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BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS LOUISIANA

FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2004 AND 2003 AND INDEPENDENT AUDITORS' REPORT

BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS
LOUISIANA

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
AND INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

The Board of Commissioners of the
Port of New Orleans:

We have audited the accompanying statements of net assets of the Board of Commissioners of the Port of New Orleans as of June 30, 2004 and 2003 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Board of Commissioners 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 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 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 Board of Commissioners of the Port of New Orleans as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 10, 2004 on our consideration of the Board of Commissioners of the Port of New Orleans' internal control over financial reporting and 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 audits.

Bourgeois Bennett (signature)

Metairie, Louisiana
September 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2004

This section of the Port's annual financial report presents a discussion and analysis of the Board's financial performance for the Fiscal Year ended June 30, 2004. Please read it in conjunction with the Board's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Board's net assets increased $5.8 million resulting primarily from capital contributions. All capital contributions are funds received from the State of Louisiana and the federal government for use in construction projects. Ordinary business activity resulted in a decrease in net assets of $4.8 million. In comparison to the previous years change, Fiscal Year 2003 versus Fiscal Year 2002, net assets increased significantly more at $33.1 million. The difference was a result primarily from higher capital contributions and sale of assets in Fiscal Year 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting and federal programs.

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Board are included in the Statement of Net Assets.

The financial statements provide both long- and short-term information about the Board's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS

Net Assets

The Board's total assets at June 30, 2004, reached $564.6 million. This represents an increase of $38.0 million or 7.2 percent from the prior year. Total liabilities reached $115.3 million for an increase of $32.1 million or 38.7 percent and total net assets are $449.3 million for an increase of $5.8 million or 1.3 percent (See Table 1).

Table 1
(In thousands of dollars)
Net Assets

	2004	2003	Percentage Change	2002
Current assets	$ 28,996	$ 34,345	-15.6%	$ 42,585
Restricted assets	50,619	24,950	102.9%	18,125
Property (net)	482,433	465,896	3.5%	410,301
Other assets	2,504	1,398	79.1%	769
Total assets	$ 564,552	$ 526,589	7.2%	$ 471,780
Current liabilities	10,144	10,540	-3.8%	18,162
Current liabilities payable from restricted assets	2,691	1,976	36.2%	1,380
Non-current liabilities	102,464	70,634	45.1%	41,860
Total liabilities	115,299	83,150	38.7%	61,402
Net assets:				
Invested in capital assets, net of related debt	405,868	398,541	1.8%	380,501
Restricted	24,304	21,579	12.6%	6,070
Unrestricted	19,081	23,319	-18.2%	23,807
Total net assets	449,253	443,439	1.3%	410,378
Total liabilities and net assets	$ 564,552	$ 526,589	7.2%	$ 471,780

Changes in Net Assets

The change in net assets at June 30, 2004, was an increase of $5.8 million or 1.3 percent. The Board's total operating revenues increased $0.7 million or 2.0 percent. Total operating expenses increased $2.3 million or 5.9 percent. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3. The restricted assets increased because of the issue of Series 2003 Revenue Bonds in the amount of $34.0 million for the construction of the Erato Street Cruise Terminal and Parking Garage Complex. Restricted assets include $25.7 million related to this issue. Property increased as expenditures were made for the completion of the Napoleon Avenue Container Terminal as well as the replacement of the Florida Avenue Bridge. The increase in current liabilities results mainly from an increase in claims reserves for an asbestosis case (see notes to the financial statements). In relationship to 2002, Fiscal Year 2004 net assets increased significantly by $38.9 million. The increase is mainly due to investment in capital assets from construction of the aforementioned Napoleon Avenue Container Terminal and Florida Avenue Bridge and an increase in the restricted assets due to the issue of the Series 2003 and 2002 Revenue Bonds (see notes to financial statements).

The item, "invested in capital assets, net of related debt," consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness (offset by the debt related to unspent bond or lease proceeds) attributable to the acquisition, construction, or improvement of those assets.

The restricted funds totaling $17.1 million results from an agreement entered into by the Port with the U.S. Army Corps of Engineers (USACE) for the redevelopment of an existing lock connecting the Mississippi River to the Inner-Harbor Navigation Canal. The Board agreed to fund a portion of the construction project as it relates to providing deep-draft access. The USACE made payments to the Board for acquiring certain Board property needed to expand the existing lock. Such funds are to be held in an escrow account by the Board until such time as they are needed to pay for the deep-draft portion of the construction project.

Table 2
Changes in Net Assets
(in thousands of dollars)

	2004	2003	Percentage Change	2002
Operating Revenues:				
Docks	$ 29,917	$ 30,198	-0.9%	$ 32,458
Cruise and Tourism	4,127	3,261	26.6%	2,512
Real Estate	3,291	3,139	4.8%	-
Total operating revenues	37,335	36,598	2.0%	34,970
Operating Expenses:				
Operating expenses	29,214	28,580	2.2%	26,278
Depreciation	12,958	11,252	15.2%	11,600
Total operating expenses	42,172	39,832	5.9%	37,878
Operating income gain/(loss)	(4,837)	(3,234)		(2,908)
Non-operating revenues/(expenses), net				
Investment income	150	870	-82.8%	1,505
Interest expense	(2,127)		N/A	
(Loss) gain on sale of assets	(456)	10,167	-104.5%	5,513
Demolition and other miscellaneous net	(409)	(127)	222.0%	(721)
Capital revenue from state and federal programs	13,493	25,385	-46.8%	12,491
Change in net assets	5,814	33,061	-82.4%	15,880
Total net assets, beginning of the year	443,439	410,378	8.1%	394,498
Total net assets, end of year	$ 449,253	$ 443,439	1.3%	$410,378

Operating revenues increased $0.7 million or 2.0 percent. This increase results mainly from an increase in cruise related revenue and an increase in minimum rents for certain cargo terminal operators. The increase in operating revenue versus 2002 is related to higher tonnage volumes and increased cruise related revenue in 2004.

