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BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2006

P&N

Postlethwaite & Netterville

A Professional Accounting Corporation

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BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS
LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2006

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A Professional Accounting Corporation
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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, 2006 and 2005 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, 2006 and 2005, 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 9 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 November 7, 2006 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Postlethwaite & Netterville

Metairie, Louisiana
November 7, 2006

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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, 2006

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, 2006. Please read it in conjunction with the Board's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Board's financial highlights are dominated by the impact of Hurricane Katrina on the fixed assets and operating income. The Board's net assets increased $1.8 million resulting primarily from capital contributions offset by losses due to Hurricane Katrina. All capital contributions are funds received from the State of Louisiana and the federal government for use in construction projects and as reimbursement for uninsured losses due to Hurricane Katrina. Ordinary business activity resulted in a decrease in net assets of $6.3 million. In comparison to the previous years change, Fiscal Year 2005 versus Fiscal Year 2004, net assets increased $17.2 million. The increase is mainly from capital contributions.

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, 2006, reached $606.5 million. This represents a decrease of $5.7 million or 0.9 percent from the prior year. Total liabilities reached $138.2 million for a decrease of $7.5 million or 5.1 percent and total net assets are $468.2 million for an increase of $1.8 million or 0.4 percent (See Table 1).

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.

Table 1
(in thousands of dollars)
Net Assets

	2006	2005	Percentage Change	2004
Current assets	$ 41,327	$ 33,010	25.2%	$ 28,996
Restricted assets	36,597	56,187	-34.9%	50,619
Property (net)	526,055	520,299	1.1%	482,433
Other assets	2,503	2,637	-5.1%	2,504
Total assets	$ 606,482	$ 612,133	-0.9%	$ 564,552
Current liabilities	$ 18,010	$ 28,431	-36.7%	$ 12,834
Non-current liabilities	120,233	117,269	2.5%	102,464
Total liabilities	138,243	145,700	-5.1%	115,298
Net assets:				
Invested in capital assets, net of related debt	422,876	428,863	-1.4%	405,868
Restricted	24,347	24,160	0.8%	24,304
Unrestricted	21,016	13,410	56.7%	19,081
Total net assets	468,239	466,433	0.4%	449,253
Total liabilities and net assets	$ 606,482	$ 612,133	-0.9%	$ 564,551

Changes in Net Assets

The change in net assets at June 30, 2006, was an increase of $1.8 million or 0.4 percent. The Board's total operating revenues decreased $1.2 million or 3.0 percent. Total operating expenses decreased $0.2 million or 0.5 percent. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3. Current assets increased significantly as a result of property damage and business interruption receivable from anticipated insurance proceeds. The restricted assets decreased due to significant payout of the 2005 Revenue Bond issue for construction of the Erato Street Cruise Complex. Property increased as expenditures were made for the Erato Street Cruise Terminal and Parking Complex and improvements to the Elaine Street Wharf. The property increase is offset by the hurricane-related loss of $19.0 million. The decrease in current liabilities results mainly from a decrease in construction related payables for the Erato Street Cruise Terminal and Parking Complex and improvements to the Elaine Street Wharf. The increase in non-current liabilities is primarily due to the $5.6 million community disaster loan made in 2006 offset by $1.6 million of principal payments made on the revenue bonds.

In relationship to 2004, Fiscal Year 2005 net assets increased significantly by $17.2 million. The increase is mainly due to investment in capital assets from construction of the aforementioned Erato Street Cruise Terminal and Parking Complex and improvements to the Elaine Street Wharf. The increase was somewhat offset by a net decrease in restricted assets resulting from payout of the 2003 Revenue Bond proceeds and an increase from the issue of the 2005 Revenue Bonds. Both bond issues were for construction of the Erato Street Cruise Terminal and Parking Complex.

The restricted funds totaling $17.9 million result 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)		2006	2005	Percentage Change	2004
Operating Revenues:					
Docks	$	25,760 $	31,211	-17.5% $	29,133
Cruise and Tourism		5,626	5,613	0.2%	4,911
Real Estate		3,015	3,274	-7.9%	3,291
Business interruption insurance		4,478	-	100.0%	-
Total operating revenues		38,879	40,098	-3.0%	37,335
Operating Expenses:					
Operating expenses		28,670	29,994	-4.4%	29,214
Depreciation		16,503	15,391	7.2%	12,958
Total operating expenses		45,173	45,385	-0.5%	42,172
Operating income gain/(loss)		(6,294)	(5,287)		(4,837)
Non-operating revenues/(expenses), net					
Investment income		1,084	1,152	-5.9%	150
Interest expense		(3,287)	(3,404)	-3.4%	(2,127)
Federal non-capital grants		1,252	-	100.0%	-
Hurricane losses		(2,961)	-	100.0%	-
Gain (loss) on sale of assets		3	(198)	-101.5%	(456)
Demolition and other miscellaneous net		(182)	(952)	-80.9%	(409)
Capital revenue from state and federal programs		12,191	25,869	-52.9%	13,493
Change in net assets		1,806	17,180	-89.5%	5,814
Total net assets, beginning of the year		466,433	449,253	3.8%	443,439
Total net assets, end of year	$	468,239 $	466,433	0.4%	449,253

Operating revenues decreased $1.2 million or 3.0 percent. This decrease was mainly from losses in rental revenue, container crane rent and harbor fees. This was a direct result of the impact of Hurricane Katrina with fewer vessels calling the Port causing lower cargo volumes. This reduced revenue was offset by estimated business interruption insurance revenue of $4.5 million. The increase in operating revenue for 2005 versus 2004 is related to higher dockage revenue due to tariff changes that provided incentives for more midstream operations to discharge at the Board's docks, higher overall cargo volumes in 2005 and an increase in cruise related revenue.

