

CADDO-BOSSIER PORT COMMISSION**SHREVEPORT, LOUISIANA****DECEMBER 31, 2003 AND 2002**

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

Release Date 5-26-04

CADDO-BOSSIER PORT COMMISSION

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report on Financial Statements	1
Financial Statements:	
Balance Sheets	2
Statements of Revenues and Expenses	3
Statements of Changes in Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6-15

OTHER REPORTS

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Schedule of Findings and Questioned Costs	17
Schedule of Prior Year Findings	18

OTHER INFORMATION

Board of Commissioners	19
Schedule of Insurance	20

AUDITED FINANCIAL STATEMENTS

**HEARD
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March 5, 2004

The Board of Commissioners
Caddo-Bossier Port Commission
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the Caddo-Bossier Port Commission as of December 31, 2003 and 2002, and for the years then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Caddo-Bossier Port Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide 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 Caddo-Bossier Port Commission as of December 31, 2003 and 2002, and the results of its operations and the cash flows of its proprietary fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Caddo-Bossier 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2004, on our consideration of the Commission's internal control structure and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Heard, McElroy & Vestal, LLP

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CADDO-BOSSIER PORT COMMISSION

BALANCE SHEETS

AS OF DECEMBER 31, 2003 AND 2002

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Cash and interest-bearing deposits-Note 2	2,740,223	2,055,848
Cash-restricted-Note 9	<u>98,105</u>	<u>124,916</u>
Total cash	2,838,328	2,180,764
Accounts receivable-ad valorem taxes, net of allowance for uncollectibles of \$135,544 and \$135,521, respectively-Note 6	2,125,000	2,123,000
Accounts receivable-other	505,902	108,451
Prepaid expenses	26,321	52,641
Land, buildings and equipment (net of accumulated depreciation)-Note 4	<u>82,726,397</u>	<u>77,727,954</u>
Total assets	<u>88,221,948</u>	<u>82,192,810</u>
 <u>LIABILITIES AND EQUITY</u>		
<u>Liabilities:</u>		
Accounts payable	830,714	148,712
Accrued liabilities payable	45,162	45,162
Deferred revenue-Notes 6 and 10	2,853,672	2,907,548
RRWC cooperative endeavor liability-Note 15	1,641,250	1,726,250
Long-term debt-Note 9	<u>28,017,476</u>	<u>26,987,753</u>
Total liabilities	33,388,274	31,815,425
 <u>Equity:</u>		
Contributed capital	42,544,016	41,550,293
Retained earnings	<u>12,289,658</u>	<u>8,827,092</u>
Total equity	<u>54,833,674</u>	<u>50,377,385</u>
Total liabilities and equity	<u>88,221,948</u>	<u>82,192,810</u>

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

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<u>Operating revenues:</u>		
Ad valorem taxes-Note 6	2,935,883	2,809,563
Lease rentals-Note 12	1,679,497	1,031,831
Safety tariff revenue-Note 14	57,370	60,690
Water and sewer revenue-Note 13	338,510	274,351
Port operations revenue	503,819	335,931
Miscellaneous income	<u>6</u>	<u>2,440</u>
Total operating revenues	5,515,085	4,514,806
<u>Operating expenses:</u>		
General and administrative	1,285,873	1,222,686
Fire station operations	436,242	362,623
Legal and accounting	107,926	72,642
Travel promotional and marketing	187,232	184,442
Professional services	<u>26,631</u>	<u>137,898</u>
Total operating expenses before depreciation	<u>2,043,904</u>	<u>1,980,291</u>
<u>Operating income before depreciation</u>	3,471,181	2,534,515
<u>Depreciation expense</u>	<u>2,542,247</u>	<u>2,429,194</u>
<u>Operating income</u>	928,934	105,321
<u>Nonoperating revenues (expenses):</u>		
Interest income	42,159	46,865
Air emission settlement-Note 11	-	40,000
Olin landfill settlement-Note 11	(125,000)	-
Other (net)-Note 11	<u>74,226</u>	<u>(26,118)</u>
Total	<u>(8,615)</u>	<u>60,747</u>
<u>Net income</u>	<u>920,319</u>	<u>166,068</u>

