portion or the Commission's net assets (70% in 2003 and 62% in 2002) represents its investment in capital assets (e.g., land, buildings, bridges, railroad tracks, locomotives, and other equipment), less any related outstanding debt used to acquire those assets. The Commission uses these assets to provide service to its Class One railroad partners and to its industry customers, primarily tenants of the Port of New Orleans; consequently, these assets are not available for future spending. The Commission's unrestricted net assets, $10,742,501 for 2003, may be used to meet the Commission's ongoing obligations.

Operating Revenues

The following chart shows major sources and the percentage of operating revenues for the year ended December 31, 2003.



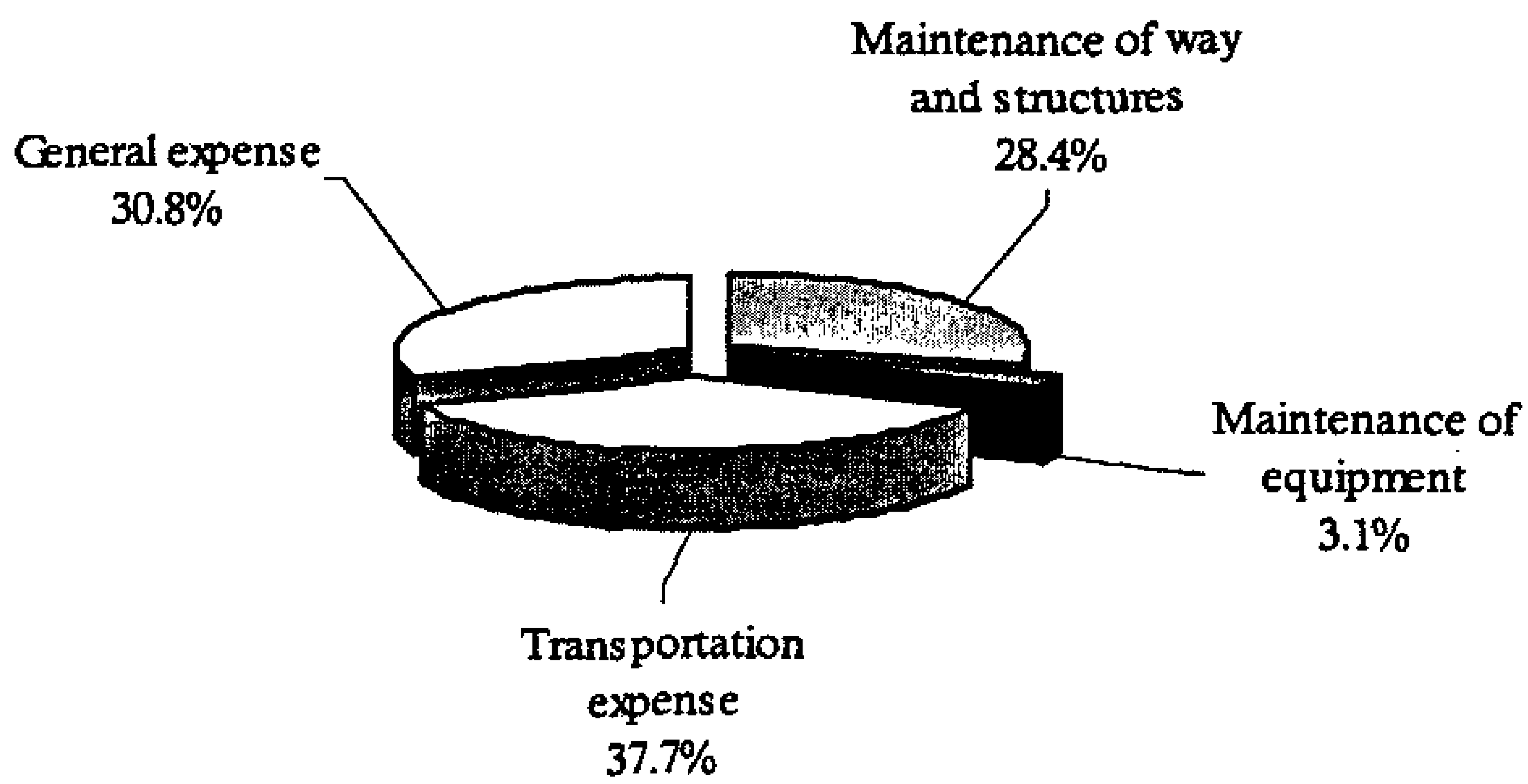
Operating Revenues by Major Source

	2003	2002	Increase (Decrease)	Percent Increase (Decrease)
Interline switching	$ 3,160,451	$ 2,627,733	$ 532,718	20.3%
Intermediate switching	7,527,502	7,640,814	(113,312)	(1.5%)
CSXT Pacer Train handling	1,607,680	1,594,880	12,800	0.8%
Reordered and other switching	10,537	23,639	(13,102)	(55.4%)
Demurrage	111,920	121,560	(9,640)	(7.9%)
Miscellaneous revenue	577,360	399,738	177,622	44.4%
Total operating revenue	$ 12,995,450	$ 12,408,364	$ 587,086	4.7%

