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MORGAN CITY HARBOR AND TERMINAL DISTRICT

STATE OF LOUISIANA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004
WITH SUPPLEMENTAL INFORMATION SCHEDULES

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date 2-2-05

MCRIGHT & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
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MORGAN CITY HARBOR AND TERMINAL DISTRICT
D/B/A THE PORT OF MORGAN CITY
STATE OF LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

MORGAN CITY HARBOR AND TERMINAL DISTRICT
MORGAN CITY, LOUISIANA

We have audited the accompanying basic financial statements of the MORGAN CITY HARBOR AND TERMINAL DISTRICT (the District), as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and the Louisiana Governmental Auditing Guide. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Morgan City Harbor and Terminal District as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Morgan City Harbor and Terminal District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis on page 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods

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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 November 26, 2004 on our consideration of the Morgan City Harbor and Terminal District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation. Contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

McRight & Associates

McRight & Associates

November 26, 2004

Required Supplemental information

MORGAN CITY HARBOR AND TERMINAL DISTRICT
D/B/A THE PORT OF MORGAN CITY
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The Management's Discussion and Analysis of the Morgan City Harbor and Terminal District's financial performance presents a narrative overview of the District's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at the close of fiscal year 2004 by \$10,739,273, which represents an increase from last fiscal year. The net assets decreased by \$318,501 or 2.8%.
- The District's intergovernmental revenues increased by \$573,329.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statement easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenue, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 8-9) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 10) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 11-12) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
D/B/A THE PORT OF MORGAN CITY
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
As of June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Current and other assets	\$905,673	\$840,904
Capital assets	<u>10,739,273</u>	<u>11,303,888</u>
Total assets	<u>11,644,946</u>	<u>12,144,792</u>
Other liabilities	219,647	245,992
Long-term debt outstanding	<u>366,779</u>	<u>521,779</u>
Total liabilities	<u>586,426</u>	<u>767,771</u>
Net Assets:		
Invested in capital assets, net of debt	10,384,273	11,102,780
Restricted	0	0
Unrestricted	<u>674,247</u>	<u>274,241</u>
Total net assets	<u>11,058,520</u>	<u>11,377,021</u>

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, loan agreements or other requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amount may be used for.

Net assets of the District decreased by \$318,501 or 2.7%, from June 30, 2003 to June 30, 2004.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
D/B/A THE PORT OF MORGAN CITY
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF THE ENTITY (CONTINUED)

**Statement of Revenues, expenses, and Changes in Fund Net Assets
For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues	\$168,127	\$139,339
Operating expenses	<u>1,727,234</u>	<u>1,385,317</u>
Operating loss	(1,559,107)	(1,245,978)
Non-operating revenue	<u>1,240,606</u>	<u>848,465</u>
Net increase in net assets	<u>(318,501)</u>	<u>(397,513)</u>

The District's total revenues increase \$420,929 (or 43.0%). The main cause of the increase was an increase in a state grant for a feasibility studies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2004, the District had \$10,739,273, net of accumulated depreciation of \$5,111,150 invested in capital assets. This amount represents a net decrease of \$564,615.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
D/B/A THE PORT OF MORGAN CITY
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

**Capital Assets at June 30, 2004 and 2003
(Net of Depreciation)**

	<u>2004</u>	<u>2003</u>
Furniture & equipment	\$3,264	\$5,359
Wharf	3,820,778	3,940,065
Dock	4,964,487	5,345,483
Sheet piling	1,020,000	1,050,000
Leasehold improvements	2,980	4,759
Marshalling yard	224,722	231,143
Railroad spur	<u>703,042</u>	<u>727,079</u>
Total	<u>10,739,273</u>	<u>11,303,888</u>

Debt

During the year ended June 30, 2004, the District retired \$155,000 of certificates of indebtedness.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

There was an amendment to the original budget in May, 2004. The revised budget decreased primarily due to a decline in anticipated revenues.

ECONOMIC FACTORS AND NET YEAR'S BUDGETS AND RATES

The District's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- An increase in security as a result of federal mandates
- Increase in wages and benefits

CONTACTING THE MORGAN CITY HARBOR AND TERMINAL DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Jerry Bostic, Administrative Officer, P O Box 1460, Morgan City, LA 70381.

