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PORT OF SOUTH LOUISIANA

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
April 30, 2004 and 2003

PORT OF SOUTH LOUISIANA

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April 30, 2004 and 2003

Kushner LaGraize, L.L.C.

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INDEPENDENT AUDITORS' REPORT

THE BOARD OF COMMISSIONERS OF THE
PORT OF SOUTH LOUISIANA

We have audited the accompanying financial statements of the Port of South Louisiana as of April 30, 2004 and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Port of South Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Port of South Louisiana as of April 30, 2003, were audited by other auditors whose report dated August 26, 2003, expressed an unqualified opinion on those statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of South Louisiana as of April 30, 2004, and the results of its operations and its cash flows for the year 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 6 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 pres entation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2004 on our consideration of the Port of South Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
September 22, 2004

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PORT OF SOUTH LOUISIANA

Management's Discussion and Analysis
April 30, 2004

This section of the Port of South Louisiana's (the Port) financial report presents a discussion and analysis of the Port's financial performance during the fiscal year that ended April 30, 2004. Please read it in conjunction with the Port's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The Port's net assets (assets fully owned with no restrictions) represent approximately 46.5% of total assets of approximately $148 million in 2004. In 2003, the Port's net assets approximated 45.0% of total assets of approximately $148 million.

The Port had a change in net assets of approximately $2.0 million for the year ended April 30, 2004 as compared to a change in net assets of $3.6 million in 2003. In addition, the Port's cash from operating activities was $1.0 million in 2004 as compared to $3.2 million in 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the Port'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.

The Port'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 governmental 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 Changes in Net Assets. All assets and liabilities associated with the operation of the Port are included in the Statements of Net Assets.

The Statements of Net Assets report the Port's net assets, which is the difference between its assets and liabilities. Net assets is one way to measure the Port's financial health or position. This increase in the Port's net assets during the year ended April 30, 2004 is an indicator of the Port's efforts in strengthening its financial condition.

FINANCIAL ANALYSIS OF THE PORT

Net Assets

The Port's total assets at April 30, 2004 reached approximately $148 million. A change in the composition of assets was the decrease in restricted assets of approximately $2.0 million, which was due mainly to payments received on direct financing leases receivable. Property and equipment increased by approximately $5.4 million, which reflects the addition of the Globalplex Barge Cover Handling Building and upgrades to the internal infrastructure at the Globalplex Facility.

Table A-1
PORT OF SOUTH LOUISIANA
Balance Sheets
April 30, 2004 and 2003

	2004	2003	Variance	Percent Variance
ASSETS				
Current assets	$ 15,044,590	$ 19,172,067	$(4,127,477)	(21.5)%
Restricted assets	75,805,883	77,718,919	(1,913,036)	(2.5)%
Property and equipment, net	56,866,481	51,501,430	5,365,051	10.4 %
Other assets	390	390	0	0.0 %
	$147,717,344	$148,392,806	$ (675,462)	(0.5)%
LIABILITIES AND NET ASSETS				
Current liabilities	$ 4,042,149	$ 4,271,573	$(229,424)	(5.4)%
Revenue bonds payable from restricted assets	73,081,329	75,205,881	(2,124,552)	(2.8)%
Other noncurrent liabilities	1,685,000	1,996,712	(311,712)	(15.6)%
Total liabilities	78,808,478	81,474,166	(2,665,688)	(3.3)%
NET ASSETS				
Invested in capital assets, net of debt	54,576,481	49,024,718	5,551,763	11.3 %
Restricted	172,120	87,812	84,308	96.0 %
Unrestricted	14,160,265	17,806,110	(3,645,845)	(20.5)%
Total net assets	68,908,866	66,918,640	1,990,226	3.0 %
	$147,717,344	$148,392,806	$ (675,462)	(0.5)%

Current liabilities decreased by approximately $229,000 due to a decrease in outstanding accounts payables at year-end. Revenue bonds payable from restricted assets declined by approximately $2 million to $73 million as of April 30, 2004. This positive decline is a result of pay downs of revenue bonds payable from restricted assets.

Net assets grew by approximately $2 million as explained in the following section. Net assets invested in capital assets reflect fixed assets, net of accumulated depreciation, net of debt balance for capital leases. Restricted assets reflect assets restricted by a donor and/or contractual agreements for specific purposes.