The $587,086 net increase in the Public Belt Railroad's operating revenue for the year ended December 31, 2003, was due mainly to increases in interline switching revenue, including railcar storage switching, and in miscellaneous revenue consisting mostly of railcar storage fees. The Railroad performs interline switching service for customers located along the wharves and industries of the Port of New Orleans. During 2003, three of these customers – U.S. Gypsum Company, Port Cargo Services, Inc., and Holcim U.S. Inc. – saw a combined increase of $492,000 or 1,403 carloads. Three of the Railroad's storage customers – Formosa Plastics, Pinnacle Polymers, and Railcar Limited – were responsible for a combined increase of $172,400 in railcar storage business during 2003. These increases, offset by decreases in intermediate and other switching, resulted in the net increase in operating revenue.

Operating Expenses

The following chart shows major expense categories and the percentage of operating expenses for the year ended December 31, 2003.



Operating Expenses by Major Function

	2003	2002	Increase (Decrease)	Percent Increase (Decrease)
Maintenance of way and structures	$ 5,305,275	$ 2,303,774	$ 3,001,501	130.3%
Maintenance of equipment	570,449	446,543	123,906	27.7%
Transportation expense	7,049,889	3,469,109	3,580,780	103.2%
General expense	5,764,291	5,981,709	(217,418)	(3.6%)
Total operating expenses	$ 18,689,904	$ 12,201,135	$ 6,488,769	53.2%

The $6,488,769 net increase in operating expenses during the current year was caused in part by higher wage and salary costs, with accompanying higher payroll tax expenses. Another factor was employee health insurance costs that continue to rise from year to year. In addition provisions to the Commission's casualty reserve for this fiscal year resulted in expenses of approximately $3,000,000. As was mentioned previously in this report, the casualty reserve represents an estimate of the Commission's liability under certain legal actions, and is adjusted each year based on information and advice received from the Commission's legal counsel. - Included in operating expenses are those associated with operations of the Huey P. Long Bridge. Those operating expenses totaled $5,599,790 in 2003, an increase of $2,859,599 from 2002. This was caused by the de-leading project on the Bridge. The first phase of the project was completed in early 2002 and was started back up in late 2002. Therefore, a portion of 2002 bore such expenses whereas the entire year of 2003 bore those types of expenses.

Substantially all of the expenses associated with the Huey P. Long Bridge are reimbursed by the State of Louisiana and the two railroads that use the Bridge. These reimbursements increased by $2,843,485 from $2,535,143 in 2002 to $5,378,628 in 2003.

Non-Operating Revenues and Expenses

Non-Operating Revenues

	2003	2002	Increase (Decrease)	Percent Increase (Decrease)
Joint facility rent	$ 457,914	$ 434,062	$ 23,852	5.5%
Income from lease of road equipment	100	2,960	(2,860)	(96.6%)
Miscellaneous rent income	464,218	380,293	83,925	22.1%
Income from non-operating property	294,412	311,342	(16,930)	(5.4%)
Income from investments	501,645	490,758	10,887	2.2%
Miscellaneous income	25,276	81,434	(56,158)	(69%)
Total non-operating revenue	$ 1,743,565	$ 1,700,849	$ 42,716	2.5%

The net increase of $42,716 in Public Belt Railroad's non-operating revenues results mainly from an increase of $83,925 (22.1%) in miscellaneous rent income which is derived from leases on properties adjacent to the railroad's tracks and right of ways.

Non-Operating Expenses

	2003	2002	Increase (Decrease)	Percent Increase (Decrease)
Hire of freight cars -- per diem	$ 263,286	$ 113,152	$ 150,134	132.7%
Interest expense	8,070	99,991	(91,921)	(91.9%)
Provision for doubtful accounts	0	362,617	(362,617)	(100.0%)
Total non-operating expenses	$ 271,356	$ 575,760	$ (304,404)	(52.9%)

The net decrease of $304,404 in Public Belt Railroad's non-operating expenses results mainly from a decrease of $362,617 from 2002 in the provision for doubtful accounts made at year end. No allowance for doubtful accounts was recorded at December 31, 2003, since all accounts were deemed collectable. Interest expense decreased in 2003 as the Commission paid off all of its debt.