Interest income from investments has decreased slightly in 2006 versus 2005 because of the lower restricted funds from the drawn down on the Series 2005 bond issue. Interest income was lower in 2004 compared to 2005 primarily due to cash reserves used to fund construction of the container terminal, coupled with rising interest rates and market gain on investments in 2005.

Interest expense decreased slightly in 2006 compared to 2005 due to normal amortization of bonded debt. Interest expense significantly increased in 2005 versus 2004 due to the interest capitalization in 2004, expensed in 2005, of debt service on revenue bonds for the construction of the Napoleon Avenue Container Terminal.

Table 3
Operating Expenses
(in thousands of dollars)

	2006	2005	Percentage Change	2004
Labor and fringe benefits	$ 18,959	$ 19,525	-2.9%	$ 18,983
Fuel and utilities	1,609	1,904	-15.5%	1,644
Supplies	342	417	-18.0%	444
Maintenance agreements	382	390	-2.1%	401
Purchased services	131	139	-5.8%	150
Rent – real estate and equipment	469	473	-0.8%	446
Contract labor services	1043	813	28.3%	638
Travel, promotion and advertising	792	983	-19.4%	1043
Electronic data service subscription	134	143	-6.3%	126
Training	22	60	-63.3%	33
Professional fees	907	1,052	-13.8%	1,122
Maintenance	1,603	1,779	-9.9%	1,891
Insurance	3,037	2,765	9.8%	2,883
Workers' compensation	686	(125)	-648.8%	420
Security fee reimbursement	(437)	0	100.0%	0
Other	355	856	-58.5%	413
Depreciation	16,503	15,391	7.2%	12,958
Less capitalized labor	(1,364)	(1,180)	15.6%	(1,423)
Total operating expenses	$ 45,173	$ 45,385	-0.5%	$ 42,172

Along with operating revenue, operating expenses were impacted by Hurricane Katrina resulting in lower expenditures in some categories. Operating expense decreased slightly overall due mainly to five specific areas of cost reductions – labor and fringe benefits, travel and promotional related, fuel and utilities, security fee reimbursement and other expense. Further, there are six other accounts with significant variances. They are maintenance expense, supplies, contract labor, training, workers compensation and capitalized labor.

Labor and fringe benefits decreased 2.9 percent to $19.0 million resulting from attrition after the storm. Forty-six Board employees either retired, resigned, or were terminated post Katrina. The elimination of some positions and the hiring lag in those to be filled resulted in the lower payroll expense. The 2005 labor expense was higher than that of 2004 due to normal salary growth.

Fuel and utilities decreased as compared to Fiscal Year 2005 by $295,000 resulting mainly from a decrease in telephone, $112,000, electricity, $26,000, and water usage, $146,000, for the Board-owned property. All categories, to varying degrees, were impacted by reduction in operations related to Katrina from September through December of 2005. The increase of 2005 over 2004 was due to an increase in electricity costs as a result of higher energy costs and a full use of operation of electric cranes at the Napoleon Container Complex. Further, an increase in vessel calls increased water usage and an increase in gas and diesel prices resulted in increases for 2004 versus 2005.

Reduced port operations and administration resulted in a 18.0% or $75,000, decrease in supplies expense. Office and building supplies, small tools and equipment and other operational supplies all experienced lower utilization. The variance related to 2005 and 2004 is mainly due to the fact that in 2004, the last significant supplies of Harbor Police uniforms were purchased.

Contract labor services expense was one of the few expense categories that increased for 2006. The increase was $230,000. This amount relates specifically to the private security guards hired by the Harbor Police Department. The increase over 2005 is also related to the effects of Hurricane Katrina. The rates for the guards increased after the storm due to higher pay to attract guards. Further, private security was hired in January of 2006 for the Board's FEMA trailer site for its employees. The higher expense in 2005 versus 2004 is related to timing differences in payments of 2004 invoices in the subsequent year.

Travel, promotion and advertising were lower for 2006 by $191,000 as efforts were concentrated on the recovery effort with reductions mainly in promotion and advertising.

Training expense was lower in 2006 by 63.3% over 2005. With employees not in the area for a number of months, a reduction of training opportunities in the area and increased workloads in dealing with the aftermath of the storm, there was little opportunity for employees to attend outside training. Training for 2005 was higher by $28,000 as budget cutbacks in 2004 severely reduced training expenditures.

Professional fees were lower by $145,000 over the 2005 expenses. The differences were in a number of divisions. Port Development was lower by $30,000 as fewer bridge inspections were conducted in Fiscal 2005. In 2005 the Cruise Division contracted for a study of cruise sector economical impact analysis which accounts for 2005 being higher by $54,000. Further, an impact analysis for all port activities was conducted in 2005 which resulted in higher professional fee expenditures of $97,000 in the Executive Division. Fiscal 2004 professional fees were higher than that of 2005 primarily on higher expense for legal fees. In 2004 an asbestosis claim was tried, whereas on previous similar cases the Board was dismissed on summary judgment.

Maintenance costs decreased $176,000 during fiscal year 2006 versus 2005. This relative decrease in 2006 is due to many more repairs being made to the various facilities that relate to storm damage, rather than simple maintenance to facilities.