CHANGE IN NET ASSETS

The change in net assets for the year ended April 30, 2004 was approximately $2 million as compared to a change in net assets of approximately $3.6 million for the year ended April 30, 2003. The Port's total operating revenues decreased by 19.4% to approximately $6 million. Total operating expenses decreased 4.2% to approximately $6.5 million, which includes approximately $1.6 million of depreciation expense. The changes in net assets are detailed in Table A-2.

Table A-2
PORT OF SOUTH LOUISIANA
Statements of Revenues, Expenses and Changes in Net Assets
April 30, 2004 and 2003

	2004	2003	Variance	Percent Variance
OPERATING REVENUES				
Dockage, net	$ 3,059,075	$ 3,907,453	$ (848,378)	(21.7)%
Harbor fees, anchorage and barge fleeting	1,861,011	1,953,539	(92,528)	(4.7)%
Wharfage	271,574	779,927	(508,353)	(65.2)%
Foreign trade zone income	96,667	90,000	6,667	7.4 %
Rentals	542,320	675,088	(132,768)	(19.7)%
Sheddage and other	166,347	29,977	136,370	455.0 %
Total operating revenues	5,996,994	7,435,984	(1,438,990)	(19.4)%
OPERATING EXPENSES				
Salaries and employee benefits	2,763,543	2,723,167	40,376	1.5%
Depreciation	1,636,378	1,653,335	(16,957)	(1.0)%
Insurance	651,044	582,103	68,941	11.8 %
Maintenance and repairs	354,152	472,330	(118,178)	(25.0)%
Port planning and development	165,684	299,545	(133,861)	(44.7)%
Administrative and other	894,923	1,015,235	(120,312)	(11.9)%
Total operating expenses	6,465,724	6,745,715	(279,991)	(4.2)%
Operating income (loss)	(468,730)	690,269	(1,158,999)	(167.9)%
NON-OPERATING REVENUE (EXPENSE)	(1,812)	(30,294)	28,482	94.0%
CAPITAL CONTRIBUTIONS	2,460,768	2,908,157	(447,389)	(15.4)%
CHANGE IN NET ASSETS	1,990,226	3,568,132	(1,577,906)	(44.2)%
NET ASSETS, BEGINNING OF YEAR	66,918,640	63,350,508	3,568,132	5.6%
NET ASSETS, END OF YEAR	$68,908,866	$66,918,640	$1,990,226	3.0%

Operating revenues decreased by 19.4% to $6 million. This is primarily a result of one of the Globalplex terminal's facility operators experiencing a decline in its cement tonnage operations. Their wharfage and dockage revenue went from $1.5 million in 2003 to $348,000 in 2004. Also, due to the construction of the Barge Cover Handling System, the ADM dock facility was shutdown several weeks. This resulted in a loss of dockage income. There was also a decrease in barge and vessel traffic in the Port's jurisdiction. The decrease in vessels and barges was a result of the country's economy and the high price of natural gas. Many facilities were required to cut operations because of the increased operating costs.

Operating expenses decreased in 2004. Insurance premiums and salary expenses experienced minor increases while most all other operating expenses decreased. This resulted in a 4.2% overall decrease in operating expenses from 2003 to 2004.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset Administration

The Port's investment in capital assets approximated $57 million, net of accumulated depreciation. This investment consists principally of land, buildings and docks, equipment, and vehicles. The Port currently has two ongoing construction projects; a rail spur project connecting the KCS and CN railroads, and the construction of a new transit shed warehouse at the Globalplex terminal.

Debt Administration

The Port's debt consists of bonds payable from restricted assets relating to its direct financing leases with its facility operators, revenue bonds for the Globalplex terminal, and a note payable to St. John the Baptist Parish for a warehouse. The Port also has a long-term payable to the State of Louisiana (the State) related to the Port's purchase of the Globalplex terminal.

CONTACTING THE PORT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patrons and other interested parties with a general overview of the Port's finances and to demonstrate the Port's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Port of South Louisiana at (985) 652-9278.

