

REPORT

ST. BERNARD PORT, HARBOR
AND TERMINAL DISTRICT
(STATE OF LOUISIANA)

JUNE 30, 2004

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 11-24-04

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)

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INDEPENDENT AUDITOR'S REPORT

September 3, 2004

To the Board of Commissioners
St. Bernard Port, Harbor and
Terminal District
Chalmette, Louisiana

We have audited the accompanying financial statements of the St. Bernard Port, Harbor and Terminal District (the District), of the State of Louisiana, as of and for the year ended June 30, 2004 as listed in the foregoing index to the report. These 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 and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 St. Bernard Port, 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.

Management's discussion and analysis on pages 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 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 3, 2004 on our consideration of the St. Bernard Port, Harbor and Terminal District's 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 audit.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

ST. BERNARD PORT, HARBOR
AND TERMINAL DISTRICT
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

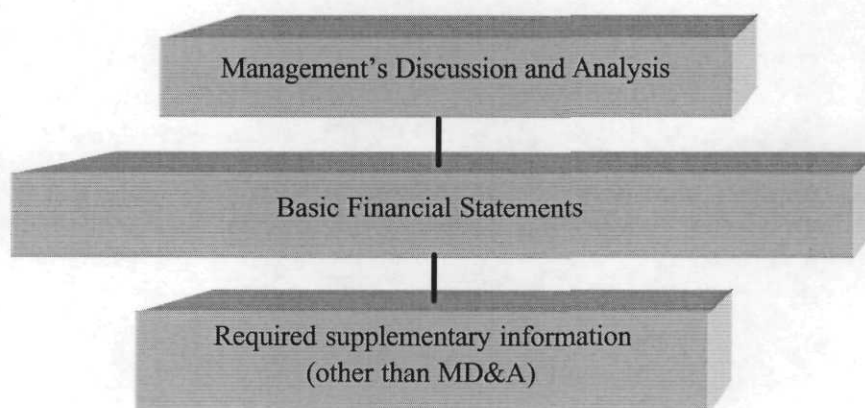
The Management's Discussion and Analysis of the St. Bernard Port, Harbor and Terminal District's financial performance presents a narrative overview and analysis of St. Bernard Port, Harbor and Terminal District's financial activities for the year ended June 30, 2004. This document focuses on the current 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 St. Bernard Port, Harbor and Terminal District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The St. Bernard Port, Harbor and Terminal District's assets exceeded its liabilities at the close of fiscal year 2004 by \$61,536,060, which represents an increase from last fiscal year. The net assets increased by \$4,164,230 (or 7%).
- The St. Bernard Port, Harbor and Terminal District's intergovernmental revenues decreased \$5,087,873 (or 56%) and the net results from operations increased by \$199,522 (or 26%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements, if applicable, for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



ST. BERNARD PORT, HARBOR
AND TERMINAL DISTRICT
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

BASIC FINANCIAL STATEMENTS

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

The Statement of Net Assets (page 8) 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 St. Bernard Port, Harbor and Terminal District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 9) presents information showing how St. Bernard Port, Harbor and Terminal 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 10-11) presents information showing how St. Bernard Port, Harbor and Terminal 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.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of June 30, 2004 and 2003
(in thousands)

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 4,528	\$ 6,419
Capital assets	<u>64,433</u>	<u>59,049</u>
Total assets	<u>68,961</u>	<u>65,468</u>
Current liabilities	1,212	2,927
Long-term obligations	<u>6,213</u>	<u>5,169</u>
Total liabilities	<u>7,425</u>	<u>8,096</u>
Net assets:		
Invested in capital assets, net of debt	58,193	53,839
Restricted	1,716	1,849
Unrestricted	<u>1,627</u>	<u>1,684</u>
Total net assets	<u>\$ 61,536</u>	<u>\$ 57,372</u>

ST. BERNARD PORT, HARBOR
AND TERMINAL DISTRICT
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

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 amounts may be used for.