Worker's compensation expense increased over 2005 by $811,000. A long-standing worker's compensation claim was settled in 2006. Further, an asbestosis claim was adjudicated unfavorable to the Board in 2004 which required an increase in reserves. On appeal, the decision was overturned and the reserve was decreased in 2005 resulting in lower expense. In 2006 the case was brought back to the primary trial level and attorneys handling the case for the Port recommended an increase in reserves.

In late fiscal year 2005, a plan was implemented between the Board and the terminal operators to charge and collect a fee related to additional security costs. These additional costs were the result of new U. S. Coast Guard security regulations placed on port interests to guard against terrorist activity. These fees commenced collection in Fiscal Year 2006 and will continue.

Other expense decreased $501,000 or 58.5% from 2005. A major portion of this decrease is that in 2005, $175,000 of bad debt expense was recognized for anticipated uncollectible receivables as a result of Hurricane Katrina. Further, a reversal of accruals on dredge maintenance repairs resulted in a $248,000 reduction in other allocated expenses.

Capitalized labor was higher in 2006 by $184,000. This was the result of higher capitalized labor costs allocated to facility reconstruction as a result of Hurricane Katrina. The 2004 capitalized labor was higher than 2005 as capital construction volumes were higher in 2004 versus 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the Board had invested $526.1 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of $5.8 million. Such increase is primarily attributed to the construction of the Erato Street Cruise Terminal and Parking Complex and improvements to the Elaine Street Wharf offset by property and inventory losses due to Hurricane Katrina in the amount of $19.0 million.

Debt Administration

The Board issued $19,355,000 of Port Facility Revenue Bonds, Series 2005 on April 21, 2005. The Series 2003 and Series 2005 are 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, Series 2003 and Series 2005. During Fiscal Year 2006, payments of $6.7 million in principal and interest were made.

Under the terms of its capital lease for the container cranes, the Board makes annual lease payments of $1.0 million including principal and interest. The remaining proceeds of the capital lease were applied to the outstanding principal balance of the capital lease during October, 2004 to reduce the annual lease payments.

All bond debt and lease covenants have been met.

Additional detailed information relating to capital assets and debt administration is presented in the financial statements and related notes.

ECONOMIC FACTORS

The Port bounced back in 2005 from the steel tariffs lifted during fiscal year 2004 and reported significantly higher volumes in the Port's number one commodity import. At fiscal year end 2005, anticipation was for continued improvements in steel volumes, significantly higher cruise revenue from the opening of the Erato Cruise Terminal and Parking Complex and higher dockage revenue from the aforementioned midstream incentives. However, the economic picture changed with the tragedy of Hurricane Katrina. In fiscal year 2006 the storm and the aftermath caused reduced vessel calls, lower cargo volumes and delayed the opening of the Erato Cruise Complex. This reduced revenue was offset to a substantial extent by business interruption insurance and collections on property damage insurance. A higher volume of steel tonnage in the last quarter of fiscal year 2006 is anticipated to last through fiscal 2007 offsetting reductions in container revenue. While cruise revenue will not fully rebound until fiscal 2008, due to the staggered return of home-ported vessels, it is believed that fiscal 2007 cargo-related revenue will return to fiscal year 2005, pre-Katrina levels.

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, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,520,484	$ 10,119,188
Investments	100,000	5,120,832
Accounts receivable, less allowance for doubtful accounts of $976,368 and $784,974 at June 30, 2006 and 2005, respectively	20,638,442	6,595,804
Due from other governments	6,901,360	8,102,255
Stores inventory	2,163,977	2,684,258
Prepaid items	1,002,368	387,372
Total current assets	41,326,631	33,009,709
NON-CURRENT ASSETS		
Resticted cash, cash equivalents, and investments:		
Unexpended equipment and construction funds	12,249,123	26,083,550
Revenue bond covenant accounts	6,487,631	6,704,849
Deep draft lock escrow	17,859,762	17,454,664
Pass-through grant construction fund	-	5,943,925
Total restricted assets	36,596,516	56,186,988
Property - net	526,055,290	520,299,527
Other assets	2,503,173	2,637,095
Total non-current assets	565,154,979	579,123,610
TOTAL ASSETS	606,481,610	612,133,319
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	8,858,599	18,307,969
Bonds payable - current	1,975,000	1,610,000
Accrued interest payable	1,199,667	1,190,354
Capital leases payable - current	349,470	307,177
Unearned income	1,132,927	1,214,770
Other liabilities	4,493,669	5,801,121
Total current liabilities	18,009,332	28,431,391

(Continued)

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

STATEMENTS OF NET ASSETS - CONTINUED
JUNE 30, 2006 AND 2005

	2006	2005
LIABILITIES (continued)		
NON-CURRENT LIABILITIES		
Revenue bonds payable	106,600,030	108,554,535
Community disaster loan payable	5,627,230	-
Capital leases payable	6,504,214	7,048,133
Net pension obligation	326,095	392,242
Compensated absences payable	1,175,644	1,273,961
Total non-current liabilities	120,233,213	117,268,871
TOTAL LIABILITIES	138,242,545	145,700,262
NET ASSETS		
NET ASSETS		
Invested in capital assets, net of related debt	422,875,699	428,863,232
Restricted for revenue bond debt service	6,487,631	6,704,849
Restricted for deep draft lock	17,859,762	17,454,664
Unrestricted	21,015,973	13,410,312
TOTAL NET ASSETS	$ 468,239,065	$ 466,433,057