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

CADDO-BOSSIER PORT COMMISSION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>Retained Earnings</u>	<u>Contributed Capital</u>	<u>Total</u>
<u>Ending balance-December 31, 2001</u>	6,231,830	44,665,175	50,897,005
Net income	166,068	-	166,068
Contributed capital-Note 3	-	1,125,562	1,125,562
Transfer of RRWC cooperative endeavor proceeds to liabilities-Note 15	-	(1,811,250)	(1,811,250)
Transfer of depreciation expense to contributed capital	<u>2,429,194</u>	<u>(2,429,194)</u>	<u>-</u>
<u>Ending balance-December 31, 2002</u>	8,827,092	41,550,293	50,377,385
Net income	920,319	-	920,319
Contributed capital-Note 3	-	3,535,970	3,535,970
Transfer of depreciation expense to contributed capital	<u>2,542,247</u>	<u>(2,542,247)</u>	<u>-</u>
<u>Ending balance-December 31, 2003</u>	<u>12,289,658</u>	<u>42,544,016</u>	<u>54,833,674</u>

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

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<u>Cash flows from operating activities:</u>		
Net income	920,319	166,068
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	2,542,247	2,429,194
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	(399,451)	404,158
Prepaid expenses	26,320	(52,641)
Accounts payable and accrued liabilities	682,002	(367,863)
Deferred revenue	(53,876)	(93,079)
Net cash provided by operating activities	<u>3,717,561</u>	<u>2,485,837</u>
<u>Cash flows from capital and related financing activities:</u>		
Contributed capital	3,535,970	1,125,562
Expenditures for acquisition and construction of capital assets	(7,540,690)	(2,710,353)
RRWC cooperative endeavor payments	(85,000)	(85,000)
Proceeds from issuance of debt	1,895,700	-
Repayments of principal borrowed to finance acquisition and construction of capital assets	<u>(865,977)</u>	<u>(837,250)</u>
Net cash (used) for capital and related financing activities	<u>(3,059,997)</u>	<u>(2,507,041)</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	657,564	(21,204)
<u>Cash and cash equivalents, beginning of year</u>	<u>2,180,764</u>	<u>2,201,968</u>
<u>Cash and cash equivalents, end of year</u>	<u>2,838,328</u>	<u>2,180,764</u>
<u>Interest paid</u>	<u>1,260,291</u>	<u>1,317,134</u>

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

CADDO-BOSSIER PORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

1. Organization and Significant Accounting Policies

Organization

The Caddo-Bossier Port Commission ("Port") is a political subdivision of the State of Louisiana and was created by Act 1975 No. 66 and numbered Chapter 37 Sections 34:3158 through 34:3165 under authority of R.S. 24:253 continued as a statute from Article VI, Section 32 of the Constitution of the State of Louisiana of 1921. The Port has the power to regulate the commerce and traffic within the Caddo-Bossier port area.

The Port is governed by a Board of nine Commissioners; one each is appointed by the Bossier Parish Police Jury and the Caddo Parish Commission, five are appointed by the governing authority of the City of Shreveport, and two are appointed by the City of Bossier City. The Commissioners are not compensated for their services. They are, however, reimbursed in full for travel expenditures.

Title to all property and improvements operated by the Port is held for the public and vests in the Port for public administration, subject to the right of the Port to lease, sell or otherwise dispose of the property with proper public notice.

Significant Accounting Policies

The accounting and reporting policies of the Port conform to generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(a) Basis of Presentation - Fund Accounting

The Port's operations are accounted for in a proprietary fund type—the enterprise fund. The proprietary fund type is accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings. The operating statement presents increases (revenues) and decreases (expenses) in net total assets.

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. The measurement focus emphasizes the determination of net income. The Port follows the accrual basis of accounting for its proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Under the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the Port has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

1. Organization and Significant Accounting Policies (Continued)

(b) Property, Plant and Equipment

Prior to January 1, 2000, fixed assets used in governmental fund type operations were accounted for in the general fixed assets account group. All fixed assets were valued at historical cost or estimated historical cost if actual historical cost was not available. No depreciation was provided on general fixed assets through December 31, 1999. Effective January 1, 2000, the fixed assets recorded in the General Fixed Assets Group of Accounts were transferred to the Enterprise Fund. These assets are in service and the majority of resources generated by them are obtained from fees charged to those entities that utilize these fixed assets.

Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water and Sewer Facility	50 years
Port Facility	40 years
Intermodal Container Facility	30 years
Access Roads	25 years
Railroads	20 years
Intermodal Equipment	10 years
Furniture and Fixtures	7 years

(c) Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Port considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Recent Governmental Accounting Standards Board Pronouncements

Recent Pronouncements by the Government Accounting Standards Board (GASB) including GASB Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions" (effective for periods beginning after June 15, 2000) and GASB Statement 34, "Basic Financial Statements—for State and Local Governments" (effective for the Port for periods beginning after June 15, 2003) may have a significant impact on the Port's financial statements for future reporting periods.

(e) Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingencies and litigation arising in the ordinary course of business. It is possible that management's estimates will change in the near term.

2. Cash and Interest-Bearing Deposits

Deposits of the Port are held at various financial institutions. At December 31, 2003, the carrying amounts of the Port cash demand deposits were \$2,838,328 and the bank balance was \$2,940,396. This difference is due to deposits in transit and outstanding checks. At year end, all deposits were entirely covered by federal depository insurance, U. S. Government Securities, and/or collateralized with securities, as required by state law.

2. Cash and Interest-Bearing Deposits (Continued)

Included in cash and interest-bearing deposits is \$1,474,746 and \$1,451,815 at December 31, 2003 and 2002, respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section I50.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA - R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

3. Contributed Capital

State grants are made available to the Port for the acquisition, improvement or construction of property and equipment and planning studies. Unrestricted operating grants and grants restricted as to purpose, but not contingent on the actual expenditures of funds, are recognized at that point in time when the right to the funds becomes irrevocable. Where the expenditure of funds is the prime factor for determining the eligibility for the grant proceeds, the grant is recognized at the time when the expense is incurred. Operating grants are credited to income, and capital grants are credited to contributed capital.

The following governmental entities provided funding for the Port during the years ended December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Economic Development Administration	1,000,000	-
Transportation Security Administration	40,000	-
State of Louisiana Department of Transportation and Development	1,766,083	810,494

3. Contributed Capital (Continued)

	<u>2003</u>	<u>2002</u>
Red River Waterway Commission	460,899	293,384
Louisiana Department of Economic Development	<u>268,988</u>	<u>21,684</u>
	<u>3,535,970</u>	<u>1,125,562</u>

These funds were provided specifically for capital projects and are shown as a direct contribution to equity.

4. Property, Plant, and Equipment

Effective January 1, 2000, the general fixed asset account group assets were transferred to the Enterprise Fund as these assets were substantially complete and in operation. These fixed assets consist of Port facilities including land, buildings, wharfs, docks, rail, switchyard, access roads, tank and storage facilities, water and sewer facilities, and a fire station.

During the year ended December 31, 2003, capital expenditures consisted mainly of additions to the slack water harbor, the second water supply loop and the Morris Dickson distribution center. During the year ended December 31, 2002, capital expenditures consisted mainly of additions to the Omni blend facility and pipeline, and the south road rail extension. Capitalized interest costs included in fixed assets were \$1,260,291 and \$1,317,134 for the years ended December 31, 2003 and 2002, respectively. Depreciation expense totaled \$2,542,247 and \$2,429,194 for the years ended December 31, 2003 and 2002, respectively. Commitments for construction projects started but not yet complete total approximately \$189,000 at December 31, 2003.

The following is a summary of Port fixed assets at December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Land, including acquisition costs	7,328,208	7,328,208
Buildings and operating facilities	85,367,735	77,831,575
Equipment, furniture and fixtures	<u>378,618</u>	<u>374,088</u>
	93,074,561	85,533,871
<u>Less-accumulated depreciation</u>	<u>(10,348,164)</u>	<u>(7,805,917)</u>
Net property, plant and equipment	<u>82,726,397</u>	<u>77,727,954</u>

5. Compensated Absences

The Port has the following policy relating to vacation and sick leave:

Vacation - Accrues in the following manner:

- | | |
|------------------------------|--------------------------|
| 1) After 1 year of service | 10 days of paid vacation |
| 2) After 10 years of service | 15 days of paid vacation |

Part time employees accrue vacation on a pro rata basis. Employees may accumulate and carry forward five days of vacation but vacation carried forward must be taken before July 1 of the following year.

Sick leave - Earned by full-time employees at the rate of 5 days per year after one year of continuous employment and accumulating up to 26 weeks maximum. Part time employees accumulate sick leave on a pro rata basis.