Summary of Changes in Net Assets

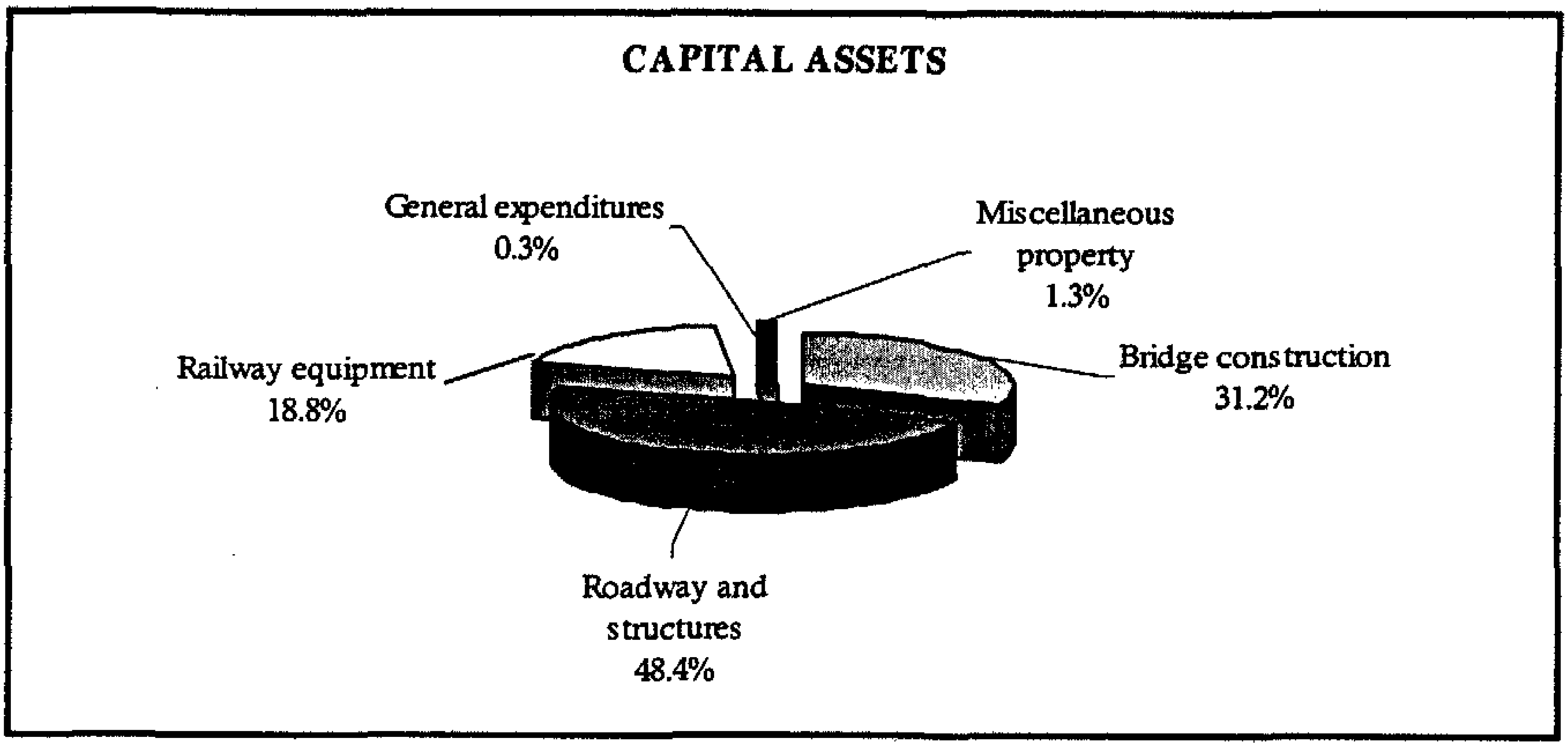
	2003	2002	Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	$ 12,995,450	$ 12,408,364	$ 587,086	4.7%
Operating Expenses	18,689,904	12,201,135	6,488,769	53.2%
Income (Loss) before Tax Accruals and Reimbursement	(5,694,454)	207,229	(5,901,683)	(2847.9%)
Payroll Tax Accruals	(1,581,289)	(1,555,945)	25,344	1.6%
Reimbursement from Joint Tenant Lines and State of Louisiana	5,378,628	2,535,143	2,843,485	112.2%
Railway Operating Income (Loss)	(1,897,115)	1,186,427	(3,083,542)	(259.9%)
Railway Rental Income	194,628	320,910	(126,282)	(39.4%)
Other Income	1,277,581	804,179	473,402	58.9%
Net (Loss) Income	$ (424,906)	$ 2,311,516	(2,736,422)	(118.4%)

Although operating revenues increased during 2003 by $587,086, and reimbursements increased by $2,843,485, these increases were outpaced by operating expenses which showed an overall increase of $6,488,769. These items resulted in a $1,897,115 operating loss for the current year. Railway rental and other income totaling $1,472,209 helped to offset the loss, resulting in a $424,906 net loss for the year. It should be noted that the primary reason for the net loss was the $3,000,000 expense associated with the casualty reserve increase relating to pending personal injury and property damage lawsuits and claims.