Basic Financial Statements

MORGAN CITY HARBOR AND TERMINAL DISTRICT
D/B/A THE PORT OF MORGAN CITY
STATE OF LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2004

CURRENT ASSETS

Cash and Cash Equivalents	\$383,681
Investments	408,923
Receivables, net	55,144
Prepaid Items	57,700
Other Assets	<u>225</u>

TOTAL CURRENT ASSETS 905,673

NON-CURRENT ASSETS

Capital Assets (net of depreciation) 10,739,273

TOTAL NON-CURRENT ASSETS 10,739,273

TOTAL ASSETS 11,644,946

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts and Other Payables	\$20,127
Certificates of Indebtedness – Current	155,000
A/P – Insurance	<u>44,520</u>

TOTAL CURRENT LIABILITIES 219,647

NON-CURRENT LIABILITIES

Certificates of Indebtedness	355,000
Compensated Absences	<u>11,779</u>

TOTAL NON-CURRENT LIABILITIES 366,779

TOTAL LIABILITIES 586,426

NET ASSETS

Invested in Capital Assets, net of related debt	10,384,273
Unrestricted	<u>674,247</u>

TOTAL NET ASSETS 11,058,520

TOTAL LIABILITIES AND NET ASSETS 11,644,946

MORGAN CITY HARBOR AND TERMINAL DISTRICT
D\B\A THE PORT OF MORGAN CITY
STATE OF LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

OPERATING REVENUES	
Charges For services	
Port Revenues	\$134,773
Building Rental	27,676
Warehouse Rental	0
Other Revenues	<u>5,678</u>
 TOTAL OPERATING REVENUES	 <u>168,127</u>
OPERATING EXPENSES	
Cost of Sales and Services	634,442
Administration	528,177
Depreciation	<u>564,615</u>
 TOTAL OPERATING EXPENSES	 <u>1,727,234</u>
 OPERATING INCOME (LOSS)	 <u>(1,559,107)</u>
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental	1,254,817
Interest Earnings	8,152
Interest Expense	<u>(22,363)</u>
 TOTAL NON-OPERATING REVENUE (EXPENSES)	 <u>1,240,606</u>
 CHANGE IN NET ASSETS	 (318,501)
NET ASSETS – BEGINNING	<u>11,377,021</u>
 NET ASSETS – ENDING	 <u><u>11,058,520</u></u>

The accompanying notes are an integral part of this statement..

MORGAN CITY HARBOR AND TERMINAL DISTRICT
 D\B\A THE PORT OF MORGAN CITY
 STATE OF LOUISIANA
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services	\$174,407
Cash paid for goods and services	(1,277,256)
Payment for salaries and benefits	<u>89,532</u>
Net cash used by operating activities	<u>(1,013,317)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Intergovernmental	<u>1,154,555</u>
Net cash provided by noncapital financing activities	<u>1,154,555</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:	
Redemption of bonds	(155,000)
Interest paid	<u>(22,363)</u>
Net cash used by capital and related financial activities	<u>(177,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	<u>8,152</u>
Net cash provided by investing activities	<u>8,152</u>
Net decrease in cash and cash equivalents	(27,973)
Cash and cash equivalent – beginning of year	<u>411,654</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u><u>383,681</u></u>

(Continued)

MORGAN CITY HARBOR AND TERMINAL DISTRICT
D/B/A THE PORT OF MORGAN CITY
STATE OF LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES:**

Operating Loss	\$(1,559,107)
Adjustment to reconcile operating loss to Net cash provided by operating activities:	
Depreciation expenses	564,615
Changes in net assets and liabilities:	
Accounts receivable	(6,280)
Prepaid expenses	(21,901)
Accounts payable	<u>9,356</u>
Net cash used by operating activities	 <u><u>(1,013,317)</u></u>

The accompanying notes are an integral part of this statement.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED JUNE 30, 2004

NATURE OF OPERATIONS:

The Morgan City Harbor and Terminal District (the District) was created as a public corporation and political subdivision of the State of Louisiana under Louisiana Revised Statute 34:321 (m). The District is governed by a Board of Commissioners consisting of nine members appointed by the Governor. The board has the power to regulate the commerce and traffic of the District in such manner as may be best for the public interest; and it is empowered to own and have charge of, to administer, construct, operate and maintain wharves, warehouses, landing, docks sheds, belt and connection railroads, shipways, canals, channels, slips, basins, locks, elevators and other structures and facilities necessary and proper for the use and development of the business of the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The District applies all GASB pronouncements as well as Financial Accounting Standards (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

