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SOUTH LOUISIANA PORT COMMISSION

FINANCIAL REPORT

April 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 NOV 18 1998

David E. Moyle
Certified Public Accountant
1312 Lakewood Drive, Suite C
Slidell, Louisiana 70458

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
Balance Sheet	2
Statement of Revenue, Expenses and Changes in Retained Earnings	4
Statement of Cash Flow	6
Notes to Financial Statements	7
Schedule of Compensation Paid to Board Members	Sch. 1
Schedule of Expenditures of Federal Grants	Sch. 2
Schedule of Findings and Questioned Costs	Sch. 3
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	

David E. Moyle
Certified Public Accountant
Slidell, Louisiana 70458

Board of Commissions
The South Louisiana Port Commission
152 Belle Terre Boulevard Suite 100
P. O. Box 909
LaPlace, Louisiana 70069-090

Independent Auditor's Report

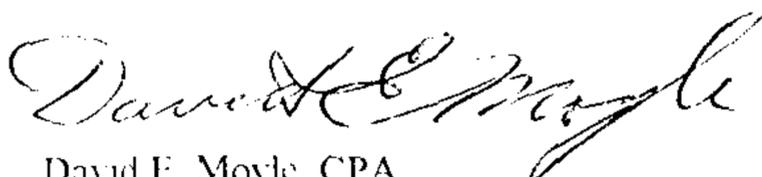
We have audited the accompanying general-purpose financial statements of The South Louisiana Port Commission as of and for the year ended April 30, 1998 as listed in the table of contents. These general-purpose financial statements are the responsibility of The South Louisiana Port Commission. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of The South Louisiana Port Commission as of April 30, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 1998 on our consideration of The South Louisiana Port Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. The schedule of compensation paid to Board members is a supplementary schedule presented for purposes of additional analysis and is not a required part of the financial statements of The South Louisiana Port Commission. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



David E. Moyle, CPA
October 6, 1998

South Louisiana Port Commission

**Enterprise Fund
Balance Sheet
April 30,1998**

Current Assets

Cash	\$ 4,598,594
Certificates of deposit and savings	4,655,000
Marketable securities, at cost, net of premium or discount, that approximates market value	1,677,401
Accrued interest receivable	16,694
Accounts receivable less \$191,823 allowance for doubtful accounts	1,518,502
Fire-fighting foam	12,459
Prepaid expenses	<u>145,508</u>
 Total current assets	 12,624,158

Restricted Assets

Cash	177,896
Marketable securities, at cost that approximates market value, net of any discount	1,763,738
Accrued interest	17,877
Direct financing lease payments receivable, current portion	2,294,940
Accrued interest on direct financing leases	<u>194,696</u>
 Total current restricted assets	 4,449,147

Direct financing lease payments receivable, net of current portion, less unearned income of \$187,755	<u>106,612,245</u>
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Total restricted assets	111,061,392
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Property and equipment, at cost	34,352,563
Less allowance for depreciation	<u>4,771,783</u>

Property and equipment, net	29,580,780
Other assets	<u>515</u>

Total assets	<u>\$ 153,266,845</u>
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The accompanying notes are an integral part of these financial statements.

South Louisiana Port Commission

**Enterprise Fund
Balance Sheet
April 30, 1998**

Current liabilities, payable from current assets	
Accounts payable	\$ 423,075
Accrued salaries and vacation	147,064
Accrued interest	26,625
Current portion of notes payable	<u>385,000</u>
Total current liabilities, payable from current assets	981,764
Current liabilities, payable from restricted assets	
Revenue bonds payable	3,645,000
Accrued revenue bond interest payable	<u>714,809</u>
Total current liabilities, payable from restricted assets	4,359,809
Long-term liabilities, payable from restricted assets	
Revenue bonds payable, less unamortized discount of \$232,602	<u>106,567,398</u>
Total liabilities, payable from restricted assets	110,927,207
Long-term liabilities, other	
Revenue bonds payable-Globalplex, less unamortized discount of \$20,951	2,004,049
Note payable - State of Louisiana less current portion	1,280,000
Unearned rent and other liabilities	<u>116,229</u>
Total long-term liabilities, other	<u>3,400,278</u>
Total liabilities	115,309,249
Capital and Retained Earnings	
Contributed capital	347,744
Grant from State of Louisiana and Department of Transportation and Development	17,969,274
Grant from Economic Development Administration	<u>466,890</u>
Total contributed capital	18,783,908
Retained earnings	<u>19,173,688</u>
Total fund equity	<u>37,957,596</u>
Total liabilities and fund equity	<u>\$ 153,266,845</u>

The accompanying notes are an integral part of these financial statements.