Long-term Debt Activity

Prior to 2003, the Commission entered into agreements to purchase certain equipment and finance it under arrangements with a local bank. The debt was associated with the purchase of four locomotives, the refurbishment of another locomotive, and the purchase of an uninterrupted power source with backup electric generator for the main office building. Additional details regarding this long-term debt can be found in Note 6 to the accompanying financial statements. Payments of long-term debt totaled $1,376,024 during 2003, and no long-term debt was outstanding at December 31, 2003.

Capital Asset Activity



Capital Assets at Cost

	2003	2002	Increase (Decrease)	Percent Increase (Decrease)
Bridge construction	$ 11,895,166	$ 11,866,095	$ 29,071	0.2%
Roadway and structures	18,479,795	17,272,401	1,207,394	7.0%
Railway equipment	7,157,027	6,657,059	499,968	7.5%
General expenditures	108,697	108,697	0	0.0%
Miscellaneous property	506,438	455,238	51,200	11.2%
Total Capital Assets at Cost	38,147,123	36,359,490	1,787,633	4.9%
Less Accumulated Depreciation	13,523,327	12,829,478	693,849	5.4%
Net Capital Assets	$ 24,623,796	$ 23,530,012	$ 1,093,784	4.6%

The Commission's investment in capital assets is summarized in the preceding table. Major capital asset events occurring this fiscal year included the replacement of main line tracks from Louisiana Avenue to Eagle Street and from Central Avenue to Shrewsbury, the purchase of four management vehicles and three pickup trucks for use in railroad operations, plus the outfitting of one of the pickup trucks with Hy-Rail equipment to allow its use directly on railroad tracks, and the purchase and refurbishment of a vintage passenger railcar for use in economic development and promotion of the railroad's activities and community involvement. Including these projects, the total net increase in capital assets this fiscal year was $1,787,633 (4.9%) before accumulated deprecation and amortization. More detailed information can be found in Note 5 to the accompanying financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances. Questions concerning any of the information should be addressed to the Manager, Administration, Mechanical, and Claims, New Orleans Public Belt Railroad, 4822 Tchoupitoulas Street, New Orleans, Louisiana 70115.

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INDEPENDENT AUDITORS' REPORT

President and Members
Public Belt Railroad Commission
for the City of New Orleans
New Orleans, Louisiana

We have audited the accompanying combining general purpose financial statements of the Public Belt Railroad Commission for the City of New Orleans as of December 31, 2003, and for the year then ended, listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The prior year summarized memorandum only totals have been derived from the general purpose financial statements of the Public Belt Railroad Commission for the City of New Orleans as of December 31, 2002 and for the year then ended and, in our report dated May 30, 2003, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the individual funds of the Public Belt Railroad Commission for the City of New Orleans at December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Public Belt Railroad Commission for the City of New Orleans adopted Governmental Accounting Standards Board Statements Numbers 34, 37 and 38 as of and for the year ended December 31, 2003.

Management's discussion and analysis on pages 1 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplemental information is the responsibility of the Public Belt Railroad Commission for the City of New Orleans' management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2004, on our consideration of the Public Belt Railroad Commission for the City of New Orleans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

April 26, 2004

PUBLIC BELT RAILROAD COMMISSION FOR THE CITY OF NEW ORLEANS

COMBINING BALANCE SHEETS
DECEMBER 31, 2003 (WITH COMPARATIVE TOTALS FOR 2002)