PORT OF SOUTH LOUISIANA

Balance Sheets

April 30, 2004 and 2003

ASSETS

	2004	2003
CURRENT ASSETS		
Cash and cash equivalents	$ 3,860,413	$ 6,164,626
Certificates of deposit	540,000	1,340,000
Investments	9,326,957	10,588,718
Federal funds receivable	385,084	260,497
Accrued interest receivable	82	2,334
Accounts receivable, net of $88,344 and $79,505 allowance for doubtful accounts	918,238	794,874
Prepaid expenses and other	13,816	21,018
TOTAL CURRENT ASSETS	15,044,590	19,172,067
RESTRICTED ASSETS		
Cash	132,363	0
Cash, held by the State of Louisiana	148,205	148,205
Accrued interest receivable	9,248	8,832
Current portion of direct financing lease payments receivable	2,145,000	2,025,000
Accrued interest receivable on direct financing leases	87,704	37,421
Total current restricted assets	2,522,520	2,219,458
Direct financing leases		
Leases receivable, net of unamortized discounts of $59,512 and $75,972	66,816,616	67,671,465
Investments	6,466,747	7,827,996
Total direct financing leases	73,283,363	75,499,461
TOTAL RESTRICTED ASSETS	75,805,883	77,718,919
PROPERTY AND EQUIPMENT - NET	56,866,481	51,501,430
OTHER ASSETS	390	390
	$147,717,344	$148,392,806

PORT OF SOUTH LOUISIANA

Balance Sheets

April 30, 2004 and 2003

LIABILITIES AND NET ASSETS

	2004	2003
CURRENT LIABILITIES		
Payable from current assets:		
Accounts payable and other accrued expenses	$ 566,272	$ 1,101,103
Accrued salaries and vacation	215,568	193,044
Current portion of revenue bond payable - Globalplex	145,000	415,000
Current portion of note payable - St. John the Baptist Parish	71,667	65,000
Retainage payable	278,341	0
Unearned rent, deposits and other liabilities	212,867	17,461
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	1,489,715	1,791,608
Payable from restricted assets:		
Current portion of bonds payable	2,145,000	2,025,000
Accrued bond interest payable	407,434	454,965
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	2,552,434	2,479,965
TOTAL CURRENT LIABILITIES	4,042,149	4,271,573
NONCURRENT LIABILITIES		
Revenue bonds payable from restricted assets net of unamortized discounts of $73,671 and $94,119	73,081,329	75,205,881
Other noncurrent liabilities:		
Revenue bond payable - Globalplex, net of unamortized discount of $0 and $8,288	0	136,712
General obligation bond - State of Louisiana	905,000	990,000
Note payable - St. John the Baptist Parish	780,000	870,000
TOTAL OTHER NONCURRENT LIABILITIES	1,685,000	1,996,712
TOTAL LIABILITIES	78,808,478	81,474,166
NET ASSETS		
Invested in capital assets, net of debt	54,576,481	49,024,718
Restricted	172,120	87,812
Unrestricted	14,160,265	17,806,110
TOTAL NET ASSETS	68,908,866	66,918,640
	$147,717,344	$148,392,806

See Notes to Financial Statements.

PORT OF SOUTH LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED APRIL 30, 2004 AND 2003

	2004	2003
OPERATING REVENUES		
Dockage, net	$ 2,954,950	$ 2,809,076
Harbor fees, anchorage and barge fleeting income	1,861,011	1,953,539
Foreign trade zone income	96,667	90,000
Rentals	93,173	83,117
Miscellaneous	87,278	20,825
Globalplex revenues:		
Dockage	104,125	1,098,377
Wharfage	271,574	779,927
Rentals	449,147	591,971
Sheddage and other	79,069	9,152
TOTAL OPERATING REVENUES	5,996,994	7,435,984
OPERATING EXPENSES		
Administration	17,964	22,165
Auditing	25,000	25,000
Bad debts	29,006	0
Building services	23,992	28,813
Computer software	6,607	2,226
Commission meetings	6,760	7,168
Conventions	36,994	67,049
Delivery charges	1,710	2,537
Depreciation	1,636,378	1,653,335
Dues	17,924	19,496
Employee benefits	739,408	741,732
Engineering fees	77,455	79,127
Equipment rentals	28,116	49,903
Fuel	30,002	38,019
Insurance	651,044	582,103
Leases of office equipment	2,400	2,400
Legal fees	104,826	117,539
Maintenance and repairs	354,152	472,330
Management services - Globalplex	43,439	56,618

PORT OF SOUTH LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (cont'd)
YEARS ENDED APRIL 30, 2004 AND 2003