South Louisiana Port Commission

**Enterprise Fund
Statement of Revenue, Expenses and Changes in Retained Earnings
For the Year Ended April 30, 1998**

Operating revenues	
Dockage, net	\$ 1,701,771
Operating rentals	82,500
Guarantee in lieu of dockage	12,500
Harbor fees, anchorage and barge fleeting income	2,082,497
Globalplex revenues	2,765,120
Total operating revenue	<u>6,644,388</u>
Operating expenses	
Administration	40,214
Auditing	57,816
Bad debts	181,647
Bank fees	343
Barge dock fees	5,418
Building services	21,307
Cargo tracking	1,903
Commission meetings	4,761
Conventions	65,681
Delivery charges	2,691
Depreciation	855,702
Dues	16,229
Employee benefits	327,239
Engineering fees	238,752
Equipment rentals	39,866
Fuel, harbor craft	10,078
Fuel, vehicles	8,376
Insurance	266,493
Leases of office equipment	46,333
Legal fees	9,593
Maintenance and repairs	473,307
Management services-Globalplex	241,683
Medical expense	4,570
Permits & licenses	1,414
Port planning and development	217,332
Postage	6,748
Printing	3,006
Publishing	6,796
Salaries	1,152,774
Miscellaneous	893
Small tools	1,634
Subscriptions	10,439

The accompanying notes are an integral part of these financial statements.

South Louisiana Port Commission

Enterprise Fund

**Statement of Revenue, Expenses and Changes in Retained Earnings
For the Year Ended April 30, 1998**

Supplies	47,286
Telephone	54,167
Taxes	14,984
Testing	24,150
Training	8,457
Uniforms	8,485
Utilities	121,222
Unemployment compensation	<u>447</u>
Total operating expenses	<u>4,600,236</u>
Operating income	2,044,152
Non-operating revenues (expenses)	
Interest earned on investments	462,525
Interest earned on restricted asset investment, net of fees	114,442
Interest earned on revenue bonds, other	
Interest earned on direct financing leases	4,350,435
Interest expense on industrial revenue bonds, payable from restricted assets	(4,653,520)
Loss on sale of assets	<u>(731)</u>
Total non-operating revenue	<u>273,151</u>
Net Income	2,317,303
Retained earnings, beginning of year	<u>16,856,385</u>
Retained earnings, end of year	<u><u>\$ 19,173,688</u></u>

The accompanying notes are an integral part of these financial statements.

South Louisiana Port Commission

**Enterprise Fund
Statement of Cash Flow
For the Year Ended April 30, 1998**

Cash Flows from Operating Activities

Operating income	\$ 2,044,152
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	855,702
Non-operating income	273,151
Amortization of bond discount	42,462
Amortization of unearned interest	(28,885)
Loss on sale of equipment	731
Changes in assets and liabilities:	
Increase in accounts receivable	(85,595)
Increase in prepaid expenses	(4,083)
Increase in accounts payable	121,512
Increase in accrued expenses	49,492
Decrease in unearned rental income and other liabilities	(472,626)
Decrease in other assets	<u>150</u>
Net cash provided by operating activities	2,796,163

Cash flows from Investing Activities

Purchase of property and equipment	(5,558,899)
Purchase of investment securities	1,282,078
Proceeds from maturities of investment securities	<u>(818,110)</u>
Net cash provided by investing activities	(5,094,931)

Cash flows from Financing Activities

Decrease in accrued interest receivable	39,120
Increase in restricted assets	(19,729,326)
Increase in restricted debt	19,714,508
Decrease in notes payable	(365,000)
Grant from Economic Development Administration	466,890
Grant from State of Louisiana and Department of Transportation	<u>4,267,257</u>
Net cash (used in) financing activities	<u>4,393,449</u>

Increase (decrease) in cash 2,094,681

Unrestricted cash:

Beginning	<u>2,503,913</u>
Ending	<u>\$ 4,598,594</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The South Louisiana Port Commission

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a *Codification of Governmental Accounting and Financial Reporting Standards*. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The Port applies accounting principles and practices established by GASB as well as generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) to the extent such principles are not inconsistent with those established by GASB.