Net assets of St. Bernard Port, Harbor and Terminal District increased by \$4,164,230 (or 7%), from June 30, 2003 to June 30, 2004. The main cause of the increase is the net non-operating revenue received by the District.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended June 30, 2004 and 2003
(in thousands)

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 3,266	\$ 2,489
Operating expenses	<u>(3,825)</u>	<u>(3,248)</u>
Operating loss	<u>(559)</u>	<u>(759)</u>
Non-operating revenues	<u>4,723</u>	<u>9,760</u>
Income before transfers	<u>4,164</u>	<u>9,001</u>
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
Net increase in net assets	\$ <u><u>4,164</u></u>	\$ <u><u>9,001</u></u>

The St. Bernard Port, Harbor and Terminal District's total revenues decreased \$4,267,522 (or 34%). The total cost of all programs and services increased by \$569,045 (or 16%). The main cause for the decrease in revenue is the decrease in state grants and federal funds received during the year ended June 30, 2004. The main cause for the increase in the cost of programs and services is the increase in depreciation expense.

ST. BERNARD PORT, HARBOR
AND TERMINAL DISTRICT
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the St. Bernard Port, Harbor and Terminal District had \$64,433,112, net of accumulated depreciation of \$6,556,640, invested in capital assets, including land, buildings and improvements, dock, barge and marina facilities, furniture and equipment and construction in progress. (See following Table and notes). This amount represents a net increase of \$5,384,474. The major additions were to dock and barge facilities.

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

	<u>2004</u>	<u>2003</u>
Land and improvements	\$ 12,030	\$ 11,243
Buildings and improvements	5,479	3,944
Dock and barge facilities	22,702	10,882
Dock and marina facilities	-	1
Furniture and equipment	156	83
Construction in progress	<u>24,066</u>	<u>32,896</u>
Totals \$	<u>64,433</u>	<u>\$ 59,049</u>

Debt

The St. Bernard Port, Harbor and Terminal District had \$6,240,000 in loans payable outstanding at year-end, compared to \$5,210,000 last year, an increase of \$1,030,000 (or 20%).

The St. Bernard Port, Harbor and Terminal District has a lawsuit seeking monetary damages in excess of \$500,000 pending at year end. Other obligations include the accrual for future compensated absences.

**ST. BERNARD PORT, HARBOR
AND TERMINAL DISTRICT
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The St. Bernard Port, Harbor and Terminal 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 costs as a result of federal mandates. Also, the receipt of security grants for capital improvements related to security.
- An increase in wages, retirement, hospitalization and utility costs.
- The completion of a mid-stream facility before the end of the next fiscal year. This will result in an increase in maritime revenue.
- Tonnage in the port maritime facility is up over 30%.
- Continued maritime expansion with the construction of a bulk-storage transit shed and new scale and entry complex at the Arabi Terminal.

**CONTACTING THE ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the St. Bernard Port, Harbor and Terminal District's finances and to show the St. Bernard Port, Harbor and Terminal District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert J. Scafidel, Executive Director, P. O. Box 1331, Chalmette, Louisiana 70044.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Notes 1 and 2)	\$ 2,167,467
Accounts receivable (Note 1)	317,367
Prepaid expenses	240,370
Due from other governmental units (Note 5)	1,743
Deferred financing costs (Note 1)	14,774
Total current assets	<u>2,741,721</u>

RESTRICTED ASSETS: (Notes 1 and 3)

Cash - employee savings	9,794
Cash - construction and loan payments	805,257
Investments - construction and loan payments	886,480
Accrued interest receivable - restricted assets	14,938
Total restricted assets	<u>1,716,469</u>

CAPITAL ASSETS: (Notes 1 and 6)

Land and improvements	12,029,639
Dock and barge facilities	27,099,510
Dock and marina facilities	5,500
Buildings and improvements	7,219,041
Furniture and equipment	569,903
	<u>46,923,593</u>

Less accumulated depreciation	<u>6,556,640</u>
	40,366,953

Construction in progress	<u>24,066,159</u>
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Net capital assets	<u>64,433,112</u>
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OTHER ASSETS: (Note 1)

Deferred financing costs (less current portion and accumulated amortization of \$87,253)	<u>69,901</u>
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TOTAL ASSETS	<u>\$ 68,961,203</u>
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See accompanying notes.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 512,716
Due to employees - savings	9,794
Accrued interest payable	108,038
Deferred revenue (Notes 1 and 7)	239,576
Loan payable - current (Note 7)	330,000
Deferred credit - loan premium (Notes 1 and 7)	11,741
Total current liabilities	<u>1,211,865</u>