ASSETS	Public Belt Railroad	Mississippi River Bridge	Eliminations	Memorandum Only Combined 2003	Memorandum Only Combined 2002
CURRENT ASSETS:					
Cash	$ 500,393	$ 1,070,942	$ -	$ 1,571,335	$ 2,285,109
Investments	6,321,771			6,321,771	7,034,152
Accounts receivable—net	2,788,199	676,983		3,465,182	3,213,176
Advances for maintenance requisitions—Mississippi River Bridge Fund	1,274,964		(1,274,964)		
Materials and supplies	812,572			812,572	791,748
Accrued interest and other current assets	147,702			147,702	43,101
Total current assets	11,845,601	1,747,925	(1,274,964)	12,318,562	13,367,286
CAPITAL ASSETS—At cost:					
Bridge construction		11,895,166		11,895,166	11,866,095
Roadway and structures	17,747,277	732,518		18,479,795	17,272,401
Railway equipment	7,157,027			7,157,027	6,657,059
General expenditures	108,697			108,697	108,697
Miscellaneous property	238,022	268,416		506,438	455,238
	25,251,023	12,896,100		38,147,123	36,359,490
Less accumulated depreciation	(6,892,113)	(6,631,214)		(13,523,327)	(12,829,478)
Total capital assets	18,358,910	6,264,886		24,623,796	23,530,012
OTHER:					
Investments—designated	3,910,000			3,910,000	3,790,000
Advances to the Mississippi River Bridge Fund for additions and betterments	1,197,556		(1,197,556)		
Advances to Public Belt Railroad		1,380,309	(1,380,309)		
Total other	5,107,556	1,380,309	(2,577,865)	3,910,000	3,790,000
TOTAL	$ 35,312,067	$ 9,393,120	$ (3,852,829)	$ 40,852,358	$ 40,687,298

See notes to financial statements.

LIABILITIES AND NET ASSETS	Public Belt Railroad	Mississippi River Bridge	Eliminations	Memorandum Only Combined 2003	Memorandum Only Combined 2002
CURRENT LIABILITIES:					
Due to Public Belt Railroad	$ -	$ 1,274,964	$ (1,274,964)	$ -	$ -
Accounts payable	1,794,258			1,794,258	1,151,409
Accrued payroll and taxes	562,790			562,790	569,008
Current portion of long-term debt					724,237
Total current liabilities	2,357,048	1,274,964	(1,274,964)	2,357,048	2,444,654
CASUALTY AND OTHER RESERVES	3,129,013			3,129,013	1,799,654
OTHER LIABILITIES AND DEFERRED CREDITS:					
Advances from the Mississippi River Bridge Fund	1,380,309		(1,380,309)		
Advances from Public Belt Railroad		1,197,556	(1,197,556)		
Long-term debt					651,787
	1,380,309	1,197,556	(2,577,865)		651,787
NET ASSETS:					
Invested in capital assets—net of related debt	18,358,910	6,264,886		24,623,796	22,153,988
Unrestricted	10,086,787	655,714		10,742,501	13,637,215
Total net assets	28,445,697	6,920,600		35,366,297	35,791,203
TOTAL	$35,312,067	$ 9,393,120	$ (3,852,829)	$40,852,358	$40,687,298

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2003 (WITH COMPARATIVE TOTALS FOR 2002)

	Public Belt Railroad	Mississippi River Bridge	Memorandum Only Combined 2003	Memorandum Only Combined 2002
OPERATING REVENUE:				
Switching:				
Interline	$ 3,160,451	$	$ 3,160,451	$ 2,627,733
Intermediate	7,527,502		7,527,502	7,640,814
CSXT Pacer Train	1,607,680		1,607,680	1,594,880
Reordered and other	10,537		10,537	23,639
Total switching	12,306,170		12,306,170	11,887,066
Incidentals:				
Demurrage	111,920		111,920	121,560
Miscellaneous revenue	563,916	13,444	577,360	399,738
Total incidentals	675,836	13,444	689,280	521,298
Total operating revenue	12,982,006	13,444	12,995,450	12,408,364
OPERATING EXPENSES:				
Maintenance of way and structures	631,727	4,673,548	5,305,275	2,303,774
Maintenance of equipment	482,784	87,665	570,449	446,543
Transportation expense	6,816,432	233,457	7,049,889	3,469,109
General expense	5,159,171	605,120	5,764,291	5,981,709
Total operating expenses	13,090,114	5,599,790	18,689,904	12,201,135
INCOME (LOSS) BEFORE PAYROLL TAX ACCRUALS AND REIMBURSEMENT	(108,108)	(5,586,346)	(5,694,454)	207,229
PAYROLL TAX ACCRUALS	(1,184,825)	(396,464)	(1,581,289)	(1,555,945)
REIMBURSEMENT FROM JOINT TENANT LINES AND STATE OF LOUISIANA		5,378,628	5,378,628	2,535,143
RAILWAY OPERATING (LOSS) INCOME	(1,292,933)	(604,182)	(1,897,115)	1,186,427

(Continued)

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2003 (WITH COMPARATIVE TOTALS FOR 2002)