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, 2006 AND 2005

	2006	2005
OPERATING REVENUES		
Docks:		
Dockage	$ 8,945,011	$ 8,351,711
Rentals	12,814,447	17,475,376
Harbor fees	971,600	1,370,800
Container cranes	1,752,515	2,248,688
Other	1,276,581	1,764,264
	25,760,154	31,210,839
Cruise and tourism	5,626,096	5,613,404
Real estate rentals	3,014,421	3,273,691
Business interruption insurance revenue	4,478,303	0
Total operating revenues	38,878,974	40,097,934
OPERATING EXPENSES		
Operations services:		
Port development	7,345,171	8,122,438
Port operations	5,283,098	5,764,957
Cruise and tourism	1,059,378	962,009
Marketing	2,017,690	2,152,317
Total operations services	15,705,337	17,001,721
Management services:		
Finance and administration	1,898,364	2,355,969
Corporate services	2,051,599	2,183,332
Legal and risk	1,204,563	1,000,275
Security and safety	5,018,816	5,320,628
Total management services	10,173,342	10,860,204

(Continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Other operating:		
Executive	2,105,259	2,256,644
Workers' compensation	685,901	(124,567)
Total other operating	2,791,160	2,132,077
Depreciation	16,502,886	15,390,972
Total operating expenses	45,172,725	45,384,974
OPERATING LOSS	(6,293,751)	(5,287,040)
NON-OPERATING REVENUES (EXPENSES)		
Investment income	1,083,986	1,152,591
Interest expense	(3,286,579)	(3,404,142)
Federal noncapital grants	1,251,570	-
Hurricane losses	(2,960,928)	-
Miscellaneous - net	(182,552)	(104,166)
Gain (loss) on disposal of assets	3,370	(198,055)
Demolition costs	-	(847,616)
Total non-operating revenues (expenses)	(4,091,133)	(3,401,388)
LOSS BEFORE CONTRIBUTIONS	(10,384,884)	(8,688,428)
CAPITAL CONTRIBUTIONS	12,190,892	25,868,667
CHANGE IN NET ASSETS	1,806,008	17,180,239
NET ASSETS, BEGINNING OF YEAR	466,433,057	449,252,818
NET ASSETS, END OF YEAR	$ 468,239,065	$ 466,433,057

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, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 33,275,077	$ 41,972,503
Receipts from business interruption insurance	4,478,303	-
Payments to suppliers	(13,963,528)	(9,795,519)
Payments to employees	(14,548,442)	(14,133,068)
Payments of benefits on behalf of employees	(4,990,621)	(5,131,737)
Net cash provided by operating activities	4,250,789	12,912,179
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Special Community Disaster Loan	5,627,230	-
Noncapital contributions from other governments	941,079	-
Hurricane costs	(2,708,989)	-
Net cash provided by noncapital financing activities	3,859,320	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Expenditures for acquisition and construction of capital assets	(45,487,230)	(43,563,373)
Capital contributions from other governments	13,702,278	23,986,603
Repayments of principal borrowed to finance acquisition and construction of capital assets	(2,211,113)	(4,814,986)
Interest paid on amounts to finance acquisition and construction of capital assets	(5,589,075)	(5,096,405)
Demolition costs and other	(182,552)	(1,032,047)
Receipts from property insurance	5,721,697	-
Proceeds from pass-through grant	-	5,943,925
Proceeds from bond issue	-	19,107,407
Net cash used in capital and related financing activities	(34,045,995)	(5,468,876)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(13,771,723)	(32,075,565)
Proceeds from sales and maturities of investments	18,254,744	24,039,759
Investment income received	1,769,633	1,283,522
Net cash provided by (used in) investing activities	6,252,654	(6,752,284)

(Continued)

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

STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,683,232)	691,019
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	49,046,972	48,355,953
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,363,740	$ 49,046,972
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (6,293,751)	$ (5,287,040)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	16,502,886	15,390,972
Bad debt expense	199,549	375,000
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	(1,264,860)	1,451,125
Stores inventories	520,281	(732,731)
Prepaid items	(614,996)	(151,281)
Other assets	133,922	194,714
Accounts payable	(3,378,483)	125,867
Unearned income	(81,843)	5,210
Other liabilities	(1,412,452)	1,359,504
Net pension obligation	(66,147)	91,858
Compensated absences payable	6,683	88,981
Net cash provided by operating activities	$ 4,250,789	$ 12,912,179
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Issuance costs for revenue bonds deducted from bond proceeds	$ -	$ 247,593
RECONCILIATION TO STATEMENT OF NET ASSETS:		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	$ 10,520,484	$ 10,119,188
Restricted assets:		
Cash and cash equivalents	-	5,943,925
Money market mutual funds	18,843,256	32,983,859
Total cash and cash equivalents	$ 29,363,740	$ 49,046,972

The accompanying notes are an integral part of these statements.

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

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 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

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. Interest income related to these restricted assets was $405,098 and $326,470 for the years ended June 30, 2006 and 2005, respectively.

Certain proceeds of the Port's revenue 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.

NOTES TO FINANCIAL STATEMENTS

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

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.

Unearned Income

Operating revenues include rental income derived from leasing Port-owned properties. Amounts due from certain lease agreements are billed in advance and recognition of the related revenue is deferred and recognized over the appropriate lease term.

Compensated Absences

Employees accumulate vacation and sick leave at varying rates according to years of service. Upon termination, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes.