These financial statements were prepared in accordance with GASB Statement 20, *Accounting and Financial Reporting for Proprietary and Other Governmental Entities that Use Proprietary Fund Accounting*. All activities of the District are accounted for within a single proprietary (enterprise) fund. This fund type is used to report any activity for which a fee is charged to external users for goods and services. In addition, these financial statements include the provisions of GASB Statement Number 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments and related standards*. This standard provides for significant changes in terminology, recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Assets, inclusion of a management’s discussion and analysis as supplementary information and other changes.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED JUNE 30, 2004

Reporting Entity

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

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

The District is considered a related organization of the State of Louisiana. Although the Governor appoints the governing board, the State does not have a financial benefit or burden relationship with the District. Because the State does not have financial accountability for the District, the District is excluded from the reporting entity of the State. The nature of the State's relationship with the District is disclosed in the State's audited financial statements.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the State of Louisiana.

Fund Accounting

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

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

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED JUNE 30, 2004

Basis of Accounting

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

The accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when incurred is used to account for the Enterprise Fund.

Cash and Cash Equivalents

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

Accounts Receivable

The District uses the direct write off method to remove uncollectible receivable. This method approximates the allowance method required by accounting principles generally accepted in the United States of America.

Capital Assets

Capital assets associated with the activity of the District are recorded as assets of that fund. All purchased capital assets are valued at cost. Depreciation of these assets is computed on the straight-line method over the useful lives of the assets.

Investments

The District's investments are carried at fair value. Unrealized gains and losses are included in the investment earnings reported in the statement of revenues, expenses and changes in fund net assets.

Compensated Absences

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

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED JUNE 30, 2004

Lease Revenues

The District's revenues include the leasing of land and improvements under cancelable operating leases. The leases are accounted for using the operating method whereby the amount of revenue recognized in each accounting period is equivalent to the amount of rent receivable according to the provisions of the lease.

2. CASH:

The District's cash bank balances were entirely covered by federal depository insurance and pledged securities held at the Federal Reserve Bank in the name of the District. At June 30, 2004, the bank balances of the deposits totaled \$594,294.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. INVESTMENTS

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

	Category	Carrying	Market
	3	Amount	Value
	-----	-----	-----
Cert. of Deposit	288,000	288,000	288,000
Treasury Bills	<u>120,923</u>	<u>120,923</u>	<u>120,923</u>
	408,923	408,923	408,923
	=====	=====	=====

At June 30, 2004 the District had \$120,923 invested in a money market account with Bankone Securities Corporation. This fund invests only in U.S. Treasury Bills. This \$120,923 is not secured by FDIC insurance or security pledge, but is backed by the U.S. Government.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED JUNE 30, 2004

4. AD VALOREM TAXES

Property taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on December 31. Property taxes are levied on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the District. Assessed values are established by the Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. The assessed value upon which the 2003 levy was based was \$814,582 with homestead exemptions of \$134,845.

The District is permitted by Article 7, section 23 of the 1974 Constitution and Act 228 of 1960 of the State of Louisiana to levy taxes up to \$5.00 per \$1,000 of assessed valuation on property within the District to defray their administrative, operative and maintenance expenditures. Taxes were levied to finance expenses at a rate of \$4.79 per \$1,000 for the 2004 levy.

Ad valorem taxes are generally collected in December of the current year and January and February of the ensuing year. Current tax collections for the year ended June 30, 2004 were 96.4 percent of the tax levy.

As required by State of Louisiana Statutes, prescribed deductions are made from the District's property tax receipts to cover contributions to various pension funds. The deduction for the year ended June 30, 2004 was \$21,835.

5. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the year ended June 30, 2004 consisted of the following:

State of Louisiana Revenue Sharing	\$ 58,599
State Construction Grant	519,022
Ad Valorem	677,196
Total	\$1,254,817

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED JUNE 30, 2004

6. CAPITAL ASSETS

A summary of Changes in capital assets and depreciation for the year ended June 30, 2004 follows:

Description	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Furniture and fixtures	100,642			100,642
Wharf	4,944,740			4,944,740
Dock	8,418,005			8,418,005
Sheet Piling	1,200,000			1,200,000
Leasehold Impr.	78,052			78,052
Marshalling yard	256,826			256,826
Railroad spur	852,158			852,158
Total	15,850,423			15,850,423