The South Louisiana Port Commission (the "Port") is created and operates under the provisions of Louisiana Revised Statute 34:2471. The Port consists of seven members appointed as follows:

(1) the parish presidents, with concurrence of two-thirds of the members of the respective parish councils, of each of the parishes of St. Charles, St. James, and St. John the Baptist appoint one resident commissioner each.

(2) three resident members (one from each parish) are appointed by the Governor of the State of Louisiana, and

(3) One member-at-large who shall reside and be domiciled within the geographical boundaries of the Port is appointed by the Governor.

The Port has all the powers and privileges granted under the constitution and statutes of the State of Louisiana which include, but are 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 it. Those charges are based on tariffs approved by the U.S. Maritime Commission. Accounts receivable relate primarily to tariff charges to shippers using the facilities of the Port. An executive director is appointed by the Port and is responsible for administrative control of the district.

Reporting Entity

For financial accounting purposes, GASB Statement No. 14 establishes the criteria for defining the reporting entity. Following those criteria, the Port is not a component unit of the State of Louisiana because it is a legally separate entity and fiscally independent of other governments. The Division of Administration, the State of Louisiana, likewise, treats the Port as a primary government. Following those criteria the parish councils, parish school boards, independently elected parish officials, and municipal level governments are not included within the accompanying financial statements as they are considered autonomous governments. These units of government issue financial statements separate from that of the Port.

NOTES TO THE FINANCIAL STATEMENTS

Basis of Presentation - Fund Accounting

The Port's accounting system is operated on a fund basis. A fund is an independent accounting entity with a self-balancing set of accounts for recording its assets, liabilities, revenues, expenditures, and fund balance. The Port's system is known as a proprietary or enterprise fund, operated similar to a private business. The costs, including depreciation and other non-cash expenses, of providing services on a continuing basis are expected to be recovered primarily through charges to the users of those services. The accrual basis of accounting is used. Under the accrual basis of accounting, income is recognized when earned and expenses are recorded when incurred. Investment earnings are accrued.

Assets, Liabilities and Fund Equity

Cash and Investments

The stated policy of the Port is to distribute its cash and investments among the various banks in the three parish region to minimize the possibility of losses and to boost the area economy. Cash and cash equivalents included in the Statement of Cash Flow include unrestricted demand deposits and other instruments that at the time of purchase have a maturity of less than 90 days. Restricted deposits are those that are held by the trustees for payment of the amounts due the bondholders pursuant to the revenue bonds described in Notes 5 and 6.

Allowance for Doubtful Accounts

Provision is made for bad debts through establishment of an allowance account. When an account is determined to be uncollectible it is charged against this account.

Property and Equipment

Property and equipment are recorded at cost, including ancillary charges. The Port's policy is to capitalize any expenditure in excess of \$100 if the asset is expected to have an extended life. Assets which are held under lease-purchase contracts are also capitalized. Depreciation is calculated, using the straight-line method, over the anticipated useful lives of the assets. The estimated useful lives for determining annual depreciation charges to operations are:

Office Building	30 years
Fireboat	30 years
Dock and barge facilities	10-25 years
Equipment and furniture	2-10 years
Water treatment facility	15 years
Crew boat	5 years

Maintenance and repairs are charged to expenses when incurred.

Discount on Bonds

Discounts on bonds sold are amortized using the straight-line method over the term of the bonds.

NOTES TO THE FINANCIAL STATEMENTS

Unearned Income

Unearned income pertaining to capitalized direct financing leases is written off over the term of the leases, using the interest method.

Vacation and Sick Leave

Employees of the Port are covered by state civil service and, as such, accumulate sick leave and vacation time in accordance with varying rates stipulated under civil service regulations. The employee is entitled, upon termination of employment, to vacation leave up to a maximum of 300 hours. Upon retirement any accumulation in excess of 300 hours is considered as earned service in calculating retirement benefits. Vacation pay to which the employees would be entitled upon resignation or termination has been accrued in the amount of \$106,680. The Port's liability for sick leave, amounting to \$288,524 at year end, has not been accrued because the employees are not entitled to it upon termination of employment.