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Port's name. At June 30, 2006 and 2005, the carrying amount of the Port's deposits (demand deposits and time certificates of deposit) was $10,620,484 and $16,163,113 and the related bank balances were $13,798,296 and $16,720,265, respectively. Of the bank balances, $207,270 and $239,008 were covered by federal depository insurance and $13,591,026 and $13,141,187 were covered by collateral held by the pledging banks' trust department or agent in the Port's name at June 30, 2006 and 2005, respectively. Amounts at one bank in which deposits in excess of federal depository insurance and collateral held in the Port's name by its agent amounted to $3,340,070 as of June 30, 2005.

Investments

The Port may invest idle funds as authorized by Louisiana Statutes, as follows:

(a) United States bonds, treasury notes, certificates, or any other federally insured investment.

(b) Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.

(c) Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

2. CASH AND INVESTMENTS (continued)

Cash and investments were included in the balance sheet as of June 30 as follows:

	2006	2005
Cash and cash equivalents	$ 10,520,484	$ 10,119,188
Investments – current assets	100,000	5,120,832
Restricted assets	36,596,516	56,186,988
	$ 47,217,000	$ 71,427,008

Included in cash and investments at June 30, 2006 and 2005 were the following:

Securities Type	2006	2005
Investments in securities of federal agencies	$ 17,753,260	$ 22,280,036
Money market mutual funds	18,843,256	32,983,859
Deposits:		
Certificates of deposit	100,000	100,000
Demand deposits with banks	10,520,484	16,063,113
Total cash and investments	$ 47,217,000	$ 71,427,008

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Port has a formal investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, approximately 50% of the Port's portfolio shall be one year or less for liquidity reasons and interest rate volatility risk.

As of June 30, 2006, the Port had the following investments and maturities.

		Remaining Maturity (in Years)	
	Fair Value	Less Than One	1-2
U.S. Treasury Notes	$ 17,753,260	$ 6,190,568	$ 11,562,692

Credit Risk

State law limits investments in securities issued, or backed by United States Treasury obligations, and U.S. Government instrumentalities, which are federally sponsored. The Port's investment policy does not further limit its investment choices.

3. DUE FROM OTHER GOVERNMENTS

Due from other governments consists of 1) state funds from the Louisiana Department of Transportation and Development for facility planning and control projects, flood control projects and port priority projects; 2) federal funds receivable from the Federal Emergency Management Agency (FEMA); 3) federal funds receivable under the Truman-Hobbs Act for alterations to the Florida Avenue Bridge; 4) federal funds receivable from the Federal Highway Administration and 5) various other state and federal grants. At June 30, 2006 and 2005 amounts due are as follows:

	2006	2005
Louisiana Department of Transportation and Development	$ 5,743,513	$ 3,150,085
Federal Emergency Management Agency (FEMA)	1,098,800	-
United States Coast Guard	59,047	1,157,571
Louisiana Department of Economic Development	-	3,794,599
	$ 6,901,360	$ 8,102,255

4. PROPERTY, NET

A summary of changes in property is as follows:

	July 1, 2005	Additions	Deletions	June 30, 2006
Property not being depreciated:				
Land and improvements	$ 74,286,468	$ -	$ -	$ 74,286,468
Construction in progress	51,116,561	40,602,956	(12,494,806)	79,224,711
Total property not being depreciated	125,403,029	40,402,956	(12,494,806)	153,511,179
Property being depreciated:				
Property (wharves, building, etc.)	629,899,101	13,785,683	(38,276,568)	605,408,216
Furniture and fixtures	7,356,687	233,598	(140,824)	7,449,461
Equipment	12,619,288	111,779	(1,847,738)	10,883,329
Total property being depreciated	649,875,076	14,131,060	(40,265,130)	623,741,006
Less accumulated depreciation	(254,978,578)	(16,502,886)	20,284,569	(251,196,895)
Total property being depreciated, net	394,896,498	(2,371,826)	(19,980,561)	372,544,111
Property, net	$ 520,299,527	$ 38,231,130	$ (32,475,367)	$ 526,055,290

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

	July 1, 2004	Additions	Deletions	June 30, 2005
Property not being depreciated:				
Land and improvements	$ 74,293,667	$ -	$ (7,199)	$ 74,286,468
Construction in progress	58,806,899	53,666,864	(61,357,202)	51,116,561
Total property not being depreciated	133,100,566	53,666,864	(61,364,401)	125,403,029
Property being depreciated:				
Property (wharves, building, etc.)	573,006,814	60,127,788	(3,235,501)	629,899,101
Furniture and fixtures	7,587,248	246,082	(476,643)	7,356,687
Equipment	12,691,600	419,244	(491,556)	12,619,288
Total property being depreciated	593,285,662	60,793,114	(4,203,700)	649,875,076
Less accumulated depreciation	(243,953,972)	(15,390,972)	4,366,366	(254,978,578)
Total property being depreciated, net	349,331,690	45,402,142	162,666	394,896,498
Property, net	$ 482,432,256	$ 99,069,006	$ (61,201,735)	$ 520,299,527

Construction in progress consists of the following at June 30, 2006 and 2005:

	2006	2005
Erato Street Cruise Terminal	$ 39,044,877	$ 24,011,200
Elaine St Wharf	18,223,028	10,119,330
Hurricane Katrina Damages	11,465,821	-
Wharf, Shed, Yard, Rail Rehabs	4,073,949	10,219,419
Security	1,180,914	1,912,663
Other	5,236,122	4,853,949
	$ 79,224,711	$ 51,116,561

4. PROPERTY, NET (continued)

Total interest incurred by the Port was $5,608,842 and $5,138,875 for the years ended June 30, 2006 and 2005, respectively. Interest earnings on invested proceeds of the debt were $767,863 and $301,133 respectively. The differences between interest incurred on debt for capital assets and interest earnings on invested proceeds of the debt totaled $4,840,979 and $4,837,742 for the years ended June 30, 2006 and 2005, respectively. Of these amounts, $1,663,382 and $1,707,697 for the year ended June 30, 2006 and 2005, respectively, were included as part of the cost of capital assets under construction in progress for the Erato Street Cruise Terminal.