6. Property Taxes

On April 3, 1993, the voters of Caddo and Bossier parishes approved a special tax of 2½ mills to be levied on the property subject to taxation in the port area consisting of Caddo and Bossier Parishes for a period of twenty-five years, commencing with the year 1993, for the purpose of site acquisition and for constructing, acquiring, improving and equipping docks and wharves, transfer and storage facilities, commercial and industrial facilities and other port, transportation and infrastructure facilities and improvements within the Port area, and for paying the commission's expenses of administering, maintaining, operating and marketing its facilities in the Port area. Anticipated revenues from the 2003 assessment have been recorded as deferred revenue at December 31, 2003 in the amount of \$2,125,000 as these taxes relate to 2004. See Note 10 for an explanation of other deferred revenue.

Property taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on January 1 of the following year. An allowance is established for delinquent taxes to the extent that their collectibility is estimated to be improbable.

7. Leases

The Port leased equipment during the year, under an operating lease. Rental expense was \$49,578 and \$59,091 in 2003 and 2002, respectively. Future minimum lease payments under this operating lease are as follows:

2004	38,635
2005	42,145
2006	42,145
2007	42,145
2008	42,145
Thereafter	<u>3,512</u>
	<u>210,727</u>

8. Profit-Sharing Plan

Prior to 1999, the Port maintained a SEP Retirement Plan and contributed seven and one-half percent (7½%) of each employee's salary with the employee permitted, through a salary reduction plan, to defer like amount. During 1999, the existing SEP Retirement Plan was determined to be prohibitive for employee contributions and the plan was terminated. Beginning January 1, 2000, the Port adopted and initiated a Qualified 401(a) Retirement Program for all eligible employees who are 21 years of age, completed 12 months of service, and are credited with 1,000 hours of service. Under this plan, the Board of Commissioners may determine a discretionary contribution percent of gross salary for each budget year. It is set at a contribution of seven and one-half percent (7½%) of gross salary for 2003 and 2002. Contributions to the Plan totaled \$48,251 and \$39,279 for the years ended December 31, 2003 and 2002, respectively. The Port also adopted a plan under Code Section 457, Salary Deferral Plan, for employee contribution, effective January 1, 2000. The Port does not contribute to this plan.

9. Long-Term Debt

During 1996, limited tax bonds were issued for the purpose of providing funds to pay for expenditures made in connection with the construction of the Port facilities. The bonds are special and limited obligations of the Port. During 1997, water revenue bonds were issued to pay the Bond Anticipation Notes for interim financing to construct a waterworks system at the Port site. The Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds issued in 2000 are due in 2020; however, they do contain provisions for optional redemption. Following is a summary of bonds payable.

9. Long-Term Debt (Continued)

<u>Description</u>	2003				<u>Balance December 31, 2003</u>
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2003</u>	<u>Principal Payments</u>	<u>Issued 2003</u>	
Water Revenue Bonds, Series 1997, principal payments began 5/24/2000, interest payments began 4/24/98, secured and payable from water revenue, interest at 5.5%, final maturity 5/24/2037	11,950,000	11,637,753	120,977	-	11,516,776
Limited Tax Revenue and Refunding Bonds Series 1995-D, principal paid March 1, interest paid March 1 and September 1, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rates from 5% to 8%, final maturity 3/1/2015	6,580,000	4,745,000	280,000	-	4,465,000
Louisiana Local Government Environmental Facilities and Community Development Authority Interim Loan, interest at 1.6 over Bond Municipal Association Index, 2.67% at 12/31/2003, loan principal up to \$3.2 million	N/A	-	-	1,895,700	1,895,700
Limited Tax Bonds, Series 1995-C, principal paid March 1, interest paid March 1 and September 1, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rates from 5% to 8%, final maturity 3/1/2015	4,770,000	3,810,000	195,000	-	3,615,000
Sewer Limited Tax Bonds, Series 1995, principal payments began March 1, 1997, interest payments began September 1, 1995, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rate 2.45%, .5% annual administration fee, final maturity 3/1/2016	6,250,329	5,295,000	270,000	-	5,025,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds Series 2000, variable interest rate, interest only payments began 12/7/2000 and are due monthly, principal due at final maturity 11/1/2020	1,500,000	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Total general long-term debt		<u>26,987,753</u>	<u>865,977</u>	<u>1,895,700</u>	<u>28,017,476</u>