Interest income from investments has declined in 2004 versus both 2003 and 2002 because of the depletion of cash reserves used to fund construction of the container terminal, coupled with falling interest rates and market loss on investments.

Interest expense has significantly increased due to debt service on revenue bonds for the construction of the Napoleon Avenue Container Terminal. Bond issues Series 2001 for $30.8 million and Series 2002 for $31.0 million financed the construction of the container terminal. Interest expense for these two issues was capitalized during the construction of the complex in 2003 and 2002. Interest expense began to be recognized in non-operating expense in January of 2004 when the terminal was placed in service.

Table 3
Operating Expenses
(in thousands of dollars)

	2004	2003	Percentage Change	2002
Labor and fringe benefits	$ 18,983	$ 18,450	2.9%	$ 17,508
Fuel and utilities	1,644	1,737	-5.4%	1,589
Supplies	444	489	-9.2%	552
Maintenance agreements	401	353	13.6%	385
Purchase Services	246	138	78.3%	94
Rent – real estate and equipment	350	345	1.4%	339
Contract labor services	638	670	-4.8%	664
Travel, promotion and advertising	1043	936	11.4%	663
Electronic data service subscription	126	166	-24.1%	139
Training	33	35	-5.7%	82
Professional fees	1,122	1,056	6.3%	1,078
Maintenance	1,891	2,072	-8.7%	1,766
Insurance	2,883	2,866	0.6%	2,239
Workers' compensation	420	200	110.0%	207
Other	413	355	16.3%	301
Depreciation	12,958	11,252	15.2%	11,600
Less capitalized labor	(1,423)	(1,288)	10.5%	(1,328)
Total operating expenses	$ 42,172	$ 39,832	5.9%	$ 37,878

Operating expense increased due mainly to three specific areas of cost increases – health insurance, workers' compensation/liability claims and depreciation expense. Further, there are five other accounts with significant variances. They are fuel and utilities, maintenance agreements, purchase services, electronic data subscriptions and maintenance.

Labor and fringe benefits increased 2.9 percent to $19 million resulting from normal payroll growth (i.e., meritorious increases). This payroll growth was significantly offset by a reduction, through attrition, in positions filled in 2004. This reduction in position filled was part of a cost containment plan instituted by the Board in the second half of Fiscal Year 2004. Only critical positions were filled. Increases in the cost of the Board's health insurance program and higher rates of contribution required on the State retirement plan accounted for the rest of the increase in labor and fringe benefits. The same categories of cost increase are mainly responsible for the $1.4 million increase of expenses versus 2002.

Fuel and utilities decreased $93,000 resulting mainly from a decrease in water usage ($66,000), for the Board-owned property and telephone expense ($33,000). Telephone expense was reduced through reconfiguration of services and systems to the Board's remote sites and savings on a new cell phone plan.

Expense for maintenance agreements increased $48,000 or 13.6 percent. This is mainly due to both warranties on the Board's telephone switch and the cruise terminal elevator ending the initial warranty period in 2003. Thus maintenance agreements were required of these two items.

Purchase services increased $108,000 or 78.3 percent. This is mainly due to a short term Cruise Division lease of an open area from the Morial Convention Center commencing in 2004. This lease was entered into in anticipation of the shut down of the current cruise parking lot during construction of the new cruise terminal complex.

Electronic data subscriptions decreased $40,000 or 24.1 percent due to lower utilization of the cargo information system, PIERS.

Maintenance costs decreased $181,000 during fiscal year 2004 as part of the cost containment plan mentioned above. Certain maintenance projects were deferred; therefore, the Board expects the maintenance costs to rise for Fiscal Year 2005.

The trend of significantly increasing insurance costs that was a problem in 2002 and 2003 has abated for 2004. Although insurance premiums increased by $644,000 in 2004 versus 2002, this cost was virtually flat when comparing 2004 to 2003.

Workers' compensation expense increased due to reserves for two specific asbestosis claims in which the Board received unfavorable decisions at the trial level. This decision is currently on appeal.

Depreciation increased $1.7 million or 15.2 percent. In Fiscal Year 2004 a number of facilities and some equipment were placed in operation. The most significant of these capitalized projects are two new cranes at the Napoleon Avenue Container Complex ($12.4 million), improvements to the Julia Street Cruise Terminal ($10.0 million), France Road terminal flood wall completion ($7.0 million), Louisiana Avenue marshaling yard improvements ($4.8 million), completion of certain maintenance buildings related to the Napoleon Complex ($3.3 million) and the purchase of a cold storage building at Nashville Avenue ($2.4 million). The total property capitalized in Fiscal Year 2004 was $105.4 million. Depreciation will increase significantly in Fiscal Year 2005 with the opening of the Napoleon Avenue Container Complex.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004, the Board had invested $482.4 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of $16.5 million. Such increase is primarily attributed to the construction of the Napoleon Avenue Container Terminal and the replacement of the Florida Avenue Bridge.

Debt Administration

The Board issued $31,000,000 of Port Facility Revenue Bonds, Series 2002 on August 1, 2002 and issued an additional $34,000,000 of Port Facility Revenue Bonds, Series 2003 on July 15, 2003. The Series 2002 was primarily for the Napoleon Avenue Container Terminal and the .Series 2003 is primarily for parking and cruise terminal facilities.

The Board has made its regularly scheduled payments on its Port Facility Revenue Bonds, Series 2001, Series 2002 and Series 2003. During Fiscal Year 2004, payments of $4.2 million in principal and interest were made.

Under the terms of its capital lease, the Board makes annual lease payments of $1.3 million including principal and interest.

All bond debt and lease covenants have been met.