	Public Belt Railroad	Mississippi River Bridge	Memorandum Only Combined 2003	Memorandum Only Combined 2002
RAILWAY RENTAL INCOME (EXPENSES):				
Hire of freight cars—per diem	(263,286)		(263,286)	(113,152)
Joint facility rent	74,858	383,056	457,914	434,062
	(188,428)	383,056	194,628	320,910
OTHER INCOME (EXPENSES):				
Income from lease of road equipment	100		100	2,960
Miscellaneous rent income	464,218		464,218	380,293
Interest expense	(8,070)		(8,070)	(99,991)
Income from non-operating property	294,412		294,412	311,342
Income from investments	496,042	5,603	501,645	490,758
Provision for doubtful accounts				(362,617)
Miscellaneous income		25,276	25,276	81,434
	1,246,702	30,879	1,277,581	804,179
NET (LOSS) INCOME	(234,659)	(190,247)	(424,906)	2,311,516
NET ASSETS—Beginning of year	28,680,356	7,110,847	35,791,203	33,479,687
NET ASSETS—End of year	$28,445,697	$ 6,920,600	$35,366,297	$35,791,203

See notes to financial statements.

(Concluded)

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003 (WITH COMPARATIVE TOTALS FOR 2002)

	Public Belt Railroad	Mississippi River Bridge	Memorandum Only Combined 2003	Memorandum Only Combined 2002
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 13,159,003	$ 6,238,887	19,397,890	$ 16,033,014
Cash paid for materials and services	(11,879,652)	(5,880,616)	(17,760,268)	(14,686,835)
Net cash provided by operating activities	1,279,351	358,271	1,637,622	1,346,179
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Repayment of long-term debt	(1,376,024)		(1,376,024)	(999,354)
Interest paid on long-term debt	(8,070)		(8,070)	(99,991)
Property additions—net	(2,017,428)	(61,200)	(2,078,628)	(703,771)
Net advances to Mississippi River Bridge Fund for additions and betterments	(35,315)	35,315		
Net cash used in capital and related financing activities	(3,436,837)	(25,885)	(3,462,722)	(1,803,116)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Withdrawal from restricted cash				139,949
Proceeds from maturities of investments—net	548,348		548,348	75,422
Cash received for interest	557,375	5,603	562,978	442,654
Net cash provided by investing activities	1,105,723	5,603	1,111,326	658,025
NET (DECREASE) INCREASE IN CASH	(1,051,763)	337,989	(713,774)	201,088
CASH—Beginning of year	1,552,156	732,953	2,285,109	2,084,021
CASH—End of year	$ 500,393	$ 1,070,942	$ 1,571,335	$ 2,285,109

(Continued)

PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS

COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003 (WITH COMPARATIVE TOTALS FOR 2002)

	Public Belt Railroad	Mississippi River Bridge	Memorandum Only Combined 2003	Memorandum Only Combined 2002
RECONCILIATION OF NET (LOSS) INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:				
Net (loss) income	$ (234,659)	$ (190,247)	$ (424,906)	$ 2,311,516
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Income on investments	(496,042)	(5,603)	(501,645)	(490,758)
Depreciation	835,208	149,636	984,844	943,726
Increase in accounts receivable	(222,389)	(29,617)	(252,006)	(39,150)
Interest expense	8,070		8,070	99,991
Decrease (increase) in advances for maintenance requisitions	(434,102)	434,102		
Increase in materials and supplies	(20,824)		(20,824)	2,325
Increase in accounts payable	642,849		642,849	(31,410)
Decrease in accrued payroll and taxes	(6,218)		(6,218)	(57,637)
Increase (decrease) in casualty and other reserves	1,329,359		1,329,359	(1,414,493)
Other	(121,901)		(121,901)	22,069
Net cash provided by operating activities	$ 1,279,351	$ 358,271	$ 1,637,622	$ 1,346,179

See notes to financial statements.

(Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements in this report present the financial condition, results of operations and cash flows of the Public Belt Railroad Commission for the City of New Orleans ("Commission") including its railroad system fund ("Public Belt Railroad") and its bridge operations fund ("Mississippi River Bridge"). The Commission operates a railroad system in and around the City of New Orleans as well as a bridge across the Mississippi River ("Huey P. Long Bridge").

The accompanying policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to proprietary component units of governmental entities. A summary of the Commission's significant accounting policies follows:

Basis of Presentation–Fund Accounting—The proprietary funds are used to account for the Commission's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the balance sheet. The operating statements present increases (revenues) and decreases (expenses) in total net assets. The Commission maintains two separate proprietary funds – the Public Belt Railroad and the Mississippi River Bridge.

Basis of Accounting—The Commission prepares financial statements in accordance with accounting principles generally accepted in the United States. Such principles require 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 these estimates.

