

# **PORT OF SOUTH LOUISIANA**

## **AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED**

April 30, 2009 and 2008

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

Release Date 11/4/09

# **PORT OF SOUTH LOUISIANA**

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# Kushner LaGraize, LLC

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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 and for the years ended April 30, 2009 and 2008, as 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of South Louisiana as of April 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 8 and the Schedule of Funding Progress for the Port's OPEB Plan on page 34 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2009 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 grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Port of South Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards

is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements of the Port of South Louisiana. 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.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
September 22, 2009

## **PORT OF SOUTH LOUISIANA**

### *Management's Discussion and Analysis*

*April 30, 2009*

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, 2009. 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 53% of total assets of approximately \$135.4 million in 2009. In 2008, the Port's net assets approximated 53% of total assets of approximately \$131.8 million.

The Port had an increase in net assets of \$1.89 million for the year ended April 30, 2009 as compared to a decrease in net assets of \$819,064 in 2008. In addition, the Port's cash from operating activities was \$2,024,665 in 2009 as compared to \$136,032 in 2008.

### **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 Balance Sheet.

The Balance Sheet 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.

# PORT OF SOUTH LOUISIANA

## Management's Discussion and Analysis

April 30, 2009

### FINANCIAL ANALYSIS OF THE PORT

#### Net Assets

The Port's total assets at April 30, 2009 reached approximately \$135.4 million. A change in the composition of assets is due to the increase in capital assets of approximately \$5.0 million. This increase is due to three major projects taking place at the Port of South Louisiana for the fiscal year. The three projects are the bulk dock upgrades and crane rehabilitation, dock access bridge upgrades and the construction of a bulk transit warehouse. As in the prior year, the Port was designated as the agent for the LMRPSSC and therefore manages all grant funding. These funds are classified as restricted cash with a corresponding payable. The grants will be used for various projects which will enhance the security of maritime related activities for five major ports in the southern region of Louisiana.

Table A-1  
PORT OF SOUTH LOUISIANA  
Balance Sheets  
April 30, 2009 and 2008

|                                                 | 2009                 | 2008                 | Variance            | Percent<br>Variance |
|-------------------------------------------------|----------------------|----------------------|---------------------|---------------------|
| <b>ASSETS</b>                                   |                      |                      |                     |                     |
| Current assets                                  | \$ 10,939,415        | \$ 11,274,112        | \$ (334,697)        | (3.0) %             |
| Restricted assets                               | 55,781,485           | 56,793,857           | (1,012,372)         | (1.8) %             |
| Property and equipment, net                     | 68,636,162           | 63,693,226           | 4,942,936           | 7.8 %               |
| Other assets                                    | <u>654</u>           | <u>654</u>           | <u>-</u>            | 0.0 %               |
|                                                 | <u>\$135,357,716</u> | <u>\$131,761,849</u> | <u>\$ 3,595,867</u> | 2.7 %               |
| <b>LIABILITIES AND NET ASSETS</b>               |                      |                      |                     |                     |
| Current liabilities                             | \$ 6,391,019         | \$ 5,726,038         | \$ 664,981          | 11.6 %              |
| Revenue bonds payable from<br>restricted assets | 51,990,231           | 51,982,563           | 7,668               | 0.0 %               |
| Other noncurrent liabilities                    | <u>1,978,452</u>     | <u>941,667</u>       | <u>1,036,785</u>    | 111.0 %             |
| Total liabilities                               | 60,359,702           | 58,650,268           | 1,709,434           | 2.9 %               |
| <b>NET ASSETS</b>                               |                      |                      |                     |                     |
| Invested in capital assets,<br>net of debt      | 68,204,496           | 63,164,892           | 5,039,604           | 8.0 %               |
| Restricted                                      | 3,626,791            | 3,892,998            | (266,207)           | (6.8) %             |
| Unrestricted                                    | <u>3,166,727</u>     | <u>6,053,691</u>     | <u>(2,886,964)</u>  | (47.7) %            |
| Total net assets                                | <u>74,998,014</u>    | <u>73,111,581</u>    | <u>1,886,443</u>    | 2.6 %               |
|                                                 | <u>\$135,357,716</u> | <u>\$131,761,849</u> | <u>\$ 3,595,867</u> | 2.7 %               |

## **PORT OF SOUTH LOUISIANA**

### *Management's Discussion and Analysis*

*April 30, 2009*

Total liabilities increased by approximately \$1.7 million. The main increase is due to the implementation of GASB 45. GASB 45 is a Governmental Accounting Standards Board rule requiring the Port to record a liability for other post-retirement benefits of \$1,256,787.

Net assets grew by approximately \$1.89 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, 2009 was approximately \$1.89 million as compared to a change in net assets of approximately \$819,064 for the year ended April 30, 2008. The Port's total operating revenues increased by 9.5% to approximately \$9.11 million. Total operating expenses increased 20.7% to approximately \$12.0 million, which includes approximately \$1.95 million of depreciation expense and \$1.26 million of expenses related to the accrual for other post-retirement benefits. The changes in net assets are detailed in Table A-2.