LONG-TERM OBLIGATIONS: (Note 7)

Unearned lease revenue (Notes 1 and 7)	137,533
Compensated absences (Note 1)	156,131
Loan payable - noncurrent (Note 7)	5,910,000
Deferred credit - loan premium (less current portion and accumulated amortization of \$108,516) (Notes 1 and 7)	9,614
Total long-term obligations	<u>6,213,278</u>
Total liabilities	<u>7,425,143</u>

CONTINGENCIES: (Note 11)

NET ASSETS:

Invested in capital assets, net of related debt	58,193,112
Unrestricted	1,626,479
Restricted	<u>1,716,469</u>
Total net assets	<u>61,536,060</u>

TOTAL LIABILITIES AND NET ASSETS \$ 68,961,203

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

OPERATING REVENUES:	
Lease revenues (Notes 1, 7 and 9)	\$ 3,159,591
Other fees and permits	<u>106,158</u>
Total operating revenues	<u>3,265,749</u>
OPERATING EXPENSES:	
Personal services	1,061,333
Supplies and materials	21,586
Other services and charges	1,097,939
Promotion and marketing	92,663
Professional services	252,242
Depreciation (Notes 1 and 6)	<u>1,299,205</u>
Total operating expenses	<u>3,824,968</u>
Operating loss	<u>(559,219)</u>
NONOPERATING REVENUES (EXPENSES):	
Taxes - ad valorem (Note 4)	933,000
Intergovernmental revenues (Note 5)	4,067,363
Interest earned	57,205
Interest expense on long-term debt	<u>(334,119)</u>
Total nonoperating revenues	<u>4,723,449</u>
Change in net assets	4,164,230
NET ASSETS - Beginning of year	<u>57,371,830</u>
NET ASSETS - End of year	<u>\$ 61,536,060</u>

See accompanying notes.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services	\$ 2,881,210
Cash paid for goods and services	(1,510,994)
Payments for salaries and related expenses	<u>(1,032,060)</u>
Net cash provided by operating activities	<u>338,156</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Ad valorem tax receipts	934,126
State revenue sharing	<u>125,000</u>
Net cash provided by noncapital financing activities	<u>1,059,126</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:	
State grants	4,671,000
Federal funds revenue	1,447,912
Purchases of capital assets	(8,041,724)
Proceeds from loans	1,300,000
Principal payments on loans	(270,000)
Interest paid on loans	<u>(338,593)</u>
Net cash used by capital and related financing activities	<u>(1,231,405)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(102,207)
Proceeds from sale and maturities of investments	732,262
Interest earned	<u>90,855</u>
Net cash provided by investing activities	<u>720,910</u>
Net increase in cash and cash equivalents	886,787
Cash and cash equivalents - beginning of year	<u>2,095,731</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>2,982,518</u>

(Continued)

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

RECONCILIATION OF OPERATING LOSS TO
 NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$ (559,219)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,299,205
Changes in net assets and liabilities:	
Accounts receivable	(73,142)
Prepaid expenses	(6,958)
Accounts payable	(39,606)
Due to employees - savings	(827)
Deferred revenue	(311,397)
Compensated absences	<u>30,100</u>
Net cash provided by operating activities	<u>\$ 338,156</u>

RECONCILIATION OF CASH AND CASH
 EQUIVALENTS TO STATEMENT OF NET ASSETS:

Cash and cash equivalents - current assets	\$ 2,167,467
Cash - restricted assets	<u>815,051</u>
	<u>\$ 2,982,518</u>

See accompanying notes.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NATURE OF OPERATIONS:

The St. Bernard Port, Harbor and Terminal District (the District) was created as a public corporation and political subdivision of the State of Louisiana under Louisiana Revised Statute 34:1701-1714. The District is governed by a Board of Commissioners consisting of five members appointed by the Governor upon the recommendation of a majority of the Legislative delegation from St. Bernard Parish. 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, landings, 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 Funds 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 good 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.

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:

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity (Continued)

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 its 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.

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.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting (Continued)

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 accounts 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 estimated useful lives of the assets.

Restricted Assets

Certain cash and investments and accrued interest thereon to be used for planned construction and for the repayment of loans payable are classified as restricted assets on the statement of net assets because their use is limited by applicable loan covenants.