9. Long-Term Debt (Continued)

<u>Description</u>	<u>2002</u>				
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2002</u>	<u>Principal Payments</u>	<u>Issued 2002</u>	<u>Balance December 31, 2002</u>
Water Revenue Bonds, Series 1997, principal payments began 5/24/2000, interest payments began 4/24/98, secured and payable from water revenue, interest at 5.5%, final maturity 5/24/2037	11,950,000	11,770,003	132,250	-	11,637,753
Limited Tax Revenue and Refunding Bonds Series 1995-D, principal paid March 1, interest paid March 1 and September 1, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rates from 5% to 8%, final maturity 3/1/2015	6,580,000	5,015,000	270,000	-	4,745,000
Limited Tax Bonds, Series 1995-C, principal paid March 1, interest paid March 1 and September 1, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rates from 5% to 8%, final maturity 3/1/2015	4,770,000	3,995,000	185,000	-	3,810,000
Sewer Limited Tax Bonds, Series 1995, principal payments began March 1, 1997, interest payments began September 1, 1995, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rate 2.45%, .5% annual administration fee, final maturity 3/1/2016	6,250,329	5,545,000	250,000	-	5,295,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds Series 2000, variable interest rate, interest only payments began 12/7/2000 and are due monthly, principal due at final maturity 11/1/2020	1,500,000	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Total general long-term debt		<u>27,825,003</u>	<u>837,250</u>	<u>-</u>	<u>26,987,753</u>

In addition to the above bonds, the Port entered into a Letter of Credit (LOC) agreement with Hibernia on November 17, 2000. The LOC is for an amount not to exceed \$1,500,000 bearing interest at 12% and expiring November 30, 2005. As of December 31, 2003 and 2002, the Port had not drawn down this LOC.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2003 are as follows:

9. Long-Term Debt (Continued)

<u>Year Ending December 31</u>	<u>General Long-Term Debt</u>
2004	4,094,384
2005	2,192,248
2006	2,196,316
2007	2,203,296
2008	2,213,054
2009-2013	11,209,659
2014-2018	7,514,765
2019-2023	4,228,260
2024-2028	5,366,885
2029-2033	3,785,760
2034-2037	<u>2,523,840</u>
Total	47,528,467
<u>Less-interest</u>	<u>(19,510,991)</u>
Outstanding principal	<u>28,017,476</u>

There are a number of limitations and restrictions contained in the bond indentures. The Port is in compliance with all significant limitations and restrictions.

Certain cash accounts are restricted for the repayment of bond principal and interest. Restricted cash totaled \$98,105 and \$124,916 at December 31, 2003 and 2002, respectively.

10. Deferred Revenue

During 1996, the Port entered into a lease agreement with Quaker State Corporation for the lease of a 94.5 acre tract of land at the Port site. The lease is for a term of twenty years from November 1, 1994, and the total rent of \$1,030,540 was prepaid. In 1998, the Port partially canceled the lease in order to acquire acreage back for additional construction. The Port paid \$95,491 to Quaker State, leaving a balance of \$814,013 prepaid as of December 31, 1998. Rental income of \$50,876 was recognized in 2003 and 2002 for this lease. Deferred revenue for the Quaker State agreement totaled \$559,633 and \$610,509 as of December 31, 2003 and 2002, respectively. During 1998, the Port entered a lease agreement with Oakley Louisiana, Inc. for a term of forty years. Total rent of \$200,000 was prepaid. Rental income of \$5,000 was recognized in 2003 and 2002. Deferred revenue for the Oakley agreement totaled \$169,039 and \$174,039 as of December 31, 2003 and 2002.

11. Litigation

As of December 31, 2003, the Port was involved in three lawsuits: First, the Port filed suit against the Caddo-Shreveport Sales and Use Tax Commission for a declaratory judgment concerning the Port's exemption from sales tax, which the Port believes should extend to construction materials purchased by contractors as agent for the Port. Sales taxes under dispute total \$360,832. This case was settled in October 2001 and resulted in the Port paying \$96,178 to the Sales and Use Tax Commission. The remaining \$264,654 was recorded in nonoperating revenues. This issue may remain open with the State of Louisiana, Department of Revenue. However, the Port has met with the Louisiana Department of Revenue and Taxation and hopes to resolve this issue without the payment of additional sales taxes. There are audits which have been rendered in connection with Port jobs that could result, if all were pursued and all issues decided unfavorably to the Port, in the Port paying an additional approximate \$100,000 in sales taxes.