ECONOMIC FACTORS

Last year, this Management's Discussion and Analysis reported on the impact of steel tariffs on the revenue of the Board. On March 5, 2002, the President signed into effect, pursuant to Section 203 of the Trade Act (19 U.S.C. 2253), a comprehensive relief program on steel imports, mostly in the form of 30 percent tariffs (with some smaller increases) and a quota on slab products. The remedy went into effect on March 20, 2002, and was to expire on March 21, 2005. However, in November, 2003, the Section 201 Steel Tariffs were completely eliminated. Despite removal of the tariffs, steel imports through the Port did not increase appreciably as simultaneous to the imposition of the tariffs, demand for steel to feed China's growing economy began to increase significantly. China's requirements for new construction has resulted in a shift in steel trading and shipping patterns: instead of moving from Japan and other leading steel exporters to the U.S. via the Port of New Orleans, steel is moving to China. Consequently, the recovery of steel imports levels through the Port will take longer than what would ordinarily be expected However, as reported in the Wall Street Journal in July 2004, recent developments in China have resulted in a slightly reduced economic growth rate. This combined with improved global economic performance in the last quarter of Fiscal Year 2004 is expected to result in higher steel imports through the Port in 2005.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Board at (504) 528-3346.

FINANCIAL STATEMENTS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,049,077	$ 1,497,485
Investments	6,117,549	13,552,561
Accounts receivable, less allowance for doubtful accounts of $408,783 and $377,621 at June 30, 2004 and 2003, respectively	8,421,695	5,131,420
Due from other governments	6,220,191	11,881,317
Stores inventory	1,951,527	2,044,804
Prepaid items	236,091	237,914
Total current assets	28,996,130	34,345,501
NON-CURRENT ASSETS		
Resticted cash, cash equivalents, and investments:		
Unexpended equipment and construction funds	26,315,794	3,370,980
Revenue bond covenant accounts	7,253,179	4,511,920
Deep draft lock escrow	17,050,222	17,066,687
Total restricted assets	50,619,195	24,949,587
Property - net	482,432,256	465,895,800
Other assets	2,503,951	1,398,400
Total non-current assets	535,555,402	492,243,787
TOTAL ASSETS	564,551,532	526,589,288
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	4,136,867	5,278,465
Capital leases payable - current	355,923	309,405
Deferred income	1,209,560	1,090,740
Other liabilities	4,441,617	3,861,178
Total current liabilities	10,143,967	10,539,788

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF NET ASSETS - CONTINUED
JUNE 30, 2004 AND 2003

	2004	2003
LIABILITIES (continued)		
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Bonds payable - current	1,545,000	1,230,000
Accrued interest payable	1,145,508	745,932
Total current liabilities payable from restricted assets	2,690,508	1,975,932
NON-CURRENT LIABILITIES		
Revenue bonds payable	90,789,114	58,397,876
Capital leases payable	10,189,761	10,787,947
Net pension obligation	300,384	256,308
Compensated absences payable	1,184,980	1,192,524
Total non-current liabilities	102,464,239	70,634,655
TOTAL LIABILITIES	115,298,714	83,150,375
NET ASSETS		
NET ASSETS		
Invested in capital assets, net of related debt	405,868,252	398,541,552
Restricted for revenue bond debt service	7,253,179	4,511,920
Restricted for deep draft lock	17,050,222	17,066,687
Unrestricted	19,081,165	23,318,754
TOTAL NET ASSETS	$ 449,252,818	$ 443,438,913

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
OPERATING REVENUES		
Docks:		
Dockage	$ 5,921,793	$ 6,551,357
Wharfage	114,682	52,945
Rentals	19,119,967	18,247,398
Harbor fees	1,333,949	1,343,132
Container cranes	2,128,896	2,101,632
Other	1,297,865	1,901,088
	29,917,152	30,197,552
Cruise and tourism:		
Cruise and tourism	4,126,813	3,261,069
Real estate:		
Rentals	3,291,220	3,139,453
Total operating revenues	37,335,185	36,598,074
OPERATING EXPENSES		
Operations services:		
Port development	7,909,408	8,217,294
Port operations	5,528,602	5,405,173
Cruise and tourism	756,565	373,473
Marketing	2,367,942	2,538,374
Total operations services	16,562,517	16,534,314
Management services:		
Finance and administration	2,233,140	2,324,743
Corporate services	2,048,345	1,912,127
Legal and risk	1,182,178	919,036
Security and safety	4,789,515	4,650,469
Total management services	10,253,178	9,806,375

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Other operating:		
Executive	1,978,325	2,039,028
Workers' compensation	419,818	200,000
Total other operating	2,398,143	2,239,028
Depreciation	12,958,412	11,252,176
Total operating expenses	42,172,250	39,831,893
OPERATING LOSS	(4,837,065)	(3,233,819)
NON-OPERATING REVENUES (EXPENSES)		
Investment income	150,514	870,303
Interest expense	(2,126,972)	-
(Loss) gain on disposal of assets	(456,458)	10,167,417
Demolition costs	(125,461)	(66,303)
Miscellaneous - net	(283,381)	(61,438)
Total non-operating revenues (expenses)	(2,841,758)	10,909,979
(LOSS) INCOME BEFORE CONTRIBUTIONS	(7,678,823)	7,676,160
CAPITAL CONTRIBUTIONS	13,492,728	25,384,837
CHANGE IN NET ASSETS	5,813,905	33,060,997
NET ASSETS, BEGINNING OF YEAR	443,438,913	410,377,916
NET ASSETS, END OF YEAR	$ 449,252,818	$ 443,438,913

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 34,206,899	$ 36,773,560
Payments to suppliers	(10,290,715)	(10,533,273)
Payments to employees	(14,001,731)	(13,825,702)
Payments of benefits on behalf of employees	(4,880,767)	(4,268,403)
Net cash provided by operating activities	5,033,686	8,146,182
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions from other governments	19,153,854	25,043,920
Proceeds from sale of capital assets	-	10,895,912
Proceeds from bond issue	32,709,443	29,877,406
Expenditures for acquisition and construction of capital assets	(27,211,370)	(71,559,113)
Repayments of principal borrowed to finance acquisition and construction of capital assets	(1,877,358)	(1,593,111)
Interest paid on amounts to finance acquisition and construction of capital assets	(4,777,854)	(3,188,465)
Demolition costs and other	(451,112)	(127,741)
Net cash provided by (used in) capital and related financing activies	17,545,603	(10,651,192)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(13,810,835)	(31,072,411)
Proceeds from sales and maturities of investments	29,314,451	28,443,307
Investment income received	645,900	1,225,601
Net cash provided by (used in) investing activities	16,149,516	(1,403,503)
NET DECREASE IN CASH AND CASH EQUIVALENTS	38,728,805	(3,908,513)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,627,148	13,535,661
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 48,355,953	$ 9,627,148