# PORT OF SOUTH LOUISIANA

## Management's Discussion and Analysis

April 30, 2009

Table A-2  
PORT OF SOUTH LOUISIANA  
Statements of Revenues, Expenses and Changes in Net Assets  
April 30, 2009 and 2008

|                                              | <u>2009</u>       | <u>2008</u>       | <u>Variance</u>  | <u>Percent</u><br><u>Variance</u> |
|----------------------------------------------|-------------------|-------------------|------------------|-----------------------------------|
| <b>OPERATING REVENUES</b>                    |                   |                   |                  |                                   |
| Dockage, net                                 | \$ 3,453,573      | \$ 2,809,435      | \$ 644,138       | 22.9 %                            |
| Harbor fees, anchorage and<br>barge fleeting | 3,445,131         | 3,538,827         | (93,696)         | (2.6) %                           |
| Wharfage                                     | 479,967           | 412,558           | 67,409           | 16.3 %                            |
| Foreign trade zone income                    | 126,500           | 100,000           | 26,500           | 26.5 %                            |
| Rentals                                      | 1,214,351         | 1,073,925         | 140,426          | 13.1 %                            |
| Shedding and other                           | <u>393,561</u>    | <u>388,738</u>    | <u>4,823</u>     | 1.2 %                             |
| Total operating revenues                     | 9,113,083         | 8,323,483         | 789,600          | 9.5 %                             |
| <b>OPERATING EXPENSES</b>                    |                   |                   |                  |                                   |
| Salaries and employee<br>benefits            | 4,074,907         | 3,730,495         | 344,412          | 9.2 %                             |
| Depreciation                                 | 1,953,766         | 1,944,630         | 9,136            | 0.5 %                             |
| Insurance                                    | 675,103           | 1,055,394         | (380,291)        | (36.0) %                          |
| Maintenance and repairs                      | 974,462           | 441,435           | 533,027          | 120.7 %                           |
| Port planning<br>and development             | 407,513           | 775,410           | (367,897)        | (47.4) %                          |
| Post-retirement<br>benefit expense           | 1,256,787         | -                 | 1,256,787        | 100.0 %                           |
| Administrative and other                     | <u>2,724,234</u>  | <u>2,053,912</u>  | <u>670,322</u>   | 32.6 %                            |
| Total operating expenses                     | <u>12,066,772</u> | <u>10,001,276</u> | <u>2,065,496</u> | 20.7 %                            |
| Operating income (loss)                      | (2,953,689)       | (1,677,793)       | (1,275,896)      | 76.1 %                            |
| <b>NON-OPERATING REVENUES<br/>(EXPENSES)</b> |                   |                   |                  |                                   |
|                                              | <u>103,642</u>    | <u>394,558</u>    | <u>(290,916)</u> | (73.7) %                          |

## **PORT OF SOUTH LOUISIANA**

### *Management's Discussion and Analysis*

*April 30, 2009*

Table A-2  
PORT OF SOUTH LOUISIANA  
Statements of Revenues, Expenses and Changes in Net Assets - Continued  
April 30, 2009 and 2008

|                                                      | <u>2009</u>          | <u>2008</u>          | <u>Variance</u>     | <u>Percent<br/>Variance</u> |
|------------------------------------------------------|----------------------|----------------------|---------------------|-----------------------------|
| NET INCOME (LOSS)<br>BEFORE CAPITAL<br>CONTRIBUTIONS | (2,850,047)          | (1,283,235)          | (1,566,812)         | 122.1 %                     |
| CAPITAL CONTRIBUTIONS                                | <u>4,736,480</u>     | <u>464,171</u>       | <u>4,272,309</u>    | 920.4 %                     |
| CHANGE IN NET ASSETS                                 | 1,886,433            | (819,064)            | 2,705,497           | 330.3 %                     |
| NET ASSETS,<br>BEGINNING OF YEAR                     | <u>73,111,581</u>    | <u>73,930,645</u>    | <u>(819,064)</u>    | (1.1) %                     |
| NET ASSETS, END OF YEAR                              | <u>\$ 74,998,014</u> | <u>\$ 73,111,581</u> | <u>\$ 1,886,433</u> | 2.6 %                       |

## **PORT OF SOUTH LOUISIANA**

### *Management's Discussion and Analysis*

*April 30, 2009*

Operating revenues increased by 9.5% to \$9.11 million in fiscal year 2009. This is primarily a result of an increase in rental and dockage revenues. Rental and dockage revenues increased \$140,426 and \$644,138, respectively. This rental increase was due to all available warehouse space being rented out for the entire fiscal year 2009. The dockage revenue increased because last fiscal year we had experienced extreme high water conditions in the late spring and early summer which limited barge and vessel traffic on the river. We did not experience these problems in fiscal year 2009.

Operating expenses increased by 20.7% to \$12.0 million in fiscal year 2009. Salaries and employee benefits, maintenance and repairs and other post-retirement benefit expense accounts experienced an increase during 2009. The post-retirement benefit expense is a new expense that occurred due to the implementation of GASB 45. GASB 45 is a new rule from the Governmental Accounting Standards Board which requires the Port to record an expense for other post-retirement benefits. This resulted in an additional expense of \$1.26 million for fiscal year 2009.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### *Capital Asset Administration*

The Port's investment in capital assets approximated \$68.6 million, net of accumulated depreciation. This investment consists principally of land, buildings and docks, equipment, and vehicles. The Port currently has one ongoing construction project; the construction of a bulk transit warehouse.