	2004	2003
OPERATING EXPENSES (CONTINUED)		
Medical expense	4,848	22,285
Mileage	3,235	4,092
Permits and license fees	14,410	22,847
Port planning and development	165,684	299,545
Postage	5,875	10,590
Printing	2,493	2,401
Professional fees	87,550	101,330
Publishing	2,682	11,931
Salaries	2,024,135	1,981,435
Security	45,790	19,407
Small tools	931	5,230
Subscriptions	6,714	6,089
Supplies	42,280	74,683
Telephone	82,290	89,647
Testing	1,808	0
Training	3,657	12,856
Unemployment compensation	19,594	5,387
Uniforms	13,716	19,123
Utilities	104,855	89,277
TOTAL OPERATING EXPENSES	6,465,724	6,745,715
OPERATING INCOME (LOSS)	(468,730)	690,269
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	152,840	293,013
Interest earned on restricted asset investment, net of fees	9,942	33,896
Interest earned on direct financing leases	2,884,098	2,348,985
Interest expense on industrial revenue bonds payable from restricted assets	(2,877,994)	(2,517,285)
Interest expense Globalplex	(161,914)	(186,853)
Gain (Loss) on disposition of asset	(6,734)	0
Revenues received from port security grant	0	621,697
Expenses of port security grant	0	(621,697)
Trustee fees	(2,050)	(2,050)

PORT OF SOUTH LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (cont'd)
YEARS ENDED APRIL 30, 2004 AND 2003

	2004	2003
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,812)	(30,294)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(470,542)	659,975
Capital contributions	2,460,768	2,908,157
CHANGE IN NET ASSETS	1,990,226	3,568,132
NET ASSETS		
BEGINNING OF YEAR	66,918,640	63,350,508
END OF YEAR	$68,908,866	$66,918,640

See Notes to Financial Statements.

PORT OF SOUTH LOUISIANA

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 6,069,037	$ 7,553,003
Payments to suppliers	(2,290,650)	(1,589,417)
Payments to employees and related benefits	(2,765,461)	(2,724,643)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,012,926	3,238,943
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on restricted debt	(2,124,552)	(2,025,000)
Payments on bonds payable	(406,711)	(376,055)
Payments on notes payable	(168,333)	(155,000)
Interest paid	(3,089,489)	(2,751,036)
Payments received on financing leases receivable	854,849	2,490,231
Grants receivable	(124,587)	(260,497)
Capital grant	0	61,163
Property acquisitions	(4,547,396)	(1,437,371)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(9,606,219)	(4,453,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	3,423,010	799,137
Investment income received	2,998,433	2,749,799
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,421,443	3,548,936
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,171,850)	2,334,314
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,312,831	3,978,517
CASH AND CASH EQUIVALENTS, END OF YEAR	$4,140,981	$6,312,831
Cash and cash equivalents include:		
Cash and cash equivalents	$3,860,413	$6,164,626
Restricted assets:		
Restricted cash	132,363	0
Cash held by the State of Louisiana	148,205	148,205
Total cash and cash equivalents	$4,140,981	$6,312,831

See Notes to Financial Statements.

PORT OF SOUTH LOUISIANA

STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED APRIL 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	$ (468,730)	$ 690,269
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation	1,636,378	1,653,335
Changes in assets and liabilities:		
Accounts receivable	(123,364)	313,072
Prepaid expenses and other	7,202	(4,202)
Accounts payable	(534,831)	756,326
Retainage payable	278,341	0
Accrued expenses	22,524	26,196
Unearned rent, deposits and other liabilities	195,406	(196,053)
Net cash provided by operating activities	$1,012,926	$ 3,238,943

Noncash Activity: The Port received contributed property from outside sources of $2,680,260 in 2004 and $2,846,994 in 2003.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of South Louisiana (the "Port") is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:2471. The Port is governed by a Board of Commissioners (the "Board") consisting of seven members appointed for a four-year term as follows:

- The parish presidents, with concurrence of 2/3 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.

- Three resident members (one from each parish) or chief executive officers of a business which is principally operated within each parish are appointed by the Governor of the State of Louisiana.

- One member at-large who shall reside and be domiciled within the geographical boundaries of the Port is 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 Government Accounting Standards Board (GASB) Statement 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.

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 net assets. The operating statement presents increases (revenues) and decreases (expenses) in net total assets.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (continued)

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 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.