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (4,837,065)	$ (3,233,819)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	12,958,412	11,252,176
Bad debt expense	150,000	100,000
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	(3,440,350)	170,399
Stores inventories	93,277	(24,607)
Prepaid items	1,823	(71,054)
Other assets	143,198	(7,673)
Accounts payable	(771,400)	514,601
Deferred income	118,820	(138,431)
Other liabilities	580,439	(608,680)
Net pension obligation	44,076	167,662
Compensated absences payable	(7,544)	25,608
Net cash provided by operating activities	$ 5,033,686	$ 8,146,182
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Issuance costs for revenue bonds deducted from bond proceeds	$ 1,206,479	$ 571,986
RECONCILIATION TO STATEMENT OF NET ASSETS:		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	$ 6,049,077	$ 1,497,485
Restricted assets:		
Money market mutual funds	42,306,876	8,129,663
Total cash and cash equivalents	$ 48,355,953	$ 9,627,148

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Commissioners of the Port of New Orleans (the Port) is an independent political subdivision of the State of Louisiana, which 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 Port is reported as a stand-alone entity as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The Port is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

Measurement Focus, Basis Accounting and Financial Statement Presentation

The accounting policies of the Port conform to accounting principles generally accepted in the United States of America as applicable to governments. The combined government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Port's accounts are organized into a single proprietary fund. 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. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis Accounting and Financial Statement Presentation (continued)

Under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the Port applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 fair value. Fair value is based on quoted market prices.

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.

Restricted Assets

Proceeds from a capital lease for two cranes are classified as restricted assets because their use is limited by the applicable capital lease. The equipment lease account is used to report the proceeds of the capital lease that are restricted for use in construction.

Certain proceeds of the Port's Series 2001, 2002 and 2003 Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate investment accounts and their use is limited by applicable bond requirements. The "revenue bond construction account" is used to report those proceeds of the revenue bond issuance that are restricted for use in construction. The "revenue bond interest account" is used to report funds set aside for interest payments. The "revenue bond cost of issuance account" is used to report those proceeds set aside for the payment of such costs. The "revenue bond reserve account" is used to report resources set aside for the purpose of paying principal and interest on the Series 2001, 2002 and 2003 Bonds if, on any principal or interest payment date, the amounts available are insufficient to pay in full the amount then due on the Series 2001, 2002 and 2003 Bonds.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets (continued)

Under an agreement with the Corps of Engineers (Corps) the proceeds of land sales to the Corps in 2002 and 2003 have been put into an escrow fund to be used to pay the Port's share of a deep draft lock on the Inner Harbor Navigation Canal. Gains on the sales of land of approximately $10,100,000 and $5,600,000 were recognized for the years ended June 30, 2003 and 2002 respectively.

Property and Depreciation

The Port capitalizes assets that have an individual cost of $500 or more and an estimated useful life in excess of one year. Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.

Depreciation of property and amortization of capital lease assets 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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital asset and improvements are capitalized as projects are constructed. The Port's policy is to capitalize construction period interest, if any. For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing and ends when the asset is put into service.

Debt and Amortization

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are included in other non-current assets.

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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, overnight repurchase agreements, and money market mutual funds.

Reclassifications

Certain amounts have been reclassified in the June 30, 2003 financial statements for consistency in presentation with June 30, 2004 financial statements.

2. CASH AND INVESTMENTS

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

Deposits

At June 30, 2004 and 2003, the carrying amount of the Port's deposits (demand deposits and time certificates of deposit) was $6,149,077 and $1,597,485 and the related bank balances were $7,394,444 and $1,862,682, respectively. Of the bank balances, $217,500 and $241,500 were covered by federal depository insurance and the remaining $5,961,577 and $1,621,182 were covered by collateral held by the pledging banks' trust department or agent in the Port's name at June 30, 2004 and 2003, respectively.

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.

2. **CASH AND INVESTMENTS (continued)**

(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, 2004 and 2003 were the following:

	Credit Risk Category			
Securities Type	1	2	3	Total
2004				
Investments in securities of:				
Federal agencies	$ -	$ 14,329,868	$ -	$ 14,329,868
Money market mutual funds				42,306,876
Deposits:				
Certificates of deposit				100,000
Demand deposits with banks				6,049,077
Total cash and investments at June 30, 2004				$62,785,821
2003				
Investments in securities of:				
Federal agencies	$ -	$ 30,272,485	$ -	$ 30,272,485
Money market mutual funds				8,129,663
Deposits:				
Certificates of deposit				100,000
Demand deposits with banks				1,497,485
Total cash and investments at June 30, 2003				$ 39,999,633

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
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NOTES TO FINANCIAL STATEMENTS

2. **CASH AND INVESTMENTS (continued)**

Cash and investments were included in the balance sheet as follows:

	2004	2003
Cash and cash equivalents	$ 6,049,077	$ 1,497,485
Investments – current assets	6,117,549	13,552,561
Restricted assets	50,619,195	24,949,587
	$ 62,785,821	$ 39,999,633

3. **DUE FROM OTHER GOVERNMENTS**

Due from (advances from) other governments consists of 1) federal funds receivable under the Truman-Hobbs Act for alterations to the Florida Avenue Bridge; 2) state funds from the Louisiana Department of Transportation and Development for facility planning and control projects, flood control projects and port priority projects; and 3) various other state and federal grants. At June 30, 2004 and 2003 amounts due are as follows:

	2004	2003
United States Department of Transportation	$ 3,770,401	$ 6,656,652
Louisiana Department of Transportation and Development	2,494,141	4,300,317
Other	(44,351)	924,348
	$ 6,220,191	$ 11,881,317