11. Litigation (Continued)

The second suit is related to expropriation of permanent servitudes for the construction of roads, railroads, pipelines, power, water, gas and sewer lines and other utilities at the Port site. The landowners claim that the property taken was worth more than the amount paid by the Port. The landowners have yet to specify the amount of damages claimed.

The third suit involves environmental remediation required by the Louisiana Department of Environmental Quality on a landfill site located on property acquired from Olin Corporation by the Port in 1984. Olin has filed suit for a declaratory judgment that the Port is wholly responsible for the remediation. The Port has asserted by way of counterclaim that Olin is responsible for all costs involved in the investigation and remediation of the landfill site. The District Court granted summary judgment in favor of Olin on its claim which was affirmed on appeal. The Port's attorneys estimate costs payable to Olin of \$125,000. This amount has been accrued in accounts payable and nonoperating expenses at and for the year ended December 31, 2003. A separate lawsuit against Olin was settled during 2002. This case involved an air emissions dispute and was settled in the Port's favor. Olin paid the Port \$40,000 during 2002. This amount is recorded in nonoperating revenues.

Also, included in 2003 other (net) nonoperating revenues is \$114,384 in settlement proceeds received by the Port related to a dispute over mineral rights.

12. Rental Income Under Operating Leases

The Port is a lessor of certain property which consists principally of acreage and the use of a petroleum dock. Some leases contain option renewal periods. Following is a schedule by year of future rental income to be received under noncancelable operating leases in effect as of December 31, 2003:

Year Ending December 31:

2004	829,681
2005	844,306
2006	841,906
2007	510,432
2008	444,137
Thereafter	<u>8,808,648</u>
	<u>12,279,110</u>

13. Water and Sewerage Revenue

The Port receives revenue from the City of Shreveport which it collects from water and sewerage customers who use the waterworks system which was constructed by proceeds received by the Port from the issuance of water revenue bonds. As of December 31, 2003 and 2002, there were five commercial users and no residential users of the waterworks system. Total revenue received in 2003 and 2002 was \$338,510 and \$274,351, respectively. Following is a schedule of water rates charged by the City of Shreveport:

Customer fee on sewerage charges		4.90
Sewerage charge per 1,000 gallons:	Residential	4.52
	Commercial	3.74
	Industrial	3.74
Water charges per 1,000 gallons:	Residential	3.42
	Commercial	3.00
	Industrial	2.76

Note: Port customers are charged double since the system is located outside the city limits.

14. Safety Tariff Revenue

The Port receives revenue related to Ordinance No. 1 for the year ended December 31, 2000 to partially fund fire, emergency medical and security services provided by the Port. The Safety Tariff is equal .2% of the asset value of the Port's complex occupants and totaled \$57,370 and \$60,690 for the years ended December 31, 2003 and 2002, respectively.

15. RRWC Cooperative Endeavor Liability

Effective September 23, 1999, the Port entered into a Cooperative Endeavor agreement with the Red River Waterway Commission (RRWC) whereby the RRWC agreed to provide up to \$2.5 million for improvements to the Port under certain provisions. These provisions include the Port entering into a lease with Omni and Omni agreeing to expend not less than \$3.0 million to provide furniture, fixtures, equipment and other property necessary to make the leased facility operational. In recognition of the RRWC's assistance in the development of the Port, the Port agreed to pay the RRWC the following sums in the years following completion of the improvements:

2001	63,750	2010	85,000
2002	85,000	2011	133,750
2003	85,000	2012	150,000
2004	85,000	2013	150,000
2005	85,000	2014	150,000
2006	85,000	2015	150,000
2007	85,000	2016	150,000
2008	85,000	2017	131,244
2009	85,000	2018	31,256
			<u>1,875,000</u>

The Port is obligated to pay the above sums from the proceeds for use of the leased facility by Omni or any subsequent user of the facility during the first eighteen years of occupancy of the facility as set forth above. The total paid by the Port shall in no event exceed \$1,875,000 and once that sum has been paid by the Port, all obligations to make further payments to the RRWC shall cease. At December 31, 2003 and 2002, the Port owed the RRWC \$1,641,250 and \$1,726,250, respectively. Initially, the entire \$2.5 million was shown as contributed capital and repayments to the RRWC reduced contributed capital. However, the Port determined that only \$625,000 was contributed capital and the remaining balance represented a liability to the Port. The outstanding liability as of December 31, 2001 was transferred out of contributed capital in the accompanying statement of changes in equity and a liability recorded.