Post Employment Health Care and Life Insurance Benefits

The Port provides certain continuing health care and life insurance benefits for its retired employees. Employees become eligible for these benefits if they reach retirement age while working for the Port. These benefits for retirees and similar benefits for active employees were provided through the Group Insurance Internal Service fund, whose monthly premiums are paid by the employee and the Port. The Port recognizes the cost of the benefits (the Commission's portion of the premiums) as an expense when the premiums are due. The Port's portion of the cost of group insurance for the year was \$183,283 of which \$17,050 was for insurance on three retired employees.

Bond Obligations

The bond obligations designated as revenue bonds payable from restricted assets are industrial development bonds issued in connection with direct financing lease agreements to provide capital for construction of facilities within the three parish area. Principal and interest are payable solely from revenues derived from the lease, sale, or other disposition of the financed facilities. The leases and various other assets are pledged and held by trustees to secure payment of the bonds. The leases are for the term of the bonds and revenues from the leases correspond to payments due on the bonds.

Capital and Retained Earnings

The capital and retained earnings are represented by the amount of contributed capital and the accumulated earnings retained since the beginning of operations. The contributed capital includes a grant from the State used for the purpose of acquiring the Godchaux-Henderson dock and bulk storage facility located in Reserve, Louisiana.

Federal Grant Support

During the fiscal year ending April 30, 1998, the Port received federal grant funds in the amount of \$466,890 and a total federally approved project budget of \$778,150. This grant issued by the United States Department of Commerce and received from the Economic

NOTES TO THE FINANCIAL STATEMENTS

Development Administration was used by the Port to make improvements to the railroad infrastructure at the Globalplex property.

NOTE 2 - CASH AND INVESTMENTS

Cash and cash equivalents

At April 30, 1998 the book balance of the Port's total cash and certificates of deposit balance including unrestricted and restricted deposits was \$9,431,491, and the bank balance was \$10,076,762. Of the bank balance, \$400,000 was covered by federal deposit insurance, and \$9,676,762 was covered by collateral held by the bank's agent and pledged in the Port's name.

GASB statement Number 3 requires the Port to assign risk categories for its investments. The collateral for the Port's deposits is categorized to give an indication of the level of risk assumed by the Port at year end. Category 1 includes deposits that are insured or reinsured or for which the securities are held by the Port or its agent in the Port's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counter party's trust department or agent in the Port's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counter party's trust department or agent, but not in the Port's name.

The deposits are all included in GASB risk category Number 1.

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Bank Balance</u>	<u>Collateral Market Value</u>
Covered by federal depository insurance	\$ 200,000	\$ 200,000	\$ 400,000	\$ 400,000
Secured with securities held by the pledging institution or its agent but not in the Port's name	<u>5,221,762</u>	<u>4,455,000</u>	<u>9,676,762</u>	<u>11,587,686</u>
Total bank balance	<u>\$ 5,421,762</u>	<u>\$ 4,655,000</u>	<u>\$10,076,762</u>	<u>\$11,987,686</u>

Investments

The Port is allowed to invest in: (1) obligations of the United States or its agencies and instrumentality's; (2) other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Louisiana or the United States; (3) certificates of deposits issued by state and national banks domiciled in Louisiana that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above; (4) fully collateralized direct repurchase agreements having a definite termination date; (5) mutual funds which are invested solely in securities of the United States government or its agencies.

For fiscal 1998, the Port invested in U.S. Treasury bills, notes, U.S. government agency obligations and mutual funds.

NOTES TO THE FINANCIAL STATEMENTS

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

Investments are stated at amortized cost, and all investment activities are conducted through the depository banks or security dealers. Treasury notes are held by the Port's agents in the Port's name.

	<u>Carrying Value</u>	<u>Market Value</u>
U. S. government and agency securities	\$ 1,677,401	\$ 1,660,977
Restricted assets - U.S. government securities	1,763,738	1,763,738
	\$ 3,441,139	\$ 3,424,715

The investments are all included in GASB risk category Number 2.

NOTE 3 - RESTRICTED ASSETS

Independent trustees hold the restricted cash and investments. These, along with the direct financing lease receivables, are restricted in use by the bond indenture agreements primarily to the payment of bond principal and interest. The trustees are limited by the bond indentures to invest the funds in cash or government securities.