4. **PROPERTY, NET**

A summary of changes in property is as follows:

	July 1, 2003	Additions	Deletions	June 30, 2004
Property not being depreciated:				
Land and improvements	$ 67,697,475	$ 6,596,192	$ -	$ 74,293,667
Construction in progress	140,893,242	29,441,992	(111,528,335)	58,806,899
Total property not being depreciated	208,590,717	36,038,184	(111,528,335)	133,100,566
Property being depreciated:				
Property (wharves, building, etc.)	478,790,685	103,404,843	(9,188,714)	573,006,814
Furniture and fixtures	7,688,783	354,215	(455,750)	7,587,248
Equipment	11,171,218	1,682,419	(162,037)	12,691,600
Total property being depreciated (to next page)	497,650,686	105,441,477	(9,806,501)	593,285,662

4. PROPERTY, NET (continued)

	July 1, 2003	Additions	Deletions	June 30, 2004
Total property being depreciated (from previous page)	497,650,686	105,441,477	(9,806,501)	593,285,662
Less accumulated depreciation	(240,345,603)	(12,958,412)	9,350,043	(243,953,972)
Total property being depreciated, net	257,305,083	92,483,065	(456,458)	349,331,690
Property, net	$ 465,895,800	$128,521,249	$(111,984,793)	$482,432,256

	July 1, 2002	Additions	Deletions	June 30, 2003
Property not being depreciated:				
Land and improvements	$ 68,412,945	$ 691	$ (716,161)	$ 67,697,475
Construction in progress	108,135,313	64,795,453	(32,037,524)	140,893,242
Total property not being depreciated	176,548,258	64,796,144	(32,753,685)	208,590,717
Property being depreciated:				
Property (wharves, building, etc.)	445,901,313	34,005,676	(1,116,304)	478,790,685
Furniture and fixtures	5,157,193	2,737,841	(206,251)	7,688,783
Equipment	13,591,613	432,345	(2,852,740)	11,171,218
Total property being depreciated	464,650,119	37,175,862	(4,175,295)	497,650,686
Less accumulated depreciation	(230,897,493)	(11,252,176)	1,804,066	(240,345,603)
Total property being depreciated, net	233,752,626	25,923,686	(2,371,229)	257,305,083
Property, net	$ 410,300,884	$ 90,719,830	$ (35,124,914)	$ 465,895,800

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
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NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

Construction in progress consists of the following at June 30, 2004 and 2003:

	2004	2003
Napoleon Avenue Container Terminal	$ -	$ 96,918,433
Florida Avenue Bridge alteration	43,963,243	34,202,457
Wharf, Shed, Yard, Rail Rehabs	2,614,421	2,125,427
Erato Street Cruise Terminal	3,338,255	187,047
Security	3,948,790	661,867
Other	4,942,190	6,798,011
	$ 58,806,899	$ 140,893,242

Total interest expense incurred by the Port was $5,185,761 and $3,554,009 for the years ended June 30, 2004 and 2003, respectively. Interest earnings on invested proceeds of the debt were $102,107 and $203,486 respectively. The differences between interest expense on debt for capital assets and interest earnings on invested proceeds of the debt totaled $5,083,654 and $3,350,523 for the years ended June 30, 2004 and 2003, respectively. Of these amounts $3,014,163 and $3,350,523 were included as part of the cost of capital assets under construction in progress for the Napoleon Avenue Container Terminal, the container cranes and the Erato Street Cruise Terminal.

5. NON-CURRENT LIABILITIES

Long-Term Debt

Long-term debt consists of the following at June 30, 2004 and 2003:

	2004	2003
Bonds payable	$ 92,850,000	$ 60,080,000
Premium and discounts	(515,886)	(452,124)
	92,334,114	59,627,876
Less current portion	(1,545,000)	(1,230,000)
	$ 90,789,114	$ 58,397,876

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

On June 1, 2001, the Port issued $30,800,000 Port Facility Revenue Bonds, Series 2001. The bonds mature in the year 2021. Proceeds from such bonds were expended for the acquisition, construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2001 Bonds are secured by a Debt Service Reserve Fund Surety Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 4.25 percent to 5.625 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

On August 1, 2002, the Port issued $31,000,000 Port Facility Revenue Bonds, Series 2002. The bonds mature in the year 2032. Proceeds from such bonds were expended for the acquisition, construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2002 Bonds are secured by a Debt Service Reserve Fund Surety Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 5.00 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

On July 15, 2003, the Port issued $34,000,000 of Port Facility Revenue Bonds, Series 2003. The bonds mature in the year 2033. Proceeds from such bonds are to be used to finance certain capital improvements to the Port Complex, including but not limited to, the acquisition and construction of parking and cruise terminal facilities, and to reimburse the Board for certain capital expenditures previously made. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2003 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 5.00 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

Operating revenues are pledged as security for all three revenue bond issues.

5. NON-CURRENT LIABILITIES (continued)

Debt service requirements relating to bonds outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2005	$ 1,545,000	$ 4,564,156	$ 6,109,156
2006	1,610,000	4,500,255	6,110,255
2007	1,675,000	4,433,512	6,108,512
2008	1,745,000	4,364,005	6,109,005
2009	1,830,000	4,280,118	6,110,118
2010 – 2014	10,540,000	20,010,715	30,550,715
2015 – 2019	13,350,000	17,206,339	30,556,339
2020 – 2024	17,090,000	13,465,733	30,555,733
2025 – 2029	21,795,000	8,766,575	30,561,575
2030 – 2033	21,670,000	2,775,000	24,445,000
	$ 92,850,000	$ 84,366,408	$ 177,216,408

Capital Lease

Capital lease obligations consist of the following at June 30, 2004 and 2003:

	2004	2003
Capital leases payable	$ 10,545,684	$ 11,097,352
Less current portion	(355,923)	(309,405)
	$ 10,189,761	$ 10,787,947

Lease payments relating to capital leases outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2005	$ 355,923	$ 304,886	$ 660,809
2006	716,530	575,674	1,292,204
2007	737,728	533,887	1,271,615
2008	765,464	491,444	1,256,908
2009	810,110	446,797	1,256,907
2010 – 2014	4,816,905	1,467,632	6,284,537
2015 – 2016	2,343,024	170,791	2,513,815
	$ 10,545,684	$ 3,991,111	$ 14,536,795

5. NON-CURRENT LIABILITIES (continued)

On November 17, 2000, the Port entered into a capital lease agreement to purchase two new container cranes at an aggregate cost of $12,500,000 at 5.75 percent interest. The cranes were placed in service during the year ended June 30, 2004. At June 30, 2004 the gross capitalized cost including capitalized interest is $12,614,430 with accumulated amortization of $315,410. At June 30, 2003, $12,327,705 including capitalized interest had been expended and was included in construction in progress. There are thirty equal semi-annual payments of $628,454 for principal and interest with the first payment due July 1, 2001.