5. NON-CURRENT LIABILITIES

Long-Term Debt

Long-term debt consists of the following at June 30, 2006 and 2005:

	2006	2005
Bonds payable	$ 109,050,000	$ 110,660,000
Premium and discounts	(474,970)	(495,465)
	108,575,030	110,164,535
Less current portion	(1,975,000)	(1,610,000)
	$ 106,600,030	$ 108,554,535

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 Financial Guaranty Insurance 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.

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

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 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. 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.

On April 21, 2005, the Port issued $19,355,000 of Port Facility Revenue Bonds, Series 2005. The bonds mature in the year 2034. Proceeds from such bonds are to be used to finance capital improvements to the Port Complex, including but not limited to, a cruise terminal complex on the Erato Street wharf, related parking and operational facilities, and other port facilities within its jurisdiction. Interest on the bonds is payable quarterly on March 1, June 1, September 1, and December 1. The interest rate varies with the Bond Market Association (BMA) index. The rate as of June 30, 2006 was 3.97%. The bonds are supported through a letter of credit agreement. The 2005 Series Revenue Bonds are subordinate to the 2003, 2002 and 2001 Series Revenue Bonds.

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

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

Debt service requirements relating to bonds outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2007	$ 1,975,000	$ 4,917,387	$ 6,892,387
2008	2,055,000	4,841,032	6,896,032
2009	2,150,000	4,748,101	6,898,101
2010	2,250,000	4,650,492	6,900,492
2011	2,355,000	4,547,603	6,902,603
2012 – 2016	13,440,000	21,116,049	34,556,049
2017 – 2021	16,905,000	17,713734	34,618,734
2022 – 2026	21,415,000	13,295,124	34,710,124
2027 – 2031	26,995,000	7,797,689	34,792,689
2032 – 2033	19,510,000	1,420,397	20,930,397
	$ 109,050,000	$ 85,047,608	$ 194,097,608

Special Community Disaster Loan Payable

The Port was approved for and made draw downs of $5,627,230 in April and May 2006 under the Community Disaster Loan Act (the Loan Act). Proceeds from the borrowing are to be used to pay current operations of the Port relating to essential services, including police and fire protection, trash collection, and other services related to protecting and promoting the health, safety and public welfare of the community, and paying costs of issuance of the notes in anticipation of the revenues of the Port. The loan shall bear interest at the latest five-year Treasury rate at the time of the closing date of the loan, plus one percent (interest rate for draw downs through June 30, 2006 was 2.81%), and shall mature on March 2, 2011. An additional $1,921,876 was approved and drawn down in September 2006 under the same terms.

Operating revenues are pledged as security for the loan.

Debt service requirements relating to the loan are as follows:

Year Ending June 30	Principal	Interest	Total
2011	$ 5,627,230	$ 23,528	$ 5,650,758

5. NON-CURRENT LIABILITIES (continued)

Capital Lease

Capital lease obligations consist of the following at June 30, 2006 and 2005:

	2006	2005
Capital leases payable	$ 6,853,684	$ 7,355,310
Less current portion	(349,470)	(307,177)
	$ 6,504,214	$ 7,048,133

Lease payments relating to capital leases outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2007	$ 349,470	$ 197,368	$ 546,838
2008	613,163	364,322	977,485
2009	606,487	330,065	936,552
2010	633,110	295,041	928,151
2011	670,037	258,113	928,150
2012 – 2016	3,981,417	656,723	4,638,140
	$ 6,853,684	$ 2,101,632	$ 8,955,316

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, 2006 and 2005, the gross capitalized cost including capitalized interest was $12,614,430 with accumulated amortization of $946,230 and $630,820, respectively. There are thirty equal semi-annual payments of $628,454 for principal and interest with the first payment due July 1, 2001. The remaining proceeds of the capital lease were applied to the outstanding principal balance of the capital lease during October, 2004. This reduced the remaining semi-annual payments to $464,075 for principal and interest with the first payment due January 1, 2005.

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 monthly lease payments are $2,942 for a thirty six month period ending November 1, 2006.

During the year ended June 30, 2005 the Port entered into a capital lease agreement for computer equipment at an aggregate cost of $125,137 at 2.8 percent interest. The monthly lease payments are $3,618 for a thirty-six month period ending December 1, 2007.

During the year ended June 30, 2006 the Port entered into a capital lease agreement for computer equipment at an aggregate cost of $58,898 at 6.4 percent interest. The monthly lease payments are $1,628 for a thirty-three month period ending November 30, 2008.