#### *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, 2009 and 2008

## ASSETS

|                                                                                      | <u>2009</u>                 | <u>2008</u>                  |
|--------------------------------------------------------------------------------------|-----------------------------|------------------------------|
| <b>CURRENT ASSETS</b>                                                                |                             |                              |
| Cash and cash equivalents                                                            | \$ 1,067,094                | \$ 1,084,095                 |
| Certificates of deposit                                                              | 2,334,320                   | 2,774,320                    |
| Investments                                                                          | 6,543,321                   | 6,449,725                    |
| Accrued interest receivable                                                          | 2,321                       | 2,843                        |
| Accounts receivable, net of \$88,344 and<br>\$88,344 allowance for doubtful accounts | 860,512                     | 950,670                      |
| Grants receivable                                                                    | 119,000                     | -                            |
| Prepaid expenses and other                                                           | <u>12,847</u>               | <u>12,459</u>                |
| <b>TOTAL CURRENT ASSETS</b>                                                          | <b>10,939,415</b>           | <b>11,274,112</b>            |
| <b>RESTRICTED ASSETS</b>                                                             |                             |                              |
| Cash                                                                                 | 3,471,143                   | 3,731,581                    |
| Cash, held by the State of Louisiana                                                 | 148,205                     | 148,205                      |
| Accrued interest receivable                                                          | 7,697                       | 7,745                        |
| Current portion of direct financing<br>lease payments receivable                     | -                           | 745,000                      |
| Accrued interest receivable on direct financing leases                               | <u>56,865</u>               | <u>27,847</u>                |
| <b>Total current restricted assets</b>                                               | <b>3,683,910</b>            | <b>4,660,378</b>             |
| <b>Direct financing leases</b>                                                       |                             |                              |
| Leases receivable, net of unamortized discounts of<br>\$7,931 and \$14,120           | 52,062,663                  | 52,081,273                   |
| Investments                                                                          | <u>34,912</u>               | <u>52,206</u>                |
| <b>Total direct financing leases</b>                                                 | <b><u>52,097,575</u></b>    | <b><u>52,133,479</u></b>     |
| <b>TOTAL RESTRICTED ASSETS</b>                                                       | <b><u>55,781,485</u></b>    | <b><u>56,793,857</u></b>     |
| <b>PROPERTY AND EQUIPMENT - NET</b>                                                  | <b>68,636,162</b>           | <b>63,693,226</b>            |
| <b>OTHER ASSETS</b>                                                                  | <b><u>654</u></b>           | <b><u>654</u></b>            |
|                                                                                      | <b><u>\$135,357,716</u></b> | <b><u>\$ 131,761,849</u></b> |

## **PORT OF SOUTH LOUISIANA**

*Balance Sheets - Continued*

*April 30, 2009 and 2008*

### **LIABILITIES AND NET ASSETS**

|                                                                                                                 | <u>2009</u>                  | <u>2008</u>                  |
|-----------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| <b>CURRENT LIABILITIES</b>                                                                                      |                              |                              |
| Payable from current assets:                                                                                    |                              |                              |
| Accounts payable and other accrued expenses                                                                     | \$ 669,152                   | \$ 521,097                   |
| Accrued salaries and vacation                                                                                   | 359,688                      | 305,049                      |
| Current portion of note payable - St. John the Baptist Parish                                                   | 103,752                      | 95,834                       |
| Unearned rent, deposits and other liabilities                                                                   | <u>1,656,610</u>             | <u>181,272</u>               |
| <br><b>TOTAL CURRENT LIABILITIES PAYABLE<br/>    FROM CURRENT ASSETS</b>                                        | <br>2,789,202                | <br>1,103,252                |
| Payable from restricted assets:                                                                                 |                              |                              |
| Port Security grant payable                                                                                     | 3,437,355                    | 3,704,490                    |
| Current portion of industrial revenue bonds payable                                                             | -                            | 745,000                      |
| Accrued bond interest payable                                                                                   | <u>164,462</u>               | <u>173,296</u>               |
| <br><b>TOTAL CURRENT LIABILITIES PAYABLE<br/>    FROM RESTRICTED ASSETS</b>                                     | <br><u>3,601,817</u>         | <br><u>4,622,786</u>         |
| <br><b>TOTAL CURRENT LIABILITIES</b>                                                                            | <br>6,391,019                | <br>5,726,038                |
| <br><b>NONCURRENT LIABILITIES</b>                                                                               |                              |                              |
| Industrial revenue bonds payable from restricted assets<br>net of unamortized discounts of \$9,769 and \$17,437 | 51,990,231                   | 51,982,563                   |
| Other noncurrent liabilities:                                                                                   |                              |                              |
| OPEB payable                                                                                                    | 1,256,787                    | -                            |
| General obligation bond - State of Louisiana                                                                    | 395,000                      | 510,000                      |
| Note payable - St. John the Baptist Parish                                                                      | <u>326,665</u>               | <u>431,667</u>               |
| <br><b>TOTAL OTHER NONCURRENT LIABILITIES</b>                                                                   | <br><u>1,978,452</u>         | <br><u>941,667</u>           |
| <br><b>TOTAL LIABILITIES</b>                                                                                    | <br>60,359,702               | <br>58,650,268               |
| <br><b>COMMITMENTS AND CONTINGENCIES</b>                                                                        |                              |                              |
| <br><b>NET ASSETS</b>                                                                                           |                              |                              |
| Invested in capital assets, net of debt                                                                         | 68,204,496                   | 63,164,892                   |
| Restricted                                                                                                      | 3,626,791                    | 3,892,998                    |
| Unrestricted                                                                                                    | <u>3,166,727</u>             | <u>6,053,691</u>             |
| <br><b>TOTAL NET ASSETS</b>                                                                                     | <br><u>74,998,014</u>        | <br><u>73,111,581</u>        |
|                                                                                                                 | <u><b>\$ 135,357,716</b></u> | <u><b>\$ 131,761,849</b></u> |