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost:

Port Facility - Land	\$ 1,236,989
Globalplex Facility - Land	4,035,279
Port Facility Buildings and Dock Facilities	1,687,246
Globalplex - Buildings and Dock Facilities	21,804,285
Construction in progress	5,588,764
Total property and equipment, at cost	34,352,563
Less accumulated depreciation	(4,771,783)
Net book value	\$ 29,580,780

Globalplex is property that the Port acquired in 1992 which was the former Godchaux-Henderson dock and bulk loading and storage facility located in Reserve, Louisiana. The facility includes a dock and loading and unloading facility, storage facilities, several buildings, a water treatment facility, and land. The Port continues to expand its facilities at Globalplex and other locations. In January 1998, Phase II of the Warehouse and Dock was completed and in March 1998 at the Globalplex facility the Railroad infrastructure was completed.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - DIRECT FINANCING LEASE AGREEMENTS

The Port entered into direct financing lease agreements with various private corporations and issued industrial revenue bonds for the acquisition and construction of Port facilities. The various private corporations lease these facilities from the Port for an amount necessary to pay the principal, interest, and premium, if any, on the bonds. Most of the lease agreements contain a bargain purchase option at the end of the lease term. The direct financing leases expire in various years through 2023. Contingent rental payments are determined in accordance with the lease agreements upon the occurrence of certain events. Following is a summary of the components of the Port's net investment in direct financing leases for the year ended April 30, 1998.

Total minimum lease payments to be received	\$ 110,445,000
Less: Unearned income and funds deposited with trustee	<u>616,392</u>
Net investment in direct financing leases	<u>\$ 111,061,392</u>

Minimum rental payment commitments for succeeding years are as follows:

April 30, 1999	\$ 3,645,000
April 30, 2000	2,025,000
April 30, 2001	6,055,000
April 30, 2002	2,025,000
April 30, 2003	2,025,000
Aggregate thereafter	<u>94,670,000</u>
Total	<u>\$110,445,000</u>

The amount of unearned income included in income for the year ended April 30, 1998 is \$28,885.

NOTE 6 - BONDS PAYABLE (From Restricted Assets)

Bonds payable from restricted assets were issued in connection with direct financing lease agreements to provide capital for the construction of dock and wharf facilities within the jurisdiction of the Port. The bond interest and principal are payable solely from revenues derived from the lease, sale or other disposition of the project facilities. Direct financing leases and assets held in trust are pledged to secure payment of the bonds. The bonds are due to mature on various dates through 2023. Interest payable on the bonds generally ranges from 3.5% through 14.25% annually of the principal due with interest computed on either a fixed rate or floating rate depending on the particular terms of the bond indenture.

The following is a summary of bond maturities and interest requirements for each of the next five years relating to the revenue bonds secured with direct financing leases:

<u>Payment due</u>	<u>Current bonds payable</u>	<u>Revenue Bonds (including interest)</u>
April 30, 1999	\$3,645,000	7,929,763
April 30, 2000		9,853,963
April 30, 2001		13,754,517
April 30, 2002		9,580,748

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2003	9,436,979
Aggregate thereafter	<u>176,969,287</u>
Total	227,525,257
Less interest	120,725,257
Less unamortized discount	<u>232,602</u>
Outstanding principal	<u>\$ 106,567,398</u>

Changes in long-term debt reflected the issuance of the Holnam bonds less payments of debt made during the year as follows:

Bonds payable, May 1, 1997	\$88,176,612
Net increase in bonds payable	18,426,572
Amortized discount	<u>(35,786)</u>
Bonds payable, April 30, 1998	<u>\$ 106,567,398</u>

NOTE 7 - REVENUE BONDS PAYABLE (payable from sources other than direct financing leases)

On March 30, 1992, the Port acquired the former Godchaux-Henderson Sugar Refinery from Riverplex, Inc. for a total purchase price of \$12,500,000. The Port issued taxable revenue bonds to the seller in the amount of \$7,500,000. The bonds are not a general obligation of the Port and are payable as to both principal and interest solely from the income and revenue to be derived from the sale, lease, or other disposition of the Port facility acquired from the seller. The interest rate on the bonds is 5% and interest is payable quarterly on the first day of March, June, September and December of each year during which the bonds remain outstanding. Principal on the bonds was scheduled to be paid over a period of approximately 20 years.