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Changes in Non-Current Liabilities

Non-current liabilities activity for the years ended June 30, 2006 and 2005 are as follows:

	July 1, 2005	Additions	Reductions	June 30, 2006	Due Within One Year
Bonds payable:					
Revenue bonds	$ 110,660,000	$ -	$ (1,610,000)	$ 109,050,000	$ 1,975,000
Bond premium and discounts	(495,465)	-	20,495	(474,970)	-
Total bonds payable	110,164,535	-	(1,589,505)	108,575,030	1,975,000
Community disaster loan payable	-	5,627,230	-	5,627,230	-
Capital leases payable	7,355,310	99,487	(601,113)	6,853,684	349,470
Net pension obligation	392,242	-	(66,147)	326,095	-
Compensated absences	1,403,961	122,889	(246,206)	1,280,644	105,000
	$ 119,316,048	$ 5,849,606	$ (2,502,971)	$ 122,662,683	$ 2,429,470

	July 1, 2004	Additions	Reductions	June 30, 2005	Due Within One Year
Bonds payable:					
Revenue bonds	$ 92,850,000	$ 19,355,000	$ (1,545,000)	$ 110,660,000	$ 1,610,000
Bond premium and discounts	(515,886)	-	20,421	(495,465)	-
Total bonds payable	92,334,114	19,355,000	(1,524,579)	110,164,535	1,610,000
Capital leases	10,545,684	83,917	(3,274,291)	7,355,310	307,177
Net pension obligation	300,384	91,858	-	392,242	-
Compensated absences	1,314,980	165,591	(76,610)	1,403,961	130,000
	$ 104,495,162	$ 19,696,366	$ (4,875,480)	$ 119,316,048	$ 2,047,177

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 liability and property insurance. The Port is self-insured for workers' compensation and general maritime claims ("Jones Act"). The Port continues to be liable for each such claim up to $1,000,000, with judgments and 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, 2006 and 2005, the Port's expenses for workers' compensation and other liability claims were $685,901 and ($124,567), respectively. There were no expenses related to police professional liability incurred during 2006 and 2005. For each of the past three years, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 2006, 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:

	2006	2005	2004
Balance, beginning of year	$ 785,606	$ 1,018,153	$ 659,661
Provision for claims	518,111	(206,581)	419,818
Benefit payments, net of recoveries	(5,217)	(25,966)	(61,326)
Balance, end of year	$ 1,298,500	$ 785,606	$ 1,018,153

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.

The Port is also a party to various legal proceedings related to Hurricane Katrina. These lawsuits are currently in the early stages and the outcome cannot be estimated at this time, though preliminary assessments of the lawsuits indicate little likelihood of success against the Port.

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS (continued)

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, there was $3,386,994 in escrow. In 2005, the escrowed funds were returned to the lessor and the lease was 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 $29.0 million and $42.7 million as of June 30, 2006 and 2005, 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 $199,549 and $375,000 for the years ended June 30, 2006 and 2005, 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, 2006 and 2005, 28% and 31%, respectively, of total revenues were from one lessee. Operating lease rental income was approximately $15,970,343 and $21,645,127 during the years ended June 30, 2006 and 2005, respectively.

7. REVENUES AND LEASES (continued)

As of June 30, 2006, 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:

2007	$ 15,152,803
2008	8,012,976
2009	4,977,122
2010	3,553,997
2011	2,387,240
Thereafter	27,445,705
Total future minimum lease payments	$ 61,529,843

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, 2006 and 2005 was $14,281,670 and $13,877,343, respectively, of which $9,720,729 and $9,646,467, respectively, in covered payroll related to participants in the LASERS.

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.

8. RETIREMENT PLANS (continued)

A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)

The plan provides for a 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 19.1% and 17.8% of the employees' salaries toward future benefits respectively for the years ended June 30, 2006 and 2005. 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, 2005 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, 2006, 2005 and 2004 were $2,585,714, $2,440,534, and $2,188,824, respectively. These amounts are equal to the required contributions for each of these three years. Contributions for the year ended June 30, 2006 consisted of employee contributions of $729,055 and employer contributions of $1,856,659. Contributions for the year ended June 30, 2005 consisted of employee contributions of $723,485 and employer contributions of $1,717,049.

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, 2006 and 2005 was $14,281,670 and $13,877,343, respectively, of which $1,665,886 and $1,654,057 in covered payroll, respectively, related to participants in the HPERS.

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

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) 14.19% and 14.26%, respectively, of the members' covered payroll for fiscal years ended June 30, 2006 and 2005.

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

	2006	2005
Annual required contribution	$ 191,470	$ 340,775
Interest on net pension obligation	27,457	21,027
Adjustment to annual required contribution	(48,700)	(34,062)
Annual pension cost	170,227	327,740
Contributions made	(236,374)	(235,882)
Increase in net pension obligation	(66,147)	91,858
Net pension obligation, beginning of year	392,242	300,384
Change in actuarial calculation	-	-
Net pension obligation, end of year	$ 326,095	$ 392,242

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

The annual required contributions for 2006 and 2005 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)
2003	361,102	60.8	210,750
2004	321,331	72.1	300,384
2005	327,740	72.0	392,242
2006	170,227	138.9	326,095

The following is a summary of the statement of plan net assets available for benefits as of June 30, 2006 and 2005 and changes in net assets for the years then ended:

Statement of Plan Net Assets	2006	2005
Investments at fair value	$ 11,763,007	$ 11,176,815
Contributions receivable	53,139	80,447
Liabilities	(3,344)	(12,847)
Net assets available for benefits	$ 11,812,802	$ 11,244,415

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

Statement of Changes in Net Assets	2006	2005
Additions:		
Contributions	$ 334,583	$ 336,466
Investment income including		
Unrealized gains (losses)	1,078,869	846,423
Other	18,403	31,727
Total additions	1,431,855	1,214,616
Deductions:		
Benefits paid	636,872	586,523
Refunds and transfers of contributions	177,106	197,406
Administrative expenses	49,490	87,707
Total deductions	863,468	871,636
Increase in plan net assets	568,387	342,980
Net assets available for benefits:		
Beginning of year	11,244,415	10,901,435
End of year	$ 11,812,802	$ 11,244,415

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:

	2006	2005
Number of participants:		
Life insurance	102	111
Health insurance	200	201
Life insurance expense	$ 123,008	$ 128,941
Health insurance expense	$ 610,296	$ 596,439

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, 2006 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, 2006, $3,300,000 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.