**PORT OF SOUTH LOUISIANA**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
*Years Ended April 30, 2009 and 2008*

|                                                  | <u>2009</u>      | <u>2008</u>      |
|--------------------------------------------------|------------------|------------------|
| <b>OPERATING REVENUES</b>                        |                  |                  |
| Dockage, net                                     | \$ 2,675,163     | \$ 2,424,407     |
| Harbor fees, anchorage and barge fleeting income | 3,445,131        | 3,538,827        |
| Foreign trade zone income                        | 126,500          | 100,000          |
| Rentals                                          | 64,500           | 78,877           |
| Miscellaneous                                    | 47,843           | 130,782          |
| Globalplex revenues:                             |                  |                  |
| Dockage                                          | 778,410          | 385,028          |
| Wharfage                                         | 479,967          | 412,558          |
| Rentals                                          | 1,149,851        | 995,048          |
| Sheddage and other                               | <u>345,718</u>   | <u>257,956</u>   |
| <b>TOTAL OPERATING REVENUES</b>                  | <b>9,113,083</b> | <b>8,323,483</b> |
| <b>OPERATING EXPENSES</b>                        |                  |                  |
| Administration                                   | 16,249           | 19,696           |
| Auditing                                         | 35,698           | 15,209           |
| Bad debt                                         | -                | 24,332           |
| Building services                                | 40,645           | 34,469           |
| Computer software                                | 6,811            | 12,701           |
| Commission meetings                              | 13,697           | 15,676           |
| Conventions                                      | 66,509           | 84,597           |
| Delivery charges                                 | 4,207            | 2,506            |
| Depreciation                                     | 1,953,766        | 1,944,630        |
| Dues                                             | 29,900           | 47,519           |
| Employee benefits                                | 1,287,373        | 1,226,076        |
| Engineering fees                                 | 516,304          | 390,617          |
| Equipment rentals                                | 27,121           | 26,269           |
| Fuel                                             | 74,257           | 57,217           |
| Insurance                                        | 675,103          | 1,055,394        |
| Legal fees                                       | 413,599          | 94,048           |
| Maintenance and repairs                          | 974,462          | 441,435          |
| Management services - Globalplex                 | 20,559           | 32,757           |

## **PORT OF SOUTH LOUISIANA**

### **STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - Continued** **Years Ended April 30, 2009 and 2008**

|                                                                             | <u>2009</u>           | <u>2008</u>           |
|-----------------------------------------------------------------------------|-----------------------|-----------------------|
| OPERATING EXPENSES (CONTINUED)                                              |                       |                       |
| Medical expense                                                             | 5,954                 | 5,028                 |
| Mileage                                                                     | 5,243                 | 5,607                 |
| Permits and license fees                                                    | 17,682                | 19,027                |
| Port planning and development                                               | 407,513               | 775,410               |
| Post-retirement benefit expense                                             | 1,256,787             | -                     |
| Postage                                                                     | 8,937                 | 6,411                 |
| Printing                                                                    | 1,948                 | 3,591                 |
| Professional fees                                                           | 562,121               | 487,353               |
| Publishing                                                                  | 8,444                 | 11,048                |
| Salaries                                                                    | 2,787,534             | 2,504,419             |
| Security                                                                    | 229,402               | 147,439               |
| Subscriptions                                                               | 3,231                 | 5,357                 |
| Supplies                                                                    | 64,654                | 76,705                |
| Telephone                                                                   | 108,927               | 98,348                |
| Training                                                                    | 7,330                 | 5,597                 |
| Uniforms                                                                    | 17,619                | 17,042                |
| Utilities                                                                   | <u>417,186</u>        | <u>307,746</u>        |
| <br>TOTAL OPERATING EXPENSES                                                | <br><u>12,066,772</u> | <br><u>10,001,276</u> |
| <br>OPERATING INCOME (LOSS)                                                 | <br>(2,953,689)       | <br>(1,677,793)       |
| NONOPERATING REVENUES (EXPENSES)                                            |                       |                       |
| Interest earned on investments/unrealized gain (loss)                       | 186,190               | 463,613               |
| Interest earned on direct financing leases                                  | 1,021,176             | 2,695,207             |
| Interest earned (expense) on restricted asset investment, net of fees       | 267                   | 2,154                 |
| Interest expense on industrial revenue bonds payable from restricted assets | (1,029,208)           | (2,677,399)           |
| Interest expense - Globalplex                                               | <u>(74,783)</u>       | <u>(89,017)</u>       |
| <br>TOTAL NONOPERATING REVENUES                                             | <br><u>103,642</u>    | <br><u>394,558</u>    |

**PORT OF SOUTH LOUISIANA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - Continued**  
*Years Ended April 30, 2009 and 2008*

|                                                   | <u>2009</u>          | <u>2008</u>         |
|---------------------------------------------------|----------------------|---------------------|
| NET INCOME (LOSS) BEFORE<br>CAPITAL CONTRIBUTIONS | (2,850,047)          | (1,283,235)         |
| Capital contributions                             | <u>4,736,480</u>     | <u>464,171</u>      |
| CHANGE IN NET ASSETS                              | 1,886,433            | (819,064)           |
| NET ASSETS                                        |                      |                     |
| BEGINNING OF YEAR                                 | <u>73,111,581</u>    | <u>73,930,645</u>   |
| END OF YEAR                                       | <u>\$ 74,998,014</u> | <u>\$73,111,581</u> |