During the year ended June 30, 2004 the Port entered into a capital lease agreement for an IBM mainframe computer at an aggregate cost of $95,590 at 6.68 percent interest. The computer was placed in service during the second half of the year ended June 30, 2004 and consistent with the Port's depreciation policy, there was no amortization in the current year. The monthly lease payments are $2,942 for a thirty six month period ending November 1, 2006.

Changes in Non-Current Liabilities

Non-current liabilities activity for the years ended June 30, 2004 and 2003 are as follows:

	July 1, 2003	Additions	Reductions	June 30, 2004	Due Within One Year
Bonds payable:					
Revenue bonds	$ 60,080,000	$ 34,000,000	$(1,230,000)	$ 92,850,000	$ 1,545,000
Bond premium and discounts	(452,124)	(84,077)	20,285	(515,886)	-
Total bonds payable	59,627,876	33,915,923	(1,209,685)	92,334,114	1,545,000
Capital leases	11,097,352	95,690	(647,358)	10,545,684	355,923
Net pension obligation	256,308	-	-	256,308	-
Compensated absences	1,322,524	143,301	(150,845)	1,314,980	130,000
	$ 72,304,060	$ 34,154,914	$(2,007,888)	$ 104,451,086	$ 2,030,923

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
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NOTES TO FINANCIAL STATEMENTS

6. **NON-CURRENT LIABILITIES (continued)**

Changes in Non-Current Liabilities (continued)

	July 1, 2002	Additions	Reductions	June 30, 2003	Due Within One Year
Bonds payable:					
Revenue bonds payable	$ 30,080,000	$ 31,000,000	$(1,000,000)	$ 60,080,000	$ 1,230,000
Bond premium and discount	84,920	(550,607)	13,563	(452,124)	-
Total bonds payable	30,164,920	30,449,393	(986,437)	59,627,876	1,230,000
Capital leases	11,690,463	-	(593,111)	11,097,352	309,405
Net pension obligation	88,646	167,662	-	256,308	-
Compensated absences	1,296,916	146,140	(120,532)	1,322,524	130,000
	$ 73,405,865	$ 313,802	$(713,643)	$ 12,676,184	$ 1,669,405

6. **RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS**

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial insurance. 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, 2004 and 2003, the Port's expenses for workers' compensation and other liability claims were $419,818 and $200,000 respectively. There were no expenses related to police professional liability incurred during 2004 and 2003. For each of the past three years, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 2004, the Port has determined, through an analysis of historical experience, the adequacy of the liability recorded to cover all losses and claims, both incurred and reported and incurred but not reported, under its self-insurance programs. These amounts are not discounted.

A summary of activity in the liability for claims is as follows:

	2004	2003	2002
Balance, beginning of year	$ 659,661	$ 607,127	$ 408,613
Provision for claims	419,818	200,000	200,000
Benefit payments, net of recoveries	(61,326)	(147,466)	(1,486)
Balance, end of year	$ 1,018,153	$ 659,661	$ 607,127

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS (continued)

The Port is a party to various legal proceedings incidental to its business. Two judgments have been rendered against the Board and there are several lawsuits pending in which the Board is named as a defendant by stevedores claiming asbestosis-related injuries because the Board at one time had asbestos materials cross its wharves. Management believes there is a very good chance that the judgments will be reversed on appeal and that the reserve account adequately covers these lawsuits. Certain other 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.

In connection with the lease purchase of cranes for the Napoleon Avenue Container Terminal certain monies were advanced by the lessor and deposited into escrow for the purchase of the cranes from a third party. At June 30, 2004 and 2003 there is $3,386,994 and $3,370,980 respectively in escrow. In 2005 the escrowed funds are to be returned to the lessor and the lease is to be renegotiated. The final purchase price of the cranes is in dispute. The contract to design, build, construct, transport, deliver, install and test the cranes for the Napoleon Avenue Container Terminal provided for assessments if the cranes were not delivered 420 days from the notice to proceed (December 13, 2000) and the contractor occupied the staging area beyond a set amount of days. The cranes were not operational until April 2003. Therefore, the Board claims damages of $3,100,000. The contractor argues that the delays were beyond its control and that the Port was not damaged to the extent it is claiming because construction of the wharf was not ready for the cranes' delivery. The Contractor has not been paid $2,765,832 on the original contract. The financial statements do not reflect either the $3,100,000 claim receivable or the $2,765,832 contract payable, since management believes there is a right of offset. Management believes the claim for damages is valid and that this dispute will be resolved in its favor.

As part of the Port's long-term capital construction program, commitments related to such capital construction projects were approximately $11.6 million and $19.1 million as of June 30, 2004 and 2003, respectively.

The Port receives financial assistance directly from Federal agencies which are subject to audit and final acceptance by these agencies. In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on the Port's financial position.

7. REVENUES AND LEASES

Revenues of the Port are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to revenues were $150,000 and $100,000 for the years ended June 30, 2004 and 2003, respectively. The Port leases to others substantially all of its land, property and equipment under various operating lease agreements. For the years ended June 30, 2004 and 2003, 31% and 33%, respectively, of total revenues were from one lessee. Operating lease rental income was approximately $23,750,073 and $22,229,440 during the years ended June 30, 2004 and 2003, respectively.