Basis of Reporting—Effective January 1, 2003, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and also the required portions of GASB Statements No. 37 and 38, which modified the disclosure requirements of GASB No. 34. GASB No. 34 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt*—This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted*—This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted*—This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of GASB No. 34 had no effect on the basic general purpose financial statements except for the classification of net assets in accordance with the statement, and the change from the indirect to the direct method of reporting cash flows from operating activities.

Investments are recorded at fair value in accordance GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as income or expense in the statements of operations. The Commission recorded a loss of $44,000 in 2003 due to changes in the market value of investments. The Commission applies the provisions of the Statement to all of its investments.

Accounts receivable are carried in the financial statements net of an allowance for doubtful accounts, which has been determined based on an analysis of outstanding accounts at December 31. No allowance was recorded at December 31, 2003 since all accounts were deemed collectable.

Materials and supplies are valued at the lower of cost or market on the first-in, first-out (FIFO) method.

Capital assets are recorded at cost. The current cost of repairs is charged to operating expense. All property additions are capitalized and depreciated on the straight-line basis over the estimated service lives. Annual depreciation rates range from 1.75% to 10%. When assets or equipment are retired or sold, the cost, net of accumulated depreciation, is removed from the accounts.

Income tax provisions for federal and state income taxes have not been provided as the Commission is a tax exempt entity.

Revenues and Reimbursements are recorded as services are performed. Approximately 75% of the 2003 revenues of the Public Belt Railroad Fund were derived from two customers. All of the reimbursements recorded by the Mississippi River Bridge Fund are derived from the State of Louisiana and two customers under a long-term contract.

The statements of cash flows reflect all amounts included on the balance sheet caption "cash" as cash equivalents. Investments designated for future additions to property are not considered cash equivalents and are classified as noncurrent assets.

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in accordance with accounting principles generally accepted in the United States of America. Such data is not comparable to a consolidation.

3. CASH AND INVESTMENTS

Investments consist of the following at December 31, 2003 (at fair value):

Certificates of Deposit	$ 1,465,688
GNMA and FNMA securities	8,766,083
	10,231,771
Less designated portion (Note 4)	3,910,000
	$ 6,321,771

Cash and certificates of deposit are fully collateralized by securities held for the Commission's benefit at the Federal Reserve Bank in New Orleans, Louisiana.

4. INVESTMENTS—DESIGNATED

The Commission established an Insurance Cash Reserve Fund in a prior year and authorized increasing the fund by $10,000 each month. Disbursements from the Insurance Cash Reserve Fund can be made only for payment of personal injury and property damage claims upon approval by the Board of Commissioners. Interest earned on this fund is deposited in the general fund to be used for current operations. The balance of the Insurance Cash Reserve Fund was $3,910,000 at December 31, 2003. The Insurance Cash Reserve Fund is considered a component of unrestricted net assets since it represents an internally imposed designation rather than an externally imposed restriction.

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2003 is summarized as follows:

	December 31, 2003			
	Beginning Balance	Increases	Decreases	Ending Balance
Cost:				
Bridge construction	$ 11,895,166	$ -	$ -	$ 11,895,166
Roadway and structures	17,253,330	1,520,302	(293,837)	18,479,795
Railway equipment	6,657,059	513,692	(13,724)	7,157,027
General expenditures	108,697			108,697
Miscellaneous property	445,238	86,082	(24,882)	506,438
Total	36,359,490	2,120,076	(332,443)	38,147,123
Less accumulated depreciation and amortization:				
Bridge construction	(6,467,492)	(114,790)		(6,582,282)
Roadway and structures	(5,201,395)	(564,538)		(5,765,933)
Railway equipment	(1,146,505)	(270,670)	290,995	(1,126,180)
Miscellaneous property	(14,086)	(34,846)		(48,932)
Total	(12,829,478)	(984,844)	290,995	(13,523,327)
Property and equipment—net	$ 23,530,012	$ 1,135,232	$ (41,448)	$ 24,623,796

6. LONG-TERM DEBT

Prior to 2003, the Public Belt Railroad entered into agreements to purchase certain railroad equipment and finance it under arrangements with a local bank. One agreement called for 60 monthly payments of $43,360, including interest at 5.04% through 2003, and the other one called for 60 monthly payments of $32,370, including interest at 5.37% through 2005. Payments of long-term debt totaled $1,376,024 in the year ended December 31, 2003. No long-term debt was outstanding at December 31, 2003.

7. CASUALTY RESERVES

The Commission is the defendant in legal proceedings which seek compensation for personal injury and/or property damage. The Commission has established a reserve for personal injury and property damage claims that represents an estimate of its liability under these actions.