	Accumulated Depreciation July 1, 2003	Depreciation Expense	Retirements	Accumulated Depreciation June 30, 2004
Furniture & fixtures	95,283	2,095		97,378
Wharf	1,004,675	119,287		1,123,962
Dock	3,072,522	380,996		3,453,518
Sheet piling	150,000	30,000		180,000
Leasehold improvements	73,293	1,779		75,072
Marshalling yard	25,683	6,421		32,104
Railroad spur	125,079	24,037		149,116
Total	4,546,535	564,615		5,111,150

7. GENERAL LONG-TERM OBLIGATIONS

In March 2003 the board issued \$665,000 of "refundable bonds series 2003 of The Morgan City Harbor and Terminal District, State of Louisiana" for the purpose of paying a portion of the cost of effecting a current refunding of the outstanding principal amount \$820,000, of the refunded certificates. The bonds are dated April 1, 2003, and bears interest at the rate of 3.30% per annum, payable on each interest payment date, commencing September 1, 2003 and mature serially on March 1 in the years and in the principal amounts as follows:

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED JUNE 30, 2004

Payment Date	Principal Due	Interest Due	Semi-Annual Total	Board Year Total
9-1-2004	-0-	\$8,415	\$ 8,415	
3-1-2005	\$170,000	8,415	178,415	\$186,830
9-1-2005	-0-	5,610	5,610	
3-1-2006	170,000	5,610	175,610	181,220
9-1-2006	-0-	2,805	2,805	
3-1-2007	170,000	2,805	172,805	175,610
Total	\$510,000	\$33,660	\$543,660	\$543,660

Other Long-term Obligation

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004.

Compensated absences payable at July 1, 2003	\$11,779
Additions	
Compensated absences payable at June 30, 2004	<u>\$11,779</u>

8. 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 disclosures 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.

9. LEASE REVENUES:

The District leases property to various businesses under month to month lease agreements. These cancelable leases are reported as operating leases.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED JUNE 30, 2004

10. LEASE EXPENSE COMMITMENTS:

The District leases land and buildings under noncancelable operating leases. Total costs for such leases were \$61,937 for the year ended June 30, 2004. The future minimum lease payments for these leases are as follows:

Year ended June 30,	Amount
2005	61,937
2006	61,937
2007	61,937
2008	61,937
2009	<u>61,937</u>
	<u>309,685</u>

11. LITIGATION

There is no litigation pending against the district. The United States Army Corps of Engineers has billed the Port Commission \$402,050 as its share of the costs of reacquiring certain rights-of-ways in the Atchafalaya River, Bayou Chene, Bayou Boeuf and Bayou Black Projects. Management and legal counsel for the District are of the opinion that there is little, if any, liability thereunder. Therefore, this billing has not been accrued at June 30, 2004.

The District has designated \$500,000 of its fund balance for complete assurance to the United States Army Corps of Engineers. In the amended act of Assurance of Agreement and Designation dated August 14, 1973, the District has given continuing assurances to contribute 25% of the construction costs of the Atchafalaya River and Bayou Boeuf, Black and Chene Projects. Payments contributed in prior years toward these guarantees reduced the total amount designated at June 30, 2002 to \$402,050. As indicated above, the Board does not feel that this amount is due to the Corps of Engineers. During the year ended June 30, 2003 the District removed this amount from restricted fund balance.

12. PENSION PLAN:

Substantially all employees of the district are members of the Louisiana State Employees Retirement System (System), a cost-sharing, multiple-employer public employee retirement system (PERS). The System is a statewide public retirement system, which is organized for the purpose of providing retirement and other benefits for employees of the state and its various departments and agencies and their beneficiaries, and is administered and controlled by a separate board of trustees. Contributions of participating state agencies are pooled within the System to fund accrued benefits, with contribution rates approved by the Louisiana Legislature.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED JUNE 30, 2004

All full-time district employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent of their highest consecutive 36-month average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. The System also provides death and disability benefits. Benefits are established by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Covered employees are required by state statute to contribute 7.5 percent of gross salary and the district is required to contribute at an actuarially determined rate. The current rate is 12.4 percent of annual covered payroll. The contribution requirements of plan members and the district are established and may be amended by state statute. As provided by R.S. 11:102, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation from the prior fiscal year. The Morgan City Harbor and Terminal District contributions to the System for the years ending June 30, 2004, 2003, and 2002, were \$4,144, \$8,023, and \$16,338, respectively, equal to the required contributions for each year.