As of June 30, 2004, future minimum rental payments to be received under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

2005	$ 16,606,774
2006	15,371,008
2007	14,033,800
2008	8,094,376
2009	4,202,216
Thereafter	30,825,233
Total future minimum lease payments	$ 89,133,407

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

Plan Description - 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, established within Title 11 Chapter 401 of the Louisiana Revised Statutes, is a cost-sharing, multiple-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 political subdivision. The Port's total payroll for the years ended June 30, 2004 and 2003 was $13,936,144 and $13,934,952, respectively, of which $9,394,080 and $9,599,879, respectively, in covered payroll related to participants in the LASERS.

8. RETIREMENT PLANS (continued)

A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)

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. 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 of creditable service with certain limitations. Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

The plan provides 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 three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Funding policy - The LASERS is a defined benefit contributory pension plan to which employees contribute 7.5% of their salaries and the Port contributed 15.8% and 13% of the employees' salaries toward future benefits respectively for the years ended June 30, 2004 and 2003. Provisions for employer and employee contributions are in LRS 42:651; 712; 712.1; 712.3.

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, 2003 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 years ended June 30, 2004, 2003 and 2002 were $2,188,824, $2,073,566, and $1,955,754, respectively. These amounts are equal to the required contributions for each of these three years. Contributions for the year ended June 30, 2004 consisted of employee contributions of $704,557 and employer contributions of $1,484,267. Contributions for the year ended June 30, 2003 consisted of employee contributions of $719,992 and employer contributions of $1,353,574.

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

Plan Description - All commissioned members and certain employees 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, established within Title 11 Chapter 3 of the Louisiana Revised Statutes, a single employer defined benefit pension plan administered by an eight member Board of Trustees. The Port's total payroll for the years ended June 30, 2004 and 2003 was $13,936,144 and $13,934,952, respectively, of which $1,520,672 and $1,457,922 in covered payroll, respectively, 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 without interest. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Board of Trustees subject to certain constraints.

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits HPERS members to continue working at their jobs for up to five years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

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

Funding Policy - 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. The Port funded (including fines) 15.24% and 13.22%, respectively, of the members' covered payroll for fiscal years ended June 30, 2004 and 2003.

8. **RETIREMENT PLANS (continued)**

B. **HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)**

Annual Pension Cost and Net Pension Obligation - The Port's annual pension cost and net pension obligation to HPERS are as follows:

	2004	2003
Annual required contribution	$ 330,290	$ 363,803
Interest on net pension obligation	14,753	6,205
Adjustment to annual required contribution	(23,712)	(9,670)
Annual pension cost	321,331	360,338
Contributions made	(231,697)	(192,676)
Increase in net pension obligation	89,634	167,662
Net pension obligation, beginning of year	256,308	88,646
Change in actuarial calculation	(45,558)	-
Net pension obligation, end of year	$ 300,384	$ 256,308

The annual required contributions for 2004 and 2003 were determined based on actuarial valuations using the aggregate actuarial cost method. The actuarial assumptions included (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 assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

Four-Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
2001	$ 314,808	35.6	$ (78,758)
2002	347,246	57.4	69,099
2003	361,102	60.8	210,750
2004	321,331	72.1	300,384

8. **RETIREMENT PLANS (continued)**

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

The following is a summary of the statement of plan net assets available for benefits as of June 30, 2004 and 2003 and changes in net assets for the years then ended:

Statement of Plan Net Assets	2004	2003
Investments at fair value	$ 11,176,815	$ 10,777,638
Contributions receivable	80,447	129,797
Liabilities	(12,847)	(6,000)
Net assets available for benefits	$ 11,244,415	$ 10,901,435

Statement of Changes in Net Assets	2004	2003
Additions:		
Contributions	$ 336,466	$ 296,424
Investment income including		
Unrealized gains (losses)	820,277	678,094
Other	31,727	26,775
Total additions	1,188,470	1,001,293
Deductions:		
Benefits paid	586,523	620,177
Refunds and transfers of contributions	197,406	21,958
Administrative expenses	61,561	71,507
Total deductions	845,490	713,642
Increase in plan net assets	342,980	287,651
Net assets available for benefits:		
Beginning of year	10,901,435	10,613,784
End of year	$ 11,244,415	$ 10,901,435

9. OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Port provides post-employment health care benefits and life insurance benefits. These benefits are at the Board's discretion and are funded on a pay as you go basis. The benefits are currently offered to all employees who retire from the Port. Former employees and their spouses pay between 17% and 100% of the premium depending on the type of coverage. Post-employment benefits consist of the following:

	2004	2003
Number of participants:		
Life insurance	122	128
Health insurance	200	210
Life insurance expense	$ 154,491	$ 171,202
Health insurance expense	$ 681,604	$ 735,418

10. CONDUIT DEBT

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

Industrial revenue bonds in the amount of $35,600,000 were issued by the Port on July 1, 1981, for the account of Avondale Shipyards, Inc. (a wholly-owned subsidiary of Ogden Management Corporation) for the purpose of financing a floating drydock and support facilities to be moored within the jurisdiction of the Port as part of the public port. Industrial revenue bonds in the amount of $36,250,000 were issued on June 1, 1983, to provide funds for the purpose of refunding the bonds issued on July 1, 1981. Industrial revenue bonds in the amount of $36,250,000 were issued on April 1, 1994, to provide funds for the purpose of refunding the bonds issued on June 1, 1983, and will mature in 2014. The bonds are limited obligations of the Port, payable solely from and secured by a pledge of the revenues to be received pursuant to an Installment Sales Agreement and by an unconditional guarantee by Ogden Management Corporation. The aggregate amount outstanding at June 30, 2004 is not readily determinable by the Port.

Port facility revenue bonds in the amount of $3,700,000 were issued on June 8, 2000 for the account of New Orleans Steamboat Company for the purpose of constructing a facility within the jurisdiction of the Port as part of the public port. At June 30, 2004, $3,500,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of New Orleans Steamboat Company.