Change in Accounting

The Port adopted the provisions of Governmental Accounting Standards Board Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments (Statement 34), in 2003, effective May 1, 2002. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements and had no impact on net assets. The impact was on the presentation of net assets and the inclusion of management's discussion and analysis.

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 and Restricted Assets

Restricted and unrestricted 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.

Restricted assets are deposits received and/or made by the Port prior to payment due to the bondholders on the revenue bonds payables.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received. Depreciation is computed using the straight-line method over the following estimated useful lives.

Dock, barge and other facilities	5 - 50 years
Boats	10 - 30 years
Equipment and furniture	3 - 40 years
Buildings	7 - 40 years

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. Maintenance and repairs are charged to expenses when incurred.

Long-Term Obligations

Limited Obligation Bonds. The bond obligations reflected in the balance sheets as payable from restricted assets are industrial development bonds issued by the Port 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. These leases are for the term of the bonds and revenues from the leases correspond to payments due on the bonds.

Taxable Revenue Bonds. The bond obligations designated as revenue bonds payable from sources other than the direct financing leases previously described are industrial developments payable solely from income and revenue derived from Port transactions.

Contributed Capital and Net Assets

Contributed capital includes various grants from the State of Louisiana as well as other state and federal departments. Net assets represent the amount of accumulated earnings related since the beginning of operations.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the Port are covered by the State of Louisiana civil service regulations and, as such, accumulate sick and annual leave in accordance with varying rates stipulated under these regulations. Upon termination and/or retirement, 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. The Port's liabilities for sick leave of $584,859 and $515,945 as of April 30, 2004 and 2003, respectively, have not been accrued because the employees are not entitled to it upon termination.

Post Employment Healthcare and Life Insurance Benefits

The Port provides certain continuing healthcare and life insurance benefits for its retired employees. Employees become eligible for these benefits if they reach retirement age while working for the Port. The Port recognizes its costs of these benefits as an expense when the premiums become due. The Port's portion of these expenses for the years ended April 30, 2004 and 2003, were $320,792 and $274,255, respectively.

Statements of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents consist of demand deposits with banks and money market mutual funds.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and Cash Equivalents

At April 30, 2004, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled $4,532,776; the bank balance totaled $4,826,066. Of the bank balance, $300,000 was covered by federal deposit insurance, $4,310,429was covered by collateral held by the bank's agent and pledged in the Port's name, and $215,637 was unsecured money market deposits. At April 30, 2003, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled $7,504,626; the bank balance totaled $7,521,763. Of the bank balance, $400,000 was covered by federal deposit insurance, $6,910,087 was covered by collateral held by the bank's agent and pledged in the Port's name, and $211,676 were unsecured money market deposits.

NOTE 2 - CASH AND INVESTMENTS (Continued)

April 30, 2004:

	Cash	Certificates of Deposit	Bank Balance	Security
Covered by federal depository insurance	$ 100,000	$200,000	$ 300,000	$ 300,000
Secured with securities help by the pledging institution or its agent but not in the Port's name	3,970,429	340,000	4,310,429	4,310,429
Unsecured, money market	215,637	0	215,637	0
Total bank balance	$4,286,066	$540,000	$4,826,066	$4,610,429

April 30, 2003:

	Cash	Certificates of Deposit	Bank Balance	Security
Covered by federal depository insurance	$ 200,000	$ 200,000	$ 400,000	$ 400,000
Secured with securities help by the pledging institution or its agent but not in the Port's name	5,770,087	1,140,000	6,910,087	7,805,284
Unsecured, money market	211,676	0	211,676	0
Total bank balance	$6,181,763	$1,340,000	$7,521,763	$8,205,284

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

The Port's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the 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 counterparty'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 counterparty, or by its trust department or agent, but not in the Port's name.

	2004	2003	Credit Risk Category
Unrestricted investments:			
Mutual funds (U.S. Treasury Obligations)	$ 679,057	$ 656,747	Not applicable
Government mortgage-backed securities (GNMAs)	35,816	57,949	Category 2
Louisiana Asset Management Pool, Inc.	8,612,084	9,874,022	Not applicable
TOTAL CURRENT ASSETS	$ 9,326,957	$10,588,718	
Restricted investments:			
Mutual funds (U.S. Treasury Obligations)	$ 6,466,747	$ 7,827,996	Not applicable

Restricted cash of $148,205 held by the State of Louisiana as of April 30, 2004 and 2003, represents funds held on behalf of the revenue bonds payable.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments held at April 30, 2004 and 2003 include $8,612,084 and $9,874,022, respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at April 30, 2004 and 2003, is not categorized in the three risk categories provided by GASB Codification Section 150.125 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 non-profit 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)(l)(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.