OTHER REPORTS

**HEARD
McELROY
& VESTAL**
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WILLIAM L. HIGHTOWER, CPA

March 5, 2004

The Board of Commissioners
Caddo-Bossier Port Commission
Shreveport, Louisiana

Independent Auditor's 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 general purpose financial statements of Caddo-Bossier Port Commission as of and for the year ended December 31, 2003, and have issued our report thereon dated March 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the general purpose financial statements of Caddo-Bossier Port Commission 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 general purpose 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 internal control over financial reporting of Caddo-Bossier Port Commission in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 Board of Commissioners, management, and the Office of the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

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Heard, McElroy & Vestal, LLP

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

We have audited the general purpose financial statements of Caddo-Bossier Port Commission as of and for the year ended December 31, 2003, and have issued our report thereon dated March 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the general purpose financial statements as of December 31, 2003 resulted in an unqualified opinion..

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control - No material weakness or reportable condition was noted; no management letter was issued.

Compliance - No material noncompliance was noted.

b. Federal Awards - No major program.

Section II - Financial Statement Findings

No matters were reported.

CADDO-BOSSIER PORT COMMISSION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

No prior year findings were reported.

OTHER INFORMATION

CADDO-BOSSIER PORT COMMISSION

P. O. Box 52071

Shreveport, Louisiana 71135-2071

(318) 861-4981

BOARD OF COMMISSIONERS

<u>Name and Address</u>	<u>Last Appointment/Term</u>
Steve Watkins, President 105 Oxford Circle Bossier City, LA 71111 (318) 742-9438	Bossier Parish 2/15/2003 - 2009
Frank R. Pernici, Vice President 4000 Industrial Drive Shreveport, LA 71112 (318) 741-3757	City of Shreveport 7/26/2001 - 2007
Lynn Austin, Secretary-Treasurer 2108 Hope Street Bossier City, LA 71112 (318) 549-5036	City of Bossier City 10/18/2001 - 3/29/2006
A. K. "Abe" Busada 514 Dunmoreland Drive Shreveport, LA 71106 (318) 868-6460	Caddo Parish 3/13/2003 - 2009
James L. Pannell 2230 Jewella Road Shreveport, LA 71109 (318) 636-2000	City of Shreveport 4/1/2003 - 8/12/2005
Maxine E. Sarpy 325 Holcomb Shreveport, LA 71103 (318) 424-1890	City of Shreveport 3/31/2001 - 2007
Michael H. Wainwright 3201 Dee Street Shreveport, LA 71105 (318) 865-0781	City of Shreveport 7/18/1997 - 2003
Lorenz J. "Lo" Walker P. O. Box 5337 Bossier City, LA 71171-5337 (318) 741-8501	City of Bossier City 2/16/2001 - 2007
Milton L. Williams 2133 E. Bert Kouns Industrial Loop Shreveport, LA 71105 (318) 797-0551	City of Shreveport 7/27/2003 - 2009

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF INSURANCE

AS OF DECEMBER 31, 2003

	<u>Coverage</u>	<u>Expiration</u>
<u>Commercial Property:</u>		
Blanket property and equipment	33,541,962	12/31/2004
<u>Boiler and Machinery Damage:</u>		
Machinery breakdown/business income	17,000,000	1/1/2005
<u>Marine and General Liability:</u>		
Each occurrence	1,000,000	12/31/2004
Products/Comp ops aggregate	2,000,000	
Personal/advertising injury	1,000,000	
<u>Hired and Nonowned Auto Liability:</u>		
Each accident	1,000,000	1/13/2005
<u>Umbrella Liability:</u>		
Each occurrence	10,000,000	12/31/2004
Aggregate Products/Comp ops only	10,000,000	
<u>Public Officials Liability:</u>		
Each loss	2,000,000	1/1/2005
Aggregate	2,000,000	
<u>Pollution Legal Liability:</u>		
Per occurrence	3,000,000	1/1/2005
<u>Commercial Crime:</u>		
Employee dishonesty	1,000,000	1/1/2005
Forgery	1,000,000	
<u>Worker's Compensation:</u>		
LA Worker's compensation	Statutory	10-25-2004
Each accident/disease	1,000,000	