# **PORT OF SOUTH LOUISIANA**

## **STATEMENTS OF CASH FLOWS**

*Years Ended April 30, 2009 and 2008*

|                                                                      | <u>2009</u>                    | <u>2008</u>                    |
|----------------------------------------------------------------------|--------------------------------|--------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                                |                                |
| Receipts from customers and users                                    | \$ 9,203,241                   | \$ 8,116,706                   |
| Receipts from other revenue sources                                  | 1,475,338                      | -                              |
| Payments to suppliers                                                | (4,627,691)                    | (4,288,297)                    |
| Payments to employees and related benefits                           | <u>(4,026,223)</u>             | <u>(3,692,377)</u>             |
| <br><b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                 | <br>2,024,665                  | <br>136,032                    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |                                |                                |
| Receipts on restricted debt                                          | 7,668                          | (734,776)                      |
| Payments on notes payable                                            | (212,084)                      | (199,167)                      |
| Security grant payable                                               | (267,135)                      | 3,704,490                      |
| Interest paid                                                        | (1,112,825)                    | (2,774,965)                    |
| Direct financing leases receivable                                   | 18,610                         | 718,015                        |
| Grants receivable                                                    | (119,000)                      | -                              |
| Property acquisitions                                                | <u>(2,160,221)</u>             | <u>(1,354,691)</u>             |
| <br><b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <br>(3,844,987)                | <br>(641,094)                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                                |                                |
| Sale of investments                                                  | 363,698                        | (312,579)                      |
| Investment income received                                           | <u>1,179,185</u>               | <u>3,169,930</u>               |
| <br><b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                 | <br><u>1,542,883</u>           | <br><u>2,857,351</u>           |
| <br><b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>      | <br>(277,439)                  | <br>2,352,289                  |
| <br><b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>              | <br><u>4,963,881</u>           | <br><u>2,611,592</u>           |
| <br><b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                    | <br><u><u>\$ 4,686,442</u></u> | <br><u><u>\$ 4,963,881</u></u> |
| <br>Cash and cash equivalents include:                               |                                |                                |
| Cash and cash equivalents                                            | \$ 1,067,094                   | \$ 1,084,095                   |
| Restricted assets:                                                   |                                |                                |
| Restricted cash                                                      | 3,471,143                      | 3,731,581                      |
| Cash held by the State of Louisiana                                  | <u>148,205</u>                 | <u>148,205</u>                 |
| <b>Total cash and cash equivalents</b>                               | <u><u>\$ 4,686,442</u></u>     | <u><u>\$ 4,963,881</u></u>     |

See Notes to Financial Statements.

**PORT OF SOUTH LOUISIANA**  
**STATEMENTS OF CASH FLOWS - Continued**  
*Years Ended April 30, 2009 and 2008*

|                                                                                                                   | <u>2009</u>             | <u>2008</u>           |
|-------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                       |                         |                       |
| Operating income (loss)                                                                                           | \$ (2,953,689)          | \$ (1,677,793)        |
| Adjustments to reconcile income (loss) from operations<br>to net cash provided by (used in) operating activities: |                         |                       |
| Depreciation                                                                                                      | 1,953,766               | 1,944,630             |
| Changes in assets and liabilities:                                                                                |                         |                       |
| Accounts receivable                                                                                               | 90,158                  | (206,777)             |
| Prepaid expenses and other                                                                                        | (388)                   | 19,581                |
| Accounts payable                                                                                                  | 148,055                 | 13,245                |
| Accrued expenses                                                                                                  | 54,638                  | 43,146                |
| Unearned rent, deposits and other liabilities                                                                     | 1,475,338               | -                     |
| OPEB payable                                                                                                      | <u>1,256,787</u>        | <u>-</u>              |
| <br>NET CASH PROVIDED BY<br>OPERATING ACTIVITIES                                                                  | <br><u>\$ 2,024,665</u> | <br><u>\$ 136,032</u> |

Noncash Activity: The Port received contributed property from outside sources of \$4,736,480 in 2009 and \$464,171 in 2008.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
*April 30, 2009 and 2008*

**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.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**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.

***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.

***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  |

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

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

***Property and Equipment (continued)***

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 revenue 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.

***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.

***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 \$1,075,036 and \$903,437 as of April 30, 2009 and 2008, respectively, have not been accrued because the employees are not entitled to it upon termination.

***Statements of Cash Flows***

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

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**NOTE 2 - CASH AND INVESTMENTS**

***Cash and Cash Equivalents***

At April 30, 2009, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled \$6,872,557; the bank balance totaled \$7,864,795. Of the bank balance, \$900,000 was covered by federal deposit insurance, \$6,938,488 was covered by collateral held by the bank's agent and pledged in the Port's name, and \$26,307 was unsecured money market deposits. At April 30, 2008, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled \$7,589,996; the bank balance totaled \$7,640,318. Of the bank balance, \$400,000 was covered by federal deposit insurance, \$7,214,700 was covered by collateral held by the bank's agent and pledged in the Port's name, and \$25,618 were unsecured money market deposits.

April 30, 2009:

|                                                                                                                       | <u>Cash</u>         | <u>Certificates<br/>of Deposit</u> | <u>Total</u>        |
|-----------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------|---------------------|
| Covered by federal<br>depository insurance                                                                            | \$ 250,000          | \$ 650,000                         | \$ 900,000          |
| Collateralized with securities held<br>by the pledging institution's trust<br>department or agent, in the Port's name | 5,254,168           | 1,684,320                          | 6,938,488           |
| Uncollateralized, including securities<br>held by the pledging institution or<br>its agent but not in the Port's name | <u>26,307</u>       | <u>-</u>                           | <u>26,307</u>       |
| Total bank balance                                                                                                    | <u>\$ 5,530,475</u> | <u>\$ 2,334,320</u>                | <u>\$ 7,864,795</u> |

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***Cash and Cash Equivalents*** (continued)

April 30, 2008:

|                                                                                                                       | <u>Cash</u>         | <u>Certificates<br/>of Deposit</u> | <u>Total</u>        |
|-----------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------|---------------------|
| Covered by federal depository insurance                                                                               | \$ 100,000          | \$ 300,000                         | \$ 400,000          |
| Collateralized with securities held by the<br>pledging institution's trust department or<br>agent, in the Port's name | 4,740,380           | 2,474,320                          | 7,214,700           |
| Uncollateralized, including securities held<br>by the pledging institution or its agent<br>but not in the Port's name | <u>25,618</u>       | <u>-</u>                           | <u>25,618</u>       |
| Total bank balance                                                                                                    | <u>\$ 4,865,998</u> | <u>\$ 2,774,320</u>                | <u>\$ 7,640,318</u> |

The following is a breakdown by banking institution and amount of the balances shown above:

| <u>Banking Institution</u>      | <u>2009<br/>Amount</u> | <u>2008<br/>Amount</u> |
|---------------------------------|------------------------|------------------------|
| 1. Regions Bank                 | \$ 5,504,168           | \$ 4,840,380           |
| 2. Edward Jones                 | 26,307                 | 25,618                 |
| 3. Community Bank               | 200,000                | 200,000                |
| 4. First National Bank, USA     | 1,934,320              | 2,224,320              |
| 5. Omni Bank                    | <u>200,000</u>         | <u>350,000</u>         |
| Total bank balance-all deposits | <u>\$ 7,864,795</u>    | <u>\$ 7,640,318</u>    |

***Custodial Credit Risk - Deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the Port's deposits may not be returned to it. As of April 30, 2009 and 2008, \$26,307 and \$25,618, respectively, of the Port's bank balances of \$7,864,795 and \$7,640,318 were exposed to custodial credit risk because they were uninsured and uncollateralized.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**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.