The Port also received a grant from the State of Louisiana in 1992 for the purchase of the facilities referred to above. Of this amount, the Port is required to reimburse the State of Louisiana for \$1,600,000 of the \$4,000,000 grant. The Port is required to reimburse the State for the debt service incurred in connection with the issuance and payment of the state's general obligation bonds in the amount of \$1,600,000. Pursuant to the reimbursement contract, the Port is required to deposit with the state one-tenth of the average annual debt service (\$14,820 per year) on those particular bonds into a reserve fund for ten years. During the year ended April 30, 1994, the Port received another grant from the State of Louisiana for \$4,000,000. The Commissioners voted to use the proceeds of that grant to retire \$4,000,000 of the \$7,500,000 revenue bond issue referred to in the preceding paragraph which was done in October 1994.

The following is a summary of bond maturities and interest requirements for each of the next five years relating to the long-term debt and revenue bonds payable from sources other than direct financing leases:

<u>Payment due</u>	<u>Current bonds payable</u>	<u>Revenue Bonds (including interest)</u>
April 30, 1999	385,000	188,350
April 30, 2000		572,450
April 30, 2001		570,475
April 30, 2002		1,642,175

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2003	423,000
Aggregate thereafter	<u>571,479</u>
Total	3,967,929
Less interest	(662,929)
Less unamortized discount	<u>(20,951)</u>
Outstanding principal	<u>\$ 3,284,049</u>

Changes in long-term debt payable from sources other than direct financing leases during the year were as follows:

Bonds payable, May 1, 1997	\$3,667,373
Increase in current bonds payable and principal reductions	<u>(383,324)</u>
Bonds payable, April 30, 1998	<u>\$3,284,049</u>

Included in the balance sheet under the following captions:

Revenue bond payable - Globalplex	\$ 2,004,049
Note payable - State of Louisiana	<u>1,280,000</u>
	<u>\$ 3,284,049</u>

NOTE 8 - DOCKAGE

In accordance with bond indentures and lease agreements related to the direct financing leases, a percentage, usually 50% or 75% of dockage income received by the Port is transferred to trustees for servicing bonds payable. As provided in the lease agreements and indentures, the amount transferred is credited against direct financing lease payments and related interest receivable from the lessees. The net dockage represents dockage available for the operations of the Port. The amount of dockage used to reduce direct financing lease and interest receivable during the year was \$3,582,413. It is reported by the Port as direct financing lease payments or interest payments, depending on the nature of the credit at the time of transfer. (See Notes 5 and 6)

NOTE 9 - HARBOR FEES

Harbor fees are dedicated to the providing of services to the vessels which use the Port and to the facilities located therein in the interest of the public welfare and safety. Such funds may be appropriated by the Port for such purposes as to assist in defraying the administration and maintenance of the Port, including the supervision of the shipping of the Port, with the view of preventing collision and fires, policing the river and riverfront, the operation of one or more craft in the Port to aid vessels or persons in distress and to aid in extinguishing fires in vessels and equipment and in their cargo aboard such vessels, or upon wharves and other facilities in the Port.

NOTE 10 - INTEREST EXPENSE

The total amount of interest charged to expense during the year, including bond discount of \$42,462 was \$4,653,520.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Port is a party to several lawsuits filed by former employees alleging discrimination or job related injuries. It is the opinion of counsel that these suits will be resolved at no expense to the Port other than attorney fees.

No liability has been recorded for any litigation.

The Port is considering commitments to assist with the purchase of sites for and the development of port facilities and is negotiating to assist with financing of up to \$65,000,000.

NOTE 12 - RETIREMENT COMMITMENTS

Louisiana State Employee's Retirement System of Louisiana (LASERS)

All of the Port's full-time general employees participate in the LASERS, a multiple-employer, cost-sharing pension plan. The payroll for employees covered by the LASERS for the year ended April 30, 1998, was \$993,732, the Port's total payroll was \$1,152,774.

Employees attaining the age of 60 with 10 years of creditable service or any age with 30 years of creditable service, are entitled to a monthly benefit of 2 ½% of their average monthly earnings as defined in the plan for each year of creditable service. The plan permits early retirements at certain ages upon satisfying years of service requirements. Active employees who become disabled receive 3% of their monthly earnings in effect at the time of disability, as defined in the plan for each year of creditable service.

Disability benefits are paid until the earlier of death, recovery from disability or attainment of normal retirement age. If an employee dies, his unmarried spouse and/or children receive a lump sum payment, not to exceed 60% of the member's final compensation.

The surviving unmarried spouse or a member eligible for normal retirement receives the initial lump sum followed by monthly payments for life.