13. POSTRETIREMENT HEALTHCARE BENEFITS:

The district provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the district's employees become eligible for these benefits if they reach normal retirement age while working for the district. These benefits for retirees and similar benefits for active employees are provided through the Louisiana State Employees Group Benefits Program. Retirees' monthly premiums are paid jointly by the retiree and the district. Monthly premiums for active employees are paid by the district. The district recognizes the cost of providing these benefits (district's portion of premiums) as an expenditure when paid during the year, which was \$7,739 for the year ended June 30, 2004. The District did not have any retired employee receiving benefits for the year ended June 30, 2004.

SUPPLEMENTARY INFORMATION

MORGAN CITY HARBOR AND TERMINAL DISTRICT
 D\B\A THE PORT OF MORGAN CITY
 STATE OF LOUISIANA
 SCHEDULE OF COST OF SALES AND SERVICES
 JUNE 30, 2004

DOCK EXPENSES:	
Security	\$33,121
Contracted Services	2,279
Fuel	1,471
Insurance	11,264
Repairs and Maintenance	28,795
Dock Salaries and Benefits	10,208
Dock Supplies	3,972
Dock Telephone	386
Dock Utilities	2,665
Miscellaneous	365
WAREHOUSE EXPENSES:	
Maintenance	2,527
Utilities	1,069
RENTAL EXPENSES:	
Repairs & Maintenance	17,298
FEASIBILITY STUDIES	<u>519,022</u>
TOTAL COST OF SALES AND SERVICES	<u>634,442</u>

The accompanying notes are an integral part of this statement..

MORGAN CITY HARBOR AND TERMINAL DISTRICT
 D\B\A THE PORT OF MORGAN CITY
 STATE OF LOUISIANA
 SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2004

Accounting	\$6,000
Advertising	4,488
Car Allowance	7,250
Assessor's Compensation	21,835
Computer Maintenance	944
Professional Services	160,548
Executive Director	16,250
Dues and Subscriptions	2,862
Marketing and Promotions	63,440
Insurance	77,158
Janitorial	3,463
Pest Control	360
Office Supplies	4,461
Postage	674
Lease Expense	87,253
Printing	44
Repairs and Maintenance	3,535
Salaries and Benefits	41,373
Telephone	7,861
Conference and Travel	5,988
Utilities	11,637
Miscellaneous	<u>753</u>
 TOTAL GENERAL AND ADMINISTRATIVE	 <u>528,177</u>

The accompanying notes are an integral part of this statement..

MORGAN CITY HARBOR AND TERMINAL DISTRICT
D\B\A THE PORT OF MORGAN CITY
STATE OF LOUISIANA
SCHEDULE OF PER DIEM PAID BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2004

COMMISSIONER	AMOUNT
Larry J. Doiron, President	-0-
Raymond M. Wade, Vice President	-0-
Doyle G. Berry, Secretary	-0-
Earl Hebert, Treasurer	-0-
Gregory Aucoin	-0-
Wallace Carline	-0-
Bernie Hunter	-0-
Willie Tezeno	-0-
Alfred S. Lippman	-0-
Total	none

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by Government Auditing Standards, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.

MCRIGHT & ASSOCIATES
Certified Public Accountants
11817 Bricksome Ave., Suite E
Baton Rouge, Louisiana 70816
(225) 292-2041

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Morgan City Harbor and Terminal District

We have audited the basic financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 26, 2004. We conducted our audit in accordance with generally accepted auditing standards 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 Morgan City Harbor and Terminal District's basic 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 Morgan City Harbor and Terminal District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure 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 a material weakness. 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 general purpose 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 weakness.

MCRIGHT & ASSOCIATES
Certified Public Accountants
11817 Bricksome Ave., Suite E
Baton Rouge, Louisiana 70816
(225) 292-2041

This report is intended for the information of the District and Legislative Auditor's Office 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.

McRight & Associates

November 26, 2004

Other Supplementary Information

MORGAN CITY HARBOR AND TERMINAL DISTRICT
Morgan City, Louisiana
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

There were no prior audit findings.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
Morgan City, Louisiana

FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY SCHEDULE OF FINDINGS

SUMMARY OF AUDITOR'S REPORT

An unqualified opinion was issued on the general purpose financial statements for the year ended June 30, 2004.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

INTERNAL CONTROL

Material Weaknesses - none Reportable Conditions - none

COMPLIANCE

Noncompliance Material to Financial Statements - None

MATERIAL FINDINGS

NONE.

MANAGEMENT LETTER

A management letter was not issued as part of this audit.

SUMMARY OF PRIOR AUDIT FINDINGS

There were no prior year auditing findings.

MANAGEMENT CORRECTIVE ACTION PLAN

None Required.