Cash held for employee savings is restricted until the cash is remitted to the employee.

Investments

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

Deferred Financing Costs

Costs incurred to obtain loan financing are capitalized and amortized over the life of the loan using the percentage of principal payback method which approximates the effective interest method.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred Credit - Loan Premium

The premium on the loan payable is amortized using the percentage of principal payback method which approximates the effective interest method.

Compensated Absences

Accumulated vacation and sick leave is accrued as an expense of the period in which incurred. Administrative employees earn from 12 to 25 days of vacation and sick leave each year depending on length of service with the District. Accumulation of vacation leave is limited to 60 days per employee. Accumulation of sick leave is limited to 25 days per employee. Upon termination of employment, unused vacation and sick leave will be paid to employees at the employee's current rate of pay.

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. Deferred revenue includes the estimated fair value of improvements to the District's facilities paid for by lessees. The revenue is being recognized over the terms of the operating leases.

2. CASH:

The District's cash bank balances (restricted and unrestricted) 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 \$3,187,919.

3. INVESTMENTS:

Statutes authorize the District to invest in direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies, provided such obligations are backed by the full faith and credit of the United States of America; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by U.S. Government instrumentalities, which are federally sponsored; mutual or trust fund institutions

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

3. INVESTMENTS: (Continued)

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 or its agencies; and certain guaranteed investment contracts.

All investments of the District are restricted and are maintained in trust accounts, as required by loan agreements. (See note 7.)

The District's investments are carried at fair value and consist of U.S. Treasury money market funds, notes and mortgages of the U.S. Government, federal agencies and U.S. Government instrumentalities. The investments are managed by the trustee, but are restricted by the loan agreement. The money market funds in the amount of \$733,734 at June 30, 2004 are held by the trustee in the name of the District. All other investments in the amount of \$152,746 at June 30, 2004 are held by the trustee in the name of the District. A summary of the District's investments by type at June 30, 2004 follows:

U.S. Treasury money market funds	\$ 733,734
Federal Home Loan Bank	<u>152,746</u>
	<u>\$ 886,480</u>

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 St. Bernard 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 \$371,446,251 with homestead exemptions of \$112,131,987.

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 \$3.66 per \$1,000 for the 2003 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 98.3 percent of the tax levy.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

4. AD VALOREM TAXES: (Continued)

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 \$26,912.

5. INTERGOVERNMENTAL REVENUES AND RECEIVABLES:

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

State of Louisiana revenue sharing	\$ 125,000
State grants	3,532,116
Federal grants	<u>410,247</u>
Totals	<u>\$ 4,067,363</u>

Amounts due from other governmental units consisted of the following for the year ended June 30, 2004:

St. Bernard Parish Tax Collector	\$ <u>1,743</u>
----------------------------------	-----------------

6. CAPITAL ASSETS:

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

	<u>Balance</u> <u>July 1, 2003</u>	<u>Prior Year</u> <u>Addition</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2004</u>
Land and improvements	\$ 11,242,892	\$ --	\$ 786,747	\$ --	\$ 12,029,639
Dock and barge facilities	14,197,171	690,000	12,212,339	--	27,099,510
Buildings and improvements	5,385,861	--	1,833,180	--	7,219,041
Dock and marina facilities	566,118	--	--	560,618	5,500
Furniture and equipment	703,033	--	106,200	239,330	569,903
Construction in progress	<u>32,895,570</u>	<u>--</u>	<u>4,905,457</u>	<u>13,734,868</u>	<u>24,066,159</u>
Totals	<u>\$ 64,990,645</u>	<u>\$ 690,000</u>	<u>\$ 19,843,923</u>	<u>\$ 14,534,816</u>	<u>\$ 70,989,752</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

6. CAPITAL ASSETS: (Continued)

	Accumulated Depreciation <u>July 1, 2003</u>	Prior Year <u>Addition</u>	Depreciation <u>Expense</u>	<u>Retirements</u>	Accumulated Depreciation <u>June 30, 2004</u>
Dock and barge facilities	\$ 3,315,264	\$ 115,000	\$ 967,575	\$ --	\$ 4,397,839
Buildings and improvements	1,441,783	--	297,868	--	1,739,651
Dock and marina facilities	565,598	--	367	560,618	5,347
Furniture and equipment	<u>619,362</u>	<u>--</u>	<u>33,395</u>	<u>238,954</u>	<u>413,803</u>
Totals	<u>\$ 5,942,007</u>	<u>\$ 115,000</u>	<u>\$ 1,299,205</u>	<u>\$ 799,572</u>	<u>\$ 6,556,640</u>