PORT OF SOUTH LOUISIANA

NOTES TO FINANCIAL STATEMENTS

April 30, 2004 and 2003

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at April 30:

	2004			
	May 1, 2003	Additions	Deletions	April 30, 2004
Land	$ 8,369,882	$2,862,403	$ -	$11,232,285
Port buildings and docks	2,140,004	43,789	(85,457)	2,098,336
Globalplex buildings and docks	47,912,147	80,331	(56,798)	47,935,680
Construction in progress	2,947,297	4,021,970	-	6,969,267
Total property & equipment	61,369,330	7,008,493	(142,255)	68,235,568
Accumulated depreciation	(9,867,900)	(1,636,378)	135,191	(11,369,087)
Property & equipment, net	$51,501,430	$5,372,115	$ (7,064)	$56,866,481

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following at April 30:

	2004	2003
Bonded debt relating to direct-financing lease	$75,300,000	$ 77,325,000
Bonded debt other than direct-financing lease	1,050,000	1,550,000
Notes payable to St. John the Baptist Parish	851,667	935,000
Total	77,201,667	79,810,000
Less current portion	(2,361,667)	(2,505,000)
Less discounts	(73,671)	(102,407)
Total long-term portion	$74,766,329	$ 77,202,593

NOTE 4 - LONG-TERM DEBT (Continued)

Bonded debt relating to direct-financing leases consists of the following at April 30:

	2004	2003
$28,000,000 of Industrial Revenue Bonds (Series 1976) due in annual installments of $1,400,000 plus interest at 7.2% due in semi-annual installments through December 1, 2006	$4,200,000	$5,600,000
$25,000,000 of Industrial Revenue Term Bonds (Series 1991), due in one lump-sum payment at maturity plus variable interest at rates calculated weekly due in monthly installments through July 1, 2021	25,000,000	25,000,000
$27,000,000 of Industrial Revenue Term Bonds (Series 1996), due in one lump-sum payment at maturity plus variable interest at rates calculated weekly due in monthly installments through October 1, 2018	27,000,000	27,000,000
$8,470,000 of Industrial Revenue Bonds (Series 1978), due in annual installments between $625,000 to $745,000 through maturity plus varying interest between 6.875% to 7% due in semi-annual installments through September 1, 2008	3,725,000	4,350,000
$15,375,000 of Industrial Revenue Bonds (Series 1997), *due in one lump-sum payment at maturity plus interest* at 5.85% due in semi-annual installments through April 1, 2017	15,375,000	15,375,000
Subtotal	75,300,000	77,325,000
Less current portion	(2,145,000)	(2,025,000)
Less discount	(73,671)	(94,119)
Direct financing lease obligations, long-term	$73,081,329	$75,205,881

NOTE 4 - LONG-TERM DEBT (Continued)

The Port has issued five series of Industrial Revenue Bonds, as listed previously, to provide for the construction of various dock and wharf facilities within the jurisdiction of the Port. These limited obligation bonds are secured by direct financing leases and assets held in trust and are payable solely from revenues derived by third-party entities. Neither the Port, the State of Louisiana, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

Restricted assets as of April 30,2004 related to these direct finance leases, totaling $73,283,363 include $66,816,616 of leases receivable and $6,466,747 of investments. Restricted assets as of April 30, 2003 related to these direct finance leases, totaling $75,499,461, include $67,671,465 of leases receivable and $7,827,996 of investments. The terms for the direct leases receivable are the same as the related bonds.

In accordance with the bond indentures and lease agreements related to these direct financing leases, a percentage, usually 50 to 75 percent of dockage income, is transferred to trustees for servicing bonds payable. Correspondingly, 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 years ended April 30,2004 and 2003 was $4,892,637 and $4,539,575, respectively. Such amounts are reported as direct financing lease payments or interest income, as appropriate.