During the year ended December 31, 2003, the Commission added approximately $3,000,000 to the reserve and paid out approximately $1,700,000. In addition, the Commission incurred approximately $800,000 in related legal fees during the year ended December 31, 2003.

8. RETIREMENT PLANS

The Commission made contributions totaling $40,000 in 2003 to an employer-funded 401(a) pension plan for non-union employees. Benefits to the participants will be paid based on the ratio of the eligible participants' units to the total units of all eligible participants. One unit is allocated for each half-year of service in an exempted position and one unit for each $1,000 of salary in each eligible year.

Prior to December 31, 1990, the Commission accrued contributions to a defined benefit unfunded pension reserve for non-union employees. The Commission determined that the balance accrued at December 31, 1990 would be sufficient to cover all benefits to be paid under the Plan and, accordingly, no additional accruals have been made under the Plan.

9. INTERFUND TRANSACTIONS

The Public Belt Railroad provides funds for additions and betterments to the Mississippi River Bridge but is not reimbursed until retirement of the related asset occurs. Advances to the Mississippi River Bridge for additions and betterments were $1,197,556 at December 31, 2003. The Commission also provides material, labor and other miscellaneous expenditures related to maintenance of the Bridge to the Mississippi River Bridge Fund. This is billed monthly and generally collected from the Mississippi River Bridge Fund within a three-month period. The balance payable at December 31, 2003 was $1,274,964. The Public Belt Railroad Fund also had a liability to the Mississippi River Bridge Fund for $1,380,309 at December 31, 2003.

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ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

President and Members
Public Belt Railroad Commission
for the City of New Orleans
New Orleans, Louisiana

Our audit was made for the purpose of forming an opinion on the basic general purpose financial statements taken as a whole. The additional information included on pages 23 through 25 is presented for the purpose of additional analysis and is not a required part of the basic general purpose financial statements. This additional information is the responsibility of the Public Belt Railroad Commission for the City of New Orleans management. Such information has been subjected to the auditing procedures applied in the audit of the basic general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic general purpose financial statements taken as a whole.

Deloitte & Touche LLP

April 26, 2004

PUBLIC BELT RAILROAD COMMISSION FOR THE CITY OF NEW ORLEANS

SCHEDULE OF INSURANCE IN FORCE DECEMBER 31, 2003

The Commission is self-insured for personal injury and property damage claims except for automobile and truck liability and the office building located at 4822 Tchoupitoulas Street, New Orleans, Louisiana.

	Coverage	Period
AUTOMOBILE AND TRUCK LIABILITY:		
Bodily injury	$ 1,500,000	1 Year
Medical	5,000	
Fire and theft	Cash Value	
PROPERTY AND PREMISES LIABILITY - 4822 TCHOUPITOULAS:		
BUSINESS LIABILITY:		
Liability and medical expenses	$ 100,000	3 Years
Medical expenses (per person)	10,000	
Fire legal liability (any one fire)	100,000	
Products/completed operations aggregate	200,000	
General aggregate (excluding product)	200,000	
Hired and non-owned auto liability	100,000	
Railroad liability	10,000,000	
PROPERTY AND MISCELLANEOUS COVERAGES:		
Property in transit	$ 150,000	
Employee dishonesty	10,000	
LOCATION:		
Building	$ 550,000	
Business personal property	100,000	
Valuable papers	15,000	
Accounts receivable	25,000	
Money and securities:		
Inside	10,000	
Outside	5,000	
Demolition/increased cost of construction	25,000	
Computer equipment	10,000	
Backup of sewers and drains	25,000	

PUBLIC BELT RAILROAD COMMISSION FOR THE CITY OF NEW ORLEANS

SCHEDULE OF INSURANCE IN FORCE DECEMBER 31, 2003

	Coverage	Premium	Period
MISSISSIPPI RIVER BRIDGE:			
Property damage	$ 108,543,310	$ 375,714	1 Year
Debris removal	2,000,000	6,780	1 Year
Use and occupancy	5,200,000	29,016	1 Year

PUBLIC BELT RAILROAD COMMISSION FOR THE CITY OF NEW ORLEANS

SCHEDULE OF OPERATING STATISTICS YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
Number of railway cars crossing the Bridge during the year	545,687	517,363
Number of bridge employees at year end	22	24

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

President and Members
Public Belt Railroad Commission
for the City of New Orleans
New Orleans, Louisiana

We have audited the general purpose financial statements of the Public Belt Railroad Commission for the City of New Orleans (the "Commission") as of and for the year ended December 31, 2003, and have issued our report thereon dated April 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's general purpose 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 Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Commission, management, and others within the Commission and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

Deloitte & Touche LLP

April 26, 2004