7. GENERAL LONG-TERM OBLIGATIONS:

Bonds Payable:

On July 1, 2003, the District issued \$780,000 of Series 2003A revenue bonds with a variable interest rate for the purpose of acquiring property and improvements to the District. In October 2003, the bonds were refunded with a portion of the proceeds of a loan with the Louisiana Public Facilities Authority. It is not possible to calculate the difference between the cash flow requirements of the old and new debt nor the economic gain or loss as a result of the refunding since both the old and new debt contain variable interest rates.

Loan Payable:

On March 2, 2000, the District entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority). Under the agreement, the Authority issued \$1,480,000 of Series 2000A Revenue Bonds and \$4,135,000 of Series 2000B Revenue and Refunding Bonds and loaned the proceeds to the District. The loan agreement requires the District's loan proceeds to be deposited with the Authority's trustee bank.

From the proceeds of the loan, the District was required to fund a reserve fund and pay the costs of issuance of the Authority's bonds. The remaining proceeds of the Series 2000A Bonds loan will be used to make utility, roadway and security improvements at the District. A portion of the proceeds of the Series 2000B Bonds loan was used to currently refund the District's 1996 Certificates of Indebtedness and the remainder will be used to renovate the intermodal facilities, make warehouse and site improvements, renovate the administration office building and rehabilitate two separate warehouses.

Under the loan agreement, the District is required to repay the loan by making the debt service payments, including principal, interest and reserve requirements for the Authority's two bond issues. The bonds have stated interest rates ranging from 5.7% to 8% and maturities ranging from March 2001 to March 2015. Interest is payable March 1 and September 1 of each year, commencing September 1, 2000, and principal payments are due March 1 of each year, commencing March 1, 2001.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

7. GENERAL LONG-TERM OBLIGATIONS: (Continued)

Loan Payable: (Continued)

On October 1, 2003, the District entered into a loan agreement with the Louisiana Public Facilities Authority (the Authority). Under the agreement, the Authority issued \$1,300,000 of Series 2003C Revenue Bonds and loaned the proceeds to the District. The loan agreement requires the District's loan proceeds to be deposited with the Authority's trustee bank.

The bonds have been issued for the purpose of acquiring and improving property, construction and equipment, refunding the District's \$780,000 Revenue Bonds, Series 2003A and paying the cost incurred in connection with the issuance of the bonds.

Under the loan agreement, the District is required to repay the loan to the trustee. The bond has a variable interest rate. The rate is determined weekly by the remarketing agent. Interest is payable on January 1, April 1, July 1 and October 1. Principal payments are due on July 1 of each year commencing July 1, 2004 to July 1, 2018.

The following is a summary of loan payable transactions for the year ended June 30, 2004:

Outstanding at beginning of year	\$ 5,210,000
Additions	1,300,000
Reductions	<u>(270,000)</u>
Outstanding at end of year	<u>\$ 6,240,000</u>

The annual principal and interest payments on the loan outstanding at June 30, 2004 are as follows:

Year Ended <u>June 30,</u>	Principal <u>Payments</u>	Interest <u>Payments</u>	<u>Total</u>
2005	\$ 330,000	\$ 311,198	\$ 641,198
2006	380,000	287,877	667,877
2007	405,000	265,528	670,528
2008	435,000	241,837	676,837
2009	455,000	220,492	675,492
2010-2018	<u>4,235,000</u>	<u>792,033</u>	<u>5,027,033</u>
	<u>\$ 6,240,000</u>	<u>\$ 2,118,965</u>	<u>\$ 8,358,965</u>

The interest payments on the loan with the Louisiana Public Facility Authority are not included since future interest rates are not known.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

7. GENERAL LONG-TERM OBLIGATIONS: (Continued)

Other Long-Term Obligations:

The following is a summary of changes in other long-term obligations for the year ended June 30, 2004:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Prior Year</u> <u>Addition</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>
Compensated absences	\$ 126,031	\$ --	\$ 31,245	\$ 1,145	\$ 156,131
Deferred revenue	<u>81,314</u>	<u>285,547</u>	<u>--</u>	<u>229,328</u>	<u>137,533</u>
Totals	<u>\$ 207,345</u>	<u>\$ 285,547</u>	<u>\$ 31,245</u>	<u>\$ 230,473</u>	<u>\$ 293,664</u>

Deferred revenue at June 30, 2004 is as follows:

Balance, June 30	\$ 377,109
Less: current portion	<u>(239,576)</u>
Long-term portion	<u>\$ 137,533</u>

For the year ended June 30, 2004, \$311,397 was recognized as lease revenue from these leases.

Following is a schedule of the deferred revenue to be recognized in future years:

<u>June 30</u>	<u>Amount</u>
2005	\$ 239,576
2006	110,428
2007	<u>27,105</u>
	<u>\$ 377,109</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 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.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

9. LEASE REVENUES:

The District leases property and buildings located at the Chalmette and Arabi terminals and other sites within St. Bernard Parish and dock and barge facilities located at the Chalmette Slip to various businesses. These leases are reported as operating leases. Minimum future rentals on cancelable leases are as follows:

Year Ended <u>June 30</u>	
2005	\$ 1,919,642
2006	1,137,560
2007	827,974
2008	697,838
2009	638,180
Thereafter	<u>2,744,228</u>
Total	<u>\$ 7,965,422</u>

In addition to the lease revenues above, the District became the assignee of several leases for pipeline right of ways when the District acquired the property at the Chalmette Slip. The terms of the leases are indefinite, thus the District will receive approximately \$964 annually under these leases.

Contingent rentals earned for the year ended June 30, 2004 were \$491,607.

The carrying value of leased property as of June 30, 2004 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Land and improvements	\$ 12,029,639	\$ --	\$ 12,029,639
Dock and barge facilities	27,099,510	4,397,839	22,701,671
Buildings and improvements	7,219,041	1,739,651	5,479,390
Dock and marina facilities	<u>5,500</u>	<u>5,347</u>	<u>153</u>
	<u>\$ 46,353,690</u>	<u>\$ 6,142,837</u>	<u>\$ 40,210,853</u>

10. LEASE EXPENSE COMMITMENTS:

During the year ended June 30, 2004, the District had a vehicle leased under an operating lease. The lease requires monthly payments of \$863 and expires March 2005. Future minimum lease payments on the lease are as follows at June 30, 2004:

Year Ended <u>June 30</u>	<u>Amount</u>
2005	<u>\$ 7,768</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

10. LEASE EXPENSE COMMITMENTS: (Continued)

The District also leases various equipment and other items under month-to-month leases. Total rent expense for all leases for the year ended June 30, 2004 was \$39,118.

11. LITIGATION:

A lawsuit seeking monetary damages in excess of \$500,000 is pending against the District. Management of the District is of the opinion that, even if adversely decided, the District is adequately insured against such claims and the disposition of the claims will not have a material effect on the operations or the financial position of the District. Legal counsel is unable to provide an estimate of the outcome of the lawsuit or a range of potential loss at this time.

12. PENSION PLAN:

Substantially all employees of the District are members of two statewide retirement systems, both of which are cost-sharing multiple-employer public employee retirement systems (the Systems). The majority of employees are members of the Louisiana State Employees Retirement System (LASERS). All permanent employees, who meet the age requirements and who are paid wholly or in part from the District funds must be members of LASERS. However, employees who were previously members of other state retirement systems may continue to participate in that system in lieu of participating in LASERS. During the year ended June 30, 2004, one employee continued participation in the Teachers Retirement System of Louisiana (TRS).

Under LASERS, employees who retire, with 30 years of accredited service, or at or after age 60 with at least 10 years of accredited service are entitled to a retirement benefit, payable monthly for life, equal to 2-1/2% of their average compensation for each year of creditable service plus three hundred dollars. Participants who became members of LASERS on or after July 1, 1986, are not eligible for the \$300 addition to the annual retirement benefit formula. Effective January 1, 1996, employees may choose to retire with 20 years of service at any age, with an actuarial reduced benefit.