***Custodial Credit Risk - Investments***

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port's investment policy requires that all repurchase agreement investments be fully collateralized and held by the counterparty's trust department or agent in the Port's name. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission. The Port's investment balances exposed to custodial credit risk (not registered in the entity's name), totaled \$6,198 and \$6,444 in 2009 and 2008, respectively.

All investments are carried at Fair Value.

|                                               | <u>2009</u>                | <u>2008</u>                |
|-----------------------------------------------|----------------------------|----------------------------|
| Unrestricted investments:                     |                            |                            |
| Mutual funds (U.S. Treasury Obligations)      | \$ 796,576                 | \$ 790,593                 |
| Government mortgage-backed securities (GNMAs) | 6,198                      | 6,444                      |
| Louisiana Asset Management Pool, Inc.         | <u>5,740,547</u>           | <u>5,652,688</u>           |
| <b>TOTAL CURRENT ASSETS</b>                   | <u><b>\$ 6,543,321</b></u> | <u><b>\$ 6,449,725</b></u> |
| Restricted investments:                       |                            |                            |
| Mutual funds (U.S. Treasury Obligations)      | <u>\$ 34,912</u>           | <u>\$ 52,206</u>           |

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**April 30, 2009 and 2008**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***Custodial Credit Risk - Investments (continued)***

Restricted cash of \$148,205 held by the State of Louisiana as of April 30, 2009 and 2008, represents funds held on behalf of the revenue bonds payable.

Investments held at April 30, 2009 and 2008 include \$5,740,547 and \$5,652,688, 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, 2009 and 2008, 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)(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.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***Interest Rate Risk***

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The Port's investment policy limits interest rate risk by generally limiting maturities of its investments to shorter term securities, money market mutual funds, or similar investment pools as well as structuring the investment portfolio so that securities meet cash requirements for ongoing operations.

***Credit Risk and Concentration of Credit Risk***

The credit risk of investments is the risk that an issuer or other counterparty will not meet its obligations. This credit risk is measured by credit quality ratings as described by ratings agencies such as Standard & Poor's (S&P) and Moody's. The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools). The Port's investment policy does not place a limit on the amount the Port may invest in any one issuer.

The following table illustrates the Port's investment exposure to credit risk as of April 30, 2009 and 2008:

| <u>S&amp;P RATING</u> | <u>FAIR VALUE</u> |             |
|-----------------------|-------------------|-------------|
| AAA                   | <u>2009</u>       | <u>2008</u> |
|                       | \$6,198           | \$6,444     |

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at April 30:

|                                | <u>2009</u>          |                     |                     |                      |
|--------------------------------|----------------------|---------------------|---------------------|----------------------|
|                                | <u>05/01/08</u>      | <u>Additions</u>    | <u>Deletions</u>    | <u>04/30/09</u>      |
| Land                           | \$ 11,232,285        | \$ 1,025,909        | \$ (200,100)        | \$ 12,058,094        |
| Port buildings and docks       | 4,408,507            | 19,276              | -                   | 4,427,783            |
| Globalplex buildings and docks | 63,368,114           | 40,503              | (10,940)            | 63,397,677           |
| Construction in progress       | <u>3,151,057</u>     | <u>6,677,792</u>    | <u>(655,738)</u>    | <u>9,173,111</u>     |
| Total property & equipment     | 82,159,963           | 7,763,480           | (866,778)           | 89,056,665           |
| Accumulated depreciation       | <u>(18,466,737)</u>  | <u>(1,953,766)</u>  | -                   | <u>(20,420,503)</u>  |
| Property & equipment, net      | <u>\$ 63,693,226</u> | <u>\$ 5,809,714</u> | <u>\$ (866,778)</u> | <u>\$ 68,636,162</u> |

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**NOTE 4 - LONG-TERM DEBT**

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

|                                                | <u>2009</u>          | <u>2008</u>          |
|------------------------------------------------|----------------------|----------------------|
| Bonded debt relating to direct-financing lease | \$ 52,000,000        | \$ 52,745,000        |
| Bonded debt other than direct-financing lease  | 395,000              | 510,000              |
| Notes payable to St. John the Baptist Parish   | <u>430,417</u>       | <u>527,501</u>       |
| Total                                          | 52,825,417           | 53,782,501           |
| Less current portion                           | (103,752)            | (840,834)            |
| Less discounts                                 | <u>(9,769)</u>       | <u>(17,437)</u>      |
| Total long-term portion                        | <u>\$ 52,711,896</u> | <u>\$ 52,924,230</u> |

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

|                                                                                                                                                                                                                                                                                    | <u>2009</u>          | <u>2008</u>          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| \$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. Bond was paid off during fiscal year 2009. | <u>-</u>             | <u>745,000</u>       |
| Subtotal                                                                                                                                                                                                                                                                           | 52,000,000           | 52,745,000           |
| Less current portion                                                                                                                                                                                                                                                               | -                    | (745,000)            |
| Less discount                                                                                                                                                                                                                                                                      | <u>(9,769)</u>       | <u>(17,437)</u>      |
| Direct financing lease obligations, long-term                                                                                                                                                                                                                                      | <u>\$ 51,990,231</u> | <u>\$ 51,982,563</u> |