Bonded debt not relating to direct-financing leases consist of the following at April 30:

	2004	2003
$1,600,000 of General Obligation Bonds (Series 1992A), due in annual installments of $75,000 to $140,000 plus varying interest at 6.1% to 6.5% due in semi-annual installments through May 1, 2012 (current portion paid prior to April 30, 2004 and 2003)	$905,000	$ 990,000
$7,500,000 of Revenue Bonds (Series 1991), due in annual installments of $145,000 to $395,000 plus interest at 5% due in semi-annual installments through December 1, 2011	$ 145,000	$ 560,000
Less current portion	(145,000)	(415,000)
Less discount	0	(8,288)
Total long-term portion	$ 0	$ 136,712

NOTE 4 - LONG-TERM DEBT (Continued)

The Port has a note payable to St. John the Baptist Parish relating to the purchase of a building. The original value of the note, dated December 21, 1998, was $1,345,000. The note is payable in annual installments of $60,000 to $130,000, with interest ranging from 3.88% to 4%, due semi-annually through December 31, 2012. As of April 30, 2004 and 2003, the remaining principal balance of the note was $851,667 and $935,000.

Debt service requirements, including interest of $42,364,603, for bonds outstanding in relation to direct financing leases were as follows as of April 30, 2004.

April 30,	Direct Financing Lease	Other Bonded Debt	Note Payable St. John the Baptist Parish	Total
2005	$ 5,335,313	$ 209,078	$ 139,394	$ 5,683,785
2006	5,182,363	142,880	139,976	5,465,219
2007	5,029,413	141,800	141,488	5,312,701
2008	3,476,463	140,300	137,336	3,754,099
2009	3,424,313	143,150	139,150	3,706,613
Thereafter	94,583,504	562,325	498,024	95,643,853
	$117,031,369	$ 1,339,533	$ 1,195,368	$ 119,566,270

NOTE 5 - DOCKAGE AND HARBOR FEES

As described in Note 4, net dockage represents dockage available for the operations of the Port. The amount of dockage used to reduce direct financing leases and interest receivable during the years ended April 30, 2004 and 2003 was $4,892,637 and $4,539,575, respectively.

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 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 their cargo aboard such vessels, or upon wharves and other facilities of the Port.

NOTE 6 - CONCENTRATION

Billings for the three largest facility operators represents 82% of total gross dockage revenues (including dockage that is collected for payment of direct financing leases as described in Note 4) for the year ended April 30, 2004.

NOTE 7 - COMMITMENTS

Subsequent to April 30, 2003, the Port entered into an agreement with one of its facility operators to renovate and install a barge unloader at the Globalplex terminal. The facility operator purchased the used unloader, and the estimated $2.5 million cost to complete the contract will be split equally between the Port and the facility operator. Under the terms of the agreement, the Port will pay 10% of its dockage receipts not to exceed $150,000 annually until its $1.25 million share of the project cost is paid. As of April 30, 2004, this agreement had not commenced.

In March 2004, the Port entered into a contract/agreement with the Louisiana Department of Economic Development and Bayou Steel Corporation which provides the Port with state funds of $1,056,747 to repair, refurbish and refinish a deep water dock and ramp to be used by Bayou Steel Corporation. As of April 30, 2004, the agreement had not commenced.

Prior to April 30, 2004, the Port was awarded a grant in the amount of $600,000 from the Maritime and Land Security Department to purchase two boats for port security. As of April 30, 2004, the grant had not commenced.

NOTE 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"), a cost-sharing multiple-employer defined benefit pension plan administered by a separate board of trustees. The LASERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute (LRS 42:651; 712; 712.1; 712.3). The LASERS issues a publicly available financial report that includes financial statements and required supplementary information for the LASERS. That report may be obtained by writing to the Louisiana State Employees' Retirement System, P. O. Box 44213, Baton Rouge, Louisiana 70804-4213.

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 single-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.

NOTE 8 - RETIREMENT PLANS (Continued)

The LASERS is a defined benefit contributory pension plan to which employees contribute 7.5% of their salaries and the Port contributes 15.8% of the employees' salaries toward future benefits.

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. Effective January 1, 1996, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once a 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.

Act 14 of the 1990 Louisiana Legislature provided for a new 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.

Total contributions for the years ended April 30, 2004, 2003 and 2002 were $200,557, $279,382 and $180,404, respectively. These amounts are equal to the required contributions for each of these three years.