The formula for annual maximum retirement benefits under TRS is 2% or 2.5% of final average salary for each year of credited service. Final average salary is based upon the member's highest successive thirty-six months of salary. Benefits are paid monthly for life.

Benefits of the Systems are funded by employer and employee contributions. The contribution rates (as a percentage of covered salaries) are established by state law as follows:

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

12. PENSION PLAN: (Continued)

	<u>June 30, 2004</u>	
	<u>Employee</u>	<u>Employer</u>
Louisiana State Employees' Retirement System	8.0%	15.8%
Louisiana Teachers' Retirement System	7.5	13.8

The District's contributions to the plans during the years ended June 30, 2004, 2003 and 2002 are as follows:

	<u>June 30,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>
Louisiana State Employees' Retirement System	\$ 81,944	\$ 69,446	\$ 68,048
Louisiana Teachers' Retirement System	18,691	15,039	13,383

Both systems issue publicly available financial reports that include financial statements and required supplementary information for each system. The LASERS report may be obtained by writing to the System at P.O. Box 44516, Baton Rouge, Louisiana 70804-4516. The TRS report may be obtained by writing to the System at P.O. Box 94123, Baton Rouge, Louisiana 70804-9123.

13. DEFERRED COMPENSATION PENSION FUND:

The Louisiana Public Employees Deferred Compensation Plan (the Plan) was adopted by the Louisiana Deferred Compensation Commission effective September 15, 1982. The plan was established in accordance with Louisiana Revised Statutes 42:1301 through 42:1308 and section 457 of the Internal Revenue Code of 1954, as amended, for the purpose of providing supplemental retirement income to employees by permitting them to defer a portion of compensation to be invested and distributed in accordance with the terms of the Plan.

All compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall be held for the exclusive benefit of participants and their beneficiaries.

The maximum amount of compensation which may be deferred during a calendar year shall not exceed the lesser of 33% of a participant's includable income or \$8,000.

The St. Bernard Port, Harbor and Terminal District makes contributions to the Plan on behalf of each employee based on the following schedule:

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

13. DEFERRED COMPENSATION PENSION FUND: (Continued)

<u>Years of Service</u>	<u>Monthly Contribution</u>
0-2	\$ 20
3-5	40
6-9	60
10-14	80
15 and over	100

Contributions to the Plan by employees totaled \$24,608 for the year ended June 30, 2004. Contributions to the Plan by the District totaled \$9,970 for the year ended June 30, 2004.

14. POSTRETIREMENT HEALTH CARE BENEFITS:

The Board of Commissioners of the St. Bernard Port, Harbor and Terminal District has established the policy of providing certain continuing health care insurance benefits for certain retired employees. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by the District. All District employees who are eligible to retire under a state retirement system become eligible to receive these benefits. At June 30, 2004, four retirees were receiving benefits. The District's costs of providing retiree health care insurance benefits are recognized as expenses when the monthly premiums are paid. For the year ended June 30, 2004, the total cost of premiums was \$25,214.

15. FEDERAL FUNDS:

The District has received Federal Transit Capital Investment funds directly from the United States Department of Transportation in the amount of \$410,247 for the year ended June 30, 2004. The grant provides 80% of the cost of the intermodal facility construction and the District provides 20% participation. The District is responsible for all applicable federal compliance requirements.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 3, 2004

Board of Commissioners
St. Bernard Port, Harbor and Terminal District
Chalmette, Louisiana

We have audited the financial statements of the St. Bernard Port, Harbor and Terminal District (the District), State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 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 District'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 District'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 for the information and use of the Board of Directors and management of the St. Bernard Port, Harbor and Terminal District, the State of Louisiana, the Legislative Auditor for the State of Louisiana and the United States Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

Summary of Auditor's Results:

1. An unqualified opinion was issued on the financial statements of the St. Bernard Port, Harbor and Terminal District for the year ended June 30, 2004.

2. Internal Control

Material weaknesses: None noted.
Reportable conditions: None noted.

3. Compliance

Noncompliance material to the financial statements: None noted.

Findings Required To Be Reported Under Governmental Auditing Standards Generally Accepted in the United States of America:

None

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

PRIOR AUDIT FINDINGS:

NONE