If a member's employment is terminated before the member is eligible for any other benefits under LASERS, the member shall receive a refund of his member contributions.

Description of Funding Policy

Both employees and the Port contribute the amount necessary to pay benefits when due. The contribution rates (as a percentage of covered salaries) for the year was 12% for the Port and 7.5% for employees. Contributions were \$128,370 for the Port. The Port's contribution rate will increase to 12.4% beginning July 1, 1998.

The amount reported below as a "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to

NOTES TO THE FINANCIAL STATEMENTS

when due, and make comparisons among governmental pension plans and employers. The LASERS does not conduct separate measurements of assets and pension benefit obligations for individual employers. The LASERS net assets available for benefits on June 30, 1997 (valued at market) were \$4.8 billion. The Port's contribution represented .06% of total contributions required of all participating employers.

NOTE 13 - OPERATING LEASES

The Port has various noncancellable operating leases for office equipment which are for varying terms and amount. The rental payments due under these leases are as follows for the years ending April 30.

1999	7,945
2000	6,508
2001	-0-
2002	-0-
2003	-0-
Total	<u>\$ 14,453</u>

NOTE 14 - LEASE - PURCHASE

In November of 1997, the Port entered into a one year lease with an option to purchase the leased facility. The lease is for an 84,000 square foot office and warehouse located on the Globalplex property. The lease has a stated monthly rent of \$7,000 and can be terminated by the Port with sixty days notice. The option to purchase can be exercised at anytime during the term of the lease or any extension or renewals there of. As of April 30, 1998, the Port is obligated for sixty days or \$14,000 with remaining lease payments of \$34,000 if the lease is not terminated prior to the expiration date of November 1998. The option price for the building is \$1,560,000.

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Board of Commissions
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LaPlace, Louisiana 70069-090

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of The South Louisiana Port Commission as of and for the year ended April 30, 1998, and have issued our report thereon dated October 6, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

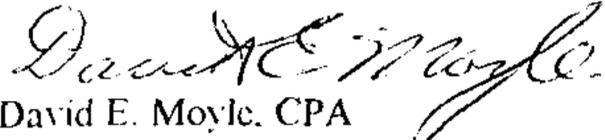
Compliance

As part of obtaining reasonable assurance about whether The South Louisiana Port Commission'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 South Louisiana Port Commission'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 of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


David E. Moyle, CPA
October 6, 1998

David E. Moyle
Certified Public Accountant
1312 Lakewood Drive, Suite C
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**Report on Compliance With Requirement Applicable to Each Major Program
and on Internal Control Over Compliance With OMB Circular A-133**

Compliance

We have audited the compliance of The South Louisiana Port Commission 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 each of its major federal programs for the year ended April 30, 1998. The South Louisiana Port Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The South Louisiana Port Commission's management. Our responsibility is to express an opinion on The South Louisiana Port Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 South Louisiana Port Commission'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 South Louisiana Port Commission's compliance with those requirements.

In our opinion, The South Louisiana Port Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 1998.

Internal Control Over Compliance

The management of The South Louisiana Port Commission 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 South Louisiana Port Commission'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.

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.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "David E. Moyle".

David E. Moyle, CPA
October 6, 1998

The South Louisiana Port Commission**Enterprise Fund
Schedule of Compensation Paid to Board Members
Year ended April 30, 1998**

<u>Commissioner</u>	<u>Meetings</u>	<u>Compensation</u>
E. J. Martin	6	\$188
Honora Gravois	13	494
James Davis	15	355
Gregory Lier	12	408
Louis Joseph	15	392
Brent Tregre	14	235
Brandt Dufrene	14	0
		<hr/>
		\$ 2072

The Commissioner's receive no per diem compensation for attending meetings, but are reimbursed for mileage and are given a meal allowance.

Schedule 2

The South Louisiana Port Commission

**Schedule of Expenditures of Federal Awards
Year ended April 30, 1998**

<u>Federal Grant</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
United States Department of Commerce		
Economic Development Administration	08-01-03055	\$ 466.890
		<hr/>
Total Federal Awards Received and Expended		<u><u>\$ 466.890</u></u>

The South Louisiana Port Commission
Schedule of Findings and Questioned Costs
Year ended April 30, 1998

United States Department of Commerce

Economic Development Administration (EDA)

The were no material findings or instances of questioned costs. A review by the EDA, WPI S-8 gave approval of all costs relating to the project.