NOTE 9 - CONTINGENCIES

The Port is the defendant in a matter alleging damages related to the Globalplex wastewater system. The outcome of this matter cannot be determined at this time.

The Port is a party to other legal proceedings incidental to its business. Certain 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. While no current liability is recorded, future actions may occur that would affect the Port's liability.

NOTE 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.

NOTE 10 - CONDUIT DEBT (Continued)

In 1997, the Port issued port facility revenue bonds, due January 1, 2027, for the purpose of financing the cost of acquiring, constructing and installing a project, consisting of certain dock, wharf and related storage facilities, in the amount of $22,000,000 on behalf of Holman, Inc. (the Company). The Company is responsible for the payment of these bonds which are secured by an irrevocable letter of credit.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to April 30, 2004, the Port was awarded a grant from the U.S. Department of Commerce Economic Development Administration for $900,000 to extend a railspur to connect two major railroads.

Subsequent to April 30, 2004, the Port entered into a contract/agreement with the Louisiana Department of Economic Development and Gulf American Terminal Services, L.L.C., which provides the Port with state funds in the amount of $650,000 to modify and upgrade an existing rail line and construct a service spur to be used by Gulf American Terminal Services, L.L.C.

The Port has a contract dated June 17, 1996 with Kinder Morgan stating that during any lease year, if rents paid to the Port are less than $1,000,000, Kinder Morgan will pay the difference between the $1,000,000 and the rent actually paid to the Port within 15 days after year-end of the lease year. On June 30, 2004, the Port billed Kinder Morgan $435,450 for the difference associated with the contract guarantee and Kinder Morgan paid the Port this amount on July 15, 2004 in accordance with the terms of the contract.

PORT OF SOUTH LOUISIANA

SINGLE AUDIT REPORTS

April 30, 2004

PORT OF SOUTH LOUISIANA

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Kushner LaGraize, L.L.C.

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

To the Board of Commissioners
Port of South Louisiana

We have audited the financial statements of the Port of South Louisiana (the Port) as of and for the year ended April 30, 2004, and have issued our report thereon dated September 22, 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 Port'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 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 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

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of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information of the Port, the Port's management, the State of Louisiana, the Legislative Auditor's Office, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
September 22, 2004

Kushner LaGraize, L.L.C.

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INDEPENDENT AUDITORS' 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

To the Board of Commissioners
Port of South Louisiana

Compliance

We have audited the compliance of the Port of South Louisiana (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 April 30, 2004. The Port's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, 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 on 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 its major federal program for the year ended April 30,2004.

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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 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port as of and for the year ended April 30, 2004, and have issued our report thereon dated September 22, 2004. 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 of the Port, the Port's management, the State of Louisiana, the Legislative Auditor's Office, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
September 22, 2004

PORT OF SOUTH LOUISIANA

Schedule of Expenditures of Federal Awards
For the Year Ended April 30, 2004

Federal Grantor/Program Title	CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:		
Community Development Block Grant:		
Economic Development Initiative	14.246	$853,796
Total Federal Awards Expended		$853,796

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

PORT OF SOUTH LOUISIANA

Notes to Schedule of Expenditures of Federal Awards
April 30, 2004

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the Port of South Louisiana (Port). The Port's reporting entity is defined in Note 1 to the financial statements for the year ended April 30, 2004. All federal awards received from federal agencies are included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Port's financial statements for the year ended April 30, 2004.

NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal awards are included in the statement of revenues, expenses and changes in net assets under nonoperating revenues as "Revenues received from Community Development Block Grant" and "Expenses of Community Development Block Grant".

PORT OF SOUTH LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended April 30, 2004

1. SUMMARY OF AUDITORS' RESULTS

   a. The type of report issued on the basic financial statements: unqualified opinion.

   b. Reportable conditions in internal control were disclosed by the audit of the financial statements: none reported: Material weaknesses: no.

   c. Noncompliance which is material to the financial statements: no.

   d. Reportable conditions in internal control over major programs: none reported; Material weaknesses: no.

   e. The type of report issued on compliance for major programs: unqualified opinion.

   f. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: no.

   g. Major program:

      Community Development Block Grant:
      Economic Development Initiative 14.246

   h. Dollar threshold used to distinguish between Type A and Type B programs: $300,000.

   i. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no.

2. Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards:* none.

3. Findings and Questioned Costs relating to Federal Awards: None.