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**NOTE 4 - LONG-TERM DEBT (Continued)**

The Port has issued two series of Industrial Revenue Bonds, as of April 30, 2009, 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, 2009 related to these direct finance leases, totaling \$52,097,575 include \$52,062,663 of leases receivable and \$34,912 of investments. Restricted assets as of April 30, 2008 related to these direct finance leases, totaling \$52,133,479 include \$52,081,273 of leases receivable and \$52,206 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, 2009 and 2008 was \$1,014,987 and \$2,686,954, 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:

|                                                                                                                                                                                                                                                                           | <u>2009</u>       | <u>2008</u>       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| \$1,600,000 of General Obligation Bonds (Series 1992A),<br>due in annual installments of \$75,000 to \$140,000 plus<br>varying interest at 6.1% to 6.5% due in semi-annual<br>installments through May 1, 2012 (current portion paid<br>prior to April 30, 2009 and 2008) | <u>\$ 395,000</u> | <u>\$ 510,000</u> |

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, 2009 and 2008, the remaining principal balance of the note was \$430,417 and \$527,501.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**NOTE 4 - LONG-TERM DEBT (Continued)**

Debt service requirements, including interest of \$20,265,976, for outstanding bonds and note payable were as follows as of April 30, 2009.

| <u>April 30,</u> | <u>Direct<br/>Financing<br/>Lease</u> | <u>Other Bonded<br/>Debt</u> | <u>Note Payable<br/>St. John the<br/>Baptist Parish</u> | <u>Total</u>         |
|------------------|---------------------------------------|------------------------------|---------------------------------------------------------|----------------------|
| 2010             | \$ 1,753,800                          | \$ 140,675                   | \$ 139,533                                              | \$ 2,034,008         |
| 2011             | 1,753,800                             | 142,550                      | 142,800                                                 | 2,039,150            |
| 2012             | 1,753,800                             | 139,100                      | 140,133                                                 | 2,033,033            |
| 2013             | 1,753,800                             | 140,000                      | 93,602                                                  | 1,987,402            |
| 2014             | 1,753,800                             | -                            | -                                                       | 1,753,800            |
| Thereafter       | <u>63,244,000</u>                     | <u>-</u>                     | <u>-</u>                                                | <u>63,244,000</u>    |
|                  | <u>\$ 72,013,000</u>                  | <u>\$ 562,325</u>            | <u>\$ 516,068</u>                                       | <u>\$ 73,091,393</u> |

**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, 2009 and 2008 was \$1,014,987 and \$2,686,954, 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 river front, 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 two largest facility operators represents 66% 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, 2009.

**PORT OF SOUTH LOUISIANA**  
*NOTES TO FINANCIAL STATEMENTS - Continued*  
*April 30, 2009 and 2008*

**NOTE 7 - 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.

The LASERS is a defined benefit contributory pension plan to which employees contribute 8.0% of their salaries and the Port contributes 18.5% 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, 2009, 2008 and 2007 were \$431,698, \$407,976, and \$431,312, respectively. These amounts are equal to the required contributions for each of these three years.

**PORT OF SOUTH LOUISIANA**  
*NOTES TO FINANCIAL STATEMENTS - Continued*  
*April 30, 2009 and 2008*

**NOTE 8 - CONTINGENCIES**

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 9 - 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.

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 Holcim, Inc. (the Company). The Company is responsible for the payment of these bonds which are secured by an irrevocable letter of credit.

**NOTE 10 - INSURANCE RECOVERIES**

For the year ended April 30, 2009, the Port received insurance recovery payments totaling \$500,000. These insurance payments were for damages due to Hurricane Gustav in August 2008.

**NOTE 11 - SUBSEQUENT EVENT**

Subsequent to April 30, 2009, the Port entered into a Cooperative Endeavor Agreement with the Parish of St. John the Baptist for the financing, construction and renovation of the Reserve Airport in the Parish of St. John the Baptist, State of Louisiana.

Subsequent to April 30, 2009, Nucor Steel Louisiana, L.L.C. purchased from the Port approximately 172 acres of property designated as the Wilton Plantation located in the Parish of St. James, State of Louisiana. The land was purchased for \$3,525,000.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**NOTE 12 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS**

***Plan Description***

The Port provides post-employment health care and life insurance benefits for substantially all employees if they reach normal retirement age while working for the Port. The Port's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan (for fiscal year 2009) that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). LRS 42:801 - 883 assigns the authority to establish and amend benefit provisions of the plan. The OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained on the Office of Statewide Reporting and Accounting Policy's website at [www.doa.louisiana.gov/osrap](http://www.doa.louisiana.gov/osrap).

***Funding Policy***

The contribution requirements of plan members and the Port are established and may be amended by LRS 42:801 - 883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to two OGB Medicare Advantage plans which includes three HMO plans and three private fee-for-service (FFS) plans. Depending upon the plan selected, during the year ended April 30, 2009, employee premiums for a single member receiving benefits range from \$79 to \$85 per month for retiree-only coverage with Medicare or from \$130 to \$262 per month for retiree-only coverage without Medicare. The premiums for a retiree and spouse for the year ended April 30, 2009 range from \$142 to \$315 per month for those with Medicare or from \$428 to \$463 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis with the Port contributing anywhere from \$130 to \$256 per month for retiree-only coverage with Medicare or from \$391 to \$787 per month for retiree-only coverage without Medicare during the year ended April 30, 2009. Also, the Port's contributions range from \$425 to \$946 per month for retiree and spouse with Medicare or \$1,283 to \$1,390 for retiree and spouse without Medicare.

**PORT OF SOUTH LOUISIANA**  
*NOTES TO FINANCIAL STATEMENTS - Continued*  
*April 30, 2009 and 2008*

**NOTE 12 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS (Continued)**

***Funding Policy (continued)***

OGB also provide eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one-half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at age 70 for retirees.