10. CONDUIT DEBT (continued)

Port facility revenue bonds in the amount of $7,500,000 were issued on November 1, 2002 for the account of New Orleans Cold Storage and Warehouse Company Limited for the purpose of constructing a cold storage facility. At June 30, 2004, $7,500,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of NOCS.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS LOUISIANA

SINGLE AUDIT REPORTS

JUNE 30, 2004

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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JUNE 30, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS 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 Board of Commissioners of the Port of New Orleans (the Port) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Port's 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's 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.

This report is intended solely for the information and use of the Board of Commissioners, management, State of Louisiana Legislative Auditor's Office, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Metairie, Louisiana
September 10, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Commissioners of the
Port of New Orleans:

Compliance

We have audited the compliance of the Board of Commissioners of the Port of New Orleans (the Port) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. The Port's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of the Port's management. Our responsibility is to express an opinion on the Port's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Port's compliance with those requirements.

In our opinion, the Port complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of the Port is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in internal control over financial reporting that, in our judgment, could adversely affect the Port's ability to administer a major federal program in accordance with the applicable laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-2 and 2004-3.

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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions referred to above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners, management, State of Louisiana Legislative Auditor's Office, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
September 10, 2004

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Program Title	CFDA Number	Federal Expenditures (1)
Department of Homeland Security		
United States Coast Guard - Bridge Alteration (Truman - Hobbs Act)	97.014/ 20.007	$ 9,028,561
Transportation Security Administration - Port Security	97.056/ 20.420	2,098,540
Office for Domestic Preparedness – Urban Areas Security Initiative	97.008	1,112,573
United States Department of Transportation		
Federal Highway Administration – Pass through From State of Louisiana Department of Transportation and Development – Urban Systems	20.205	322,199
United States Department of Justice		
United States Customs - Equitable sharing of Federally forfeited property for state and local law enforcement agencies.	(2)	4,130
Delta Regional Authority	90.200	274,590
Total Federal Assistance Expended		$ 12,840,593

FOOTNOTES

(1) Basis of Presentation
This schedule includes the federal grant activity of the Port of New Orleans and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

(2) The CFDA number for this program, which was established by the Comprehensive Crime Control Act of 1984, is not known.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I–SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	___Yes _X_No
Reportable conditions identified that are not considered to be material weaknesses?	___Yes _X_None reported
Noncompliance material to financial statements notes?	___Yes _X_No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	___Yes _X_No
Reportable conditions identified that are not considered to be material weaknesses?	_X_Yes ___None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_X_Yes ___No

Identification of major programs:

CFDA No.	Name of Federal Program
97.014	Bridge Alteration (Truman-Hobbs Act)
97.056	Port Security Grants for Critical National Seaports
97.008	Office of Domestic Preparedness – Urban Areas Security Initiative

Dollar threshold used to distinguish between types A and B programs:	$385,218
Audit qualified as low-risk auditee:	_X_Yes ___No

SECTION II-FINANCIAL STATEMENT FINDINGS

None

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No.	Program	CFDA No.	Grant No.
	Department of Homeland Security		
2004-01	Port Security	97.056	DTMA1G02004

Condition:	An advance in the amount of $1.6 million was to be used during the period from March 1, 2003 to July 31, 2003. This advance was not fully expended until May 2004.
Criteria:	The Port should request only the funding they actually require.
Effect:	The failure to expend the total advance during the specified time could result in excess funds having to be returned and/or interest having to be paid to the grantor agency.
Cause:	This situation is due to the delays in the expected starting date of the project.
Recommendation:	We recommend that the Port instruct those responsible for requesting advances to request on an as needed basis in order to expend the funds advanced during the time period requested.
Management's Corrective Action Plan:	The Port will closely monitor project timing and the request for advance funds. The responsible parties have been instructed to expend the funds during the required time period.

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued):

Finding No.	Program	CFDA No.	Grant No.
	Department of Homeland Security		
2004-02	Port Security	97.056	DTMA1G02004

Condition:	The lack of monitoring cash management activities resulted in excess cash from an advance that was not disbursed during the specified time period.
Criteria:	Internal controls should provide that procedures for requesting cash advance are as close as is administratively possible to actual cash outlays.
Effect:	The failure to monitor cash advances and cash outlays resulted in excess available federal funds.
Cause:	The Port failed to properly monitor the expected cash disbursements of federal advances.
Recommendation:	We recommend that the Port establish procedures for requesting cash advances so that the amount of drawdown of federal cash is only for immediate needs.
Management's Corrective Action Plan:	The Port will review current procedures and establish procedures for requesting advances to assure the drawdowns of federal cash for current needs.

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued):

Finding No.	Program	CFDA No.	Grant No.
	Department of Homeland Security		
2004-03	Port Security	97.056	DTMA1G02004

Condition: Certain construction contracts funded with federal assistance do not include provisions related to the Davis-Bacon Act. Generally, construction contracts over $2,000 require the application of the Davis-Bacon Act. For those contracts which do not include specific provisions the Port does not have written procedures to document the applicability of the Davis-Bacon Act.

Criteria: Internal controls should provide procedures for determining the applicability of Davis-Bacon Act whenever there are federal assistance funds being used for contracts in excess of $2,000 which employ laborers or mechanics.

Effect: The failure to determine the applicability of the Davis-Bacon Act could allow contracts to be let that do not properly include the requirement that the contractor or subcontractor comply with the requirements of the Act.

Cause: The Port does not have written guidelines in place that include review and documentation of the applicability of the Davis-Bacon Act.

Recommendation: We recommend that the Port establish procedures for review and documentation of the applicability of the Davis-Bacon Act for all contracts in excess of $2,000 which employ laborers or mechanics using federal assistance funds.

Management's Corrective Action Plan: When awarded any future grant project over $2,000 which has within its approved scope of work any element which is or may be construed as "construction", the Board will seek written confirmation from the grantor regarding the applicability of the Davis-Bacon Act during the acceptance phase of the award.