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, 2006, $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.

In March 2005, the Port entered into a cooperative endeavor agreement with the Louisiana Department of Economic Development (DED) and CG Railway, Inc. to provide a portion of the financing for an approximately $43,500,000 rail car cargo facility. Under the agreement, the DED provided $15,000,000 of the project costs through the issue of special project revenue bonds. Special Project Revenue Bonds in the amount of $16,670,000 were issued on May 24, 2005 for this purpose. At June 30, 2006, $16,670,000 is outstanding. The bonds are limited obligations of the Port, payable solely from and secured by the State of Louisiana.

10. CONDUIT DEBT (continued)

The agreement was amended April 2006 as a result of the discontinuance of the dredging of siltation in and around the Mississippi River Gulf Outlet following Hurricane Katrina, which rendered many of the obligations under the agreement impossible and required that any items not needed by the Port for maritime commerce be sold and the proceeds turned over to the State of Louisiana to help defray the costs of the project. In September 2006, the Port sold some of the items declared as surplus to the Port's needs for maritime commerce to CG Railway, Inc. for $2,500,000. This amount will be submitted to the DED.

11. NATURAL DISASTER

On August 29, 2005, the New Orleans region suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The Port of New Orleans did not suffer the devastation that other public entities realized in the area, but did sustain damage to facilities and loss of revenue. The Port facilities along the river suffered moderate damage. Facilities along the Industrial Canal suffered severe damage. The Port had insurance in place to cover most of the property damage and business interruption insurance to offset some of the revenue loss.

For the year ended June 30, 2006, costs of damaged property and lost inventory amounted to $18,950,846 and costs of cleanup, repairs, and extra expenses amounted to $2,960,928. As of June 30, 2006, the Port received $10,200,000 of insurance proceeds. Included in Accounts Receivable as of June 30, 2006 is $12,096,351 representing additional insurance proceeds received subsequent to June 30, 2006. The Port has allocated $4,478,303 of business interruption insurance proceeds due to no determination from the Port's insurance carrier regarding the amount of business interruption insurance included in insurance proceeds received. The Port submitted a claim of $5,467,677 under its business interruption insurance policy. An additional claim in excess of $100 million for property damage has been filed by the Port. Additional insurance proceeds in excess of costs, if any, will be recognized in future years.

NOTES TO FINANCIAL STATEMENTS

12. SUBSEQUENT EVENT

In July 2006, the Port and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to $14,364,960 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of revenue streams caused by Hurricanes Katrina and Rita. Draw downs on the loan will be made as debt service payments become due. No principal or interest shall be payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan shall bear interest at a fixed rate of 4.64 percent. Principal payments on the bonds begin in July 2012 and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 beginning January 2012. The loan may be prepaid without penalty or premium. The Port has the right to request one extension of its obligation to begin payments under the loan not to exceed five years.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS LOUISIANA

SINGLE AUDIT REPORTS

JUNE 30, 2006

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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, 2006, and have issued our report thereon dated November 7, 2006. 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.

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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, 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*.

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This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana 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.

Postlethwaite & Netterville

Metairie, Louisiana
November 7, 2006

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 program for the year ended June 30, 2006. The Port's major federal program is 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 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, 2006.

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.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port as of and for the year ended June 30, 2006, and have issued our report thereon dated November 7, 2006. 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, and federal awarding agencies and pass-through entities, such as the State of Louisiana 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.

Postlethwaite & Netterville

Metairie, Louisiana
November 7, 2006

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Program Title	CFDA Number	Federal Expenditures (1)
United States Department of Transportation		
Federal Highway Administration - Highway Planning and Construction – passed through the State of Louisiana, Department of Transportation	20.205	$ 58,223
United States Department of Homeland Security		
Direct Award:		
United States Coast Guard - Bridge Alteration (Truman - Hobbs Act)	97.014	38,851
Pass-Through Awards:		
Federal Emergency Management Agency passed through the State of Louisiana, Office of Homeland Security and Emergency Preparedness		
Disaster Grants – Public Assistance	97.036	2,179,657
Special Community Disaster Loans	97.036	5,627,230
Total Pass-Through Awards		7,806,887
Total United States Department of Homeland Security		7,845,738
Total Federal Assistance Expended		$ 7,903,961

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.*

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

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?	____Yes _X_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?	____Yes _X_No

Identification of major programs:

United States Department of Homeland Security, Federal Emergency Management Agency – Disaster Grants – Public Assistance and Special Community Disaster Loans - passed through the State of Louisiana Office of Homeland Security and Emergency Preparedness (CFDA number 97.036)

Dollar threshold used to distinguish between types A and B programs:	$300,000
Audit qualified as low-risk auditee:	_X_Yes ____No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006

SECTION II-FINANCIAL STATEMENT FINDINGS

None

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None