Effective May 1, 2008, the Port prospectively implemented Governmental Accounting Standards Board Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" (GASB 45).

***Annual OPEB Cost***

The Port's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the Plan's fiscal year beginning July 1, 2008 is \$1,290,900.

|                                    |                    |
|------------------------------------|--------------------|
| Normal Cost                        | \$ 817,300         |
| 30-year UAL amortization amount    | 423,950            |
| Interest on the above              | 49,650             |
| Annual required contribution (ARC) | <u>\$1,290,900</u> |

The following table presents the Port's OPEB Obligation for the year ended April 30, 2009:

|                                           |                    |
|-------------------------------------------|--------------------|
| Beginning Net OPEB Obligation May 1, 2008 | \$ -               |
| Annual required contribution              | <u>1,290,900</u>   |
| OPEB Cost (expense)                       | 1,290,900          |
| Contributions made                        | <u>34,113</u>      |
| Change in Net OPEB Obligation             | <u>1,256,787</u>   |
| Ending Net OPEB Obligation April 30, 2009 | <u>\$1,256,787</u> |

Utilizing the pay-as-you-go method, the Port contributed 3% of the annual post employment benefits cost during the year ended April 30, 2009.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2009 and 2008*

**NOTE 12 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS (Continued)**

***Annual OPEB Cost (continued)***

Since this is the first year for which GASB 45 is applicable and the Port elected to implement prospectively, no prior year data is available.

In the year ended April 30, 2009, the Port, through the OGB, established a post employment benefits plan trust. The OGB has not funded the trust, has no assets and has a funded ratio of zero. The actuarial accrued liability of \$11,094,100 is unfunded.

***Funded Status and Funding Progress***

The funded status of the plan as of the most recent valuation date of July 1, 2008 is as follows:

|                                                                          |              |
|--------------------------------------------------------------------------|--------------|
| Actuarial accrued liability (AAL)                                        | \$11,094,100 |
| Actuarial value of plan assets                                           | <u>-</u>     |
| Unfunded actuarial accrued liability (UAAL)                              | 11,094,100   |
| Funded ratio (actuarial value of plan assets AAL)                        | <u>0%</u>    |
| Covered payroll (annual payroll of active employees covered by the plan) | 2,224,500    |
| UAAL as a percentage of covered payroll                                  | 499%         |

***Actuarial Methods and Assumptions***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**April 30, 2009 and 2008**

**NOTE 12 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS (Continued)**

***Actuarial Methods and Assumptions (continued)***

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 9.0% and 10.1% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2008, was thirty years.

**NOTE 13 - COMMITMENTS**

On June 30, 2008, the Port entered into a Cooperative Endeavor Agreement with the Department of Treasury, State of Louisiana which provides the Port with funds of \$500,000 to expand the Port by acquiring land in St. James Parish and/or on the Westbank of the Mississippi River in order to recruit new industry in South Louisiana.

On June 30, 2008, the Port entered into a Cooperative Endeavor Agreement with the Department of Treasury, State of Louisiana which provides the Port with Funds of \$500,000 to create a full intermodal service port necessary to recruit new industry in South Louisiana by entering into a cooperative endeavor agreement with St. John the Baptist Parish to acquire facilities located at the Reserve Airport, purchasing land necessary to create buffer zones along the Reserve Airport, designing a runway extension and developing improvements at the Reserve Airport, and completing the runway extension at the Reserve Airport.

On April 6, 2009, the Port entered into a Cooperative Endeavor Agreement with the Louisiana Department of Economic Development which provides the Port with funds of \$500,000 to expand the Port through the purchase and expropriation of various properties and to pay for expenses related to contracts for technical studies and appraisals of said property.

On February 9, 2009, the Port entered into a Cooperative Endeavor Agreement with the Louisiana Department of Economic Development "Regional Awards and Matching Program" which provides the Port with funds not to exceed \$20,000 to provide for a marketing trip to South Africa to form an alliance to increase the amount of import and export activity flowing through the Port and originating and terminating in South Africa.

## **PORT OF SOUTH LOUISIANA**

*Schedule of Expenditures of Federal Awards  
For the Year Ended April 30, 2009*

| <u>Federal Grantor/Program Title</u>                                                                         | <u>CFDA<br/>Number</u> | <u>Expenditures</u> |
|--------------------------------------------------------------------------------------------------------------|------------------------|---------------------|
| U.S. Department of Homeland Security<br>Office of Grants and Training<br>FY 2006 Port Security Grant Program | 97.056                 | <u>\$ 40,947</u>    |
| Total Federal Awards Expended                                                                                |                        | <u>\$ 40,947</u>    |

# **PORT OF SOUTH LOUISIANA**

## *Schedule of Funding Progress for OPEB Plan*

*For the Year Ended April 30, 2009*

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>Project Unit<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b-a)/c] |
|--------------------------------|----------------------------------------|-------------------------------------------------------------------|------------------------------------|--------------------------|---------------------------|---------------------------------------------------------------|
| July 1, 2008                   | \$ -                                   | \$11,094,100                                                      | \$11,094,100                       | 0%                       | \$2,224,500               | 499%                                                          |

## **OTHER REPORTS**

# Kushner LaGraize, LLC

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2009, and have issued our report thereon dated September 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Port's financial statements that is more than inconsequential will not be prevented or detected by the Port's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Port's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
September 22, 2009

## **PORT OF SOUTH LOUISIANA**

### *Schedule of Findings and Questioned Costs For the Year Ended April 30, 2009*

#### **I. SUMMARY OF AUDITORS' RESULTS**

- a. The type of report issued on the basic financial statements: unqualified opinion.
  - b. Significant deficiencies 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. Significant deficiencies in internal control over major program: none reported; Material weaknesses: no.
2. Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: none.