PORT OF SOUTH LOUISIANA

FINANCIAL REPORT

April 30, 1999

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

Release Date SEP 29 1999

Provost Salter Harper Alford LLC

Certified Public Accountants

Business Advisors

8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075

PORT OF SOUTH LOUISIANA

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Provost Salter Harper & Alford LLC
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of South Louisiana
171 Belle Terre Boulevard
PO Box 909
LaPlace, Louisiana 70069-0909

We have audited the accompanying general purpose financial statements of the Port of South Louisiana as of and for the year ended April 30, 1999 as listed in the table of contents. These general-purpose financial statements are the responsibility of the Port of South Louisiana. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Port of South Louisiana has included such disclosures in Note 15. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Port of South Louisiana's disclosures with respect to the year 2000 issue made in Note 15. Further, we do not provide assurance that the Port of South Louisiana is or will be year 2000 ready, that the Port of South Louisiana's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Port of South Louisiana does business will be year 2000 ready.

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In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, 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, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 1999 on our consideration of the Port of South Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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 schedule of compensation paid to Board members is a supplementary schedule presented for purposes of additional analysis and is not a required part of the financial statements of the 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.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

July 28, 1999

PORT OF SOUTH LOUISIANA

Balance Sheet
Enterprise Fund

April 30, 1999

ASSETS	
Current Assets	
Cash	$ 5,764,140
Certificates of deposit and savings	4,822,000
Marketable securities, at cost, net of premium or discount	2,181,350
Accrued interest receivable	9,885
Accounts receivable net of $85,121 allowance for doubtful accounts	849,841
Firefighting foam	12,459
Prepaid expenses and other	141,869
Total current assets	13,781,544
Restricted Assets	
Cash	231,196
Marketable securities, at cost, that approximates market value, net of any discount	357,755
Accrued interest	124,086
Direct financing lease payments receivable, current portion	1,400,000
Accrued interest on direct financing leases	18,074
Total current restricted assets	2,131,111
Direct financing lease payments receivable, net of current portion, less unearned income of $160,933	105,239,067
Total restricted assets	107,370,178
Property and equipment, at cost	38,030,606
Less allowance for depreciation	5,977,062
Property and equipment, net	32,053,544
Other assets	455
Total Assets	$153,205,721

See Notes to Financial Statements.

Continued on next page.

PORT OF SOUTH LOUISIANA

Balance Sheet — ***April 30, 1999***
Enterprise Fund, Continued

LIABILITIES

Current Liabilities, Payable From Current Assets	
Accounts payable	$ 481,208
Accrued salaries and vacation	175,054
Accrued interest	16,708
Current portion of notes payable	400,155
Total current liabilities, payable from current assets	1,073,125
Current Liabilities, Payable From Restricted Assets	
Revenue bonds payable	1,400,000
Accrued revenue bond interest payable	626,914
Total current liabilities, payable from restricted assets	2,026,914
Long-Term Liabilities, Payable From Restricted Assets	
Revenue bonds payable, less unamortized discount of $199,374	105,200,626
Total liabilities, payable from restricted assets	107,227,540
Long-Term Liabilities, Other	
Revenue bonds payable-Globalplex, less unamortized discount of $17,958	1,667,042
Note payable - St. John the Baptist Parish less current portion	1,146,663
Note payable - State of Louisiana less current portion	1,280,000
Unearned rent and other liabilities	208,999
Total long term liabilties, other	4,302,704
Total liabilities	112,603,369
Capital and Retained Earnings	
Contributed capital	347,744
Grant from State of Louisiana and Department of Transportation and Development	18,774,164
Grant from Economic Development Administration	466,890
Total contributed capital	19,588,798
Retained earnings	21,013,554
Total fund equity	40,602,352
Total Liabilities and Fund Equity	$153,205,721

See Notes to Financial Statements.

PORT OF SOUTH LOUISIANA

Statement of Revenue, Expenses and Changes in Retained Earnings Year Ended April 30, 1999
Enterprise Fund

Operating Revenues	
Dockage, net	$ 1,836,254
Harbor fees, anchorage and barge fleeting income	2,112,230
Globalplex revenues	3,291,489
Total Operating Revenues	7,239,973
Operating Expenses	
Administration	55,370
Auditing	36,819
Bad debts	341,115
Bank fees	72
Building services	19,277
Commission meetings	7,981
Conventions	82,911
Delivery charges	1,455
Depreciation	1,199,042
Dues	14,314
Employee benefits	399,923
Engineering fees	203,412
Equipment rentals	43,195
Fuel, harbor craft	5,630
Fuel, vehicles	5,608
Insurance	218,472
Leases of office equipment	57,000
Legal fees	30,870
Maintenance and repairs	755,406
Management services - Globalplex	72,292
Medical expense	7,925
Mileage	12,501
Miscellaneous	7,915
Permits and licenses	1,414
Port planning and development	264,972

See Notes to Financial Statements.

Continued on next page.

PORT OF SOUTH LOUISIANA

Statement of Revenue, Expenses and Changes in Retained Earnings Year Ended April 30, 1999 Enterprise Fund, Continued

Postage	6,366
Printing	1,419
Professional fees	87,527
Publishing	2,764
Salaries	1,416,226
Security	53,679
Small tools	3,601
Subscriptions	11,559
Supplies	86,019
Telephone	67,959
Taxes	5,056
Testing	33,245
Training	12,132
Uniforms	14,607
Utilities	134,580
Unemployment compensation	1,638
Total Operating Expenses	5,783,268
Operating Income	1,456,705
Non-Operating Revenues (Expenses)	
Interest earned on investments	611,317
Interest earned on restricted asset investment, net of fees	82,394
Interest earned on direct financing leses	3,860,028
Interest expense on industrial revenue bonds, payable from restricted assets	(3,948,828)
Interest Globalplex	(221,750)
Total Non-Operating Revenue	383,161
Net Income	1,839,866
Retained Earnings	
Beginning of year	19,173,688
End of year	$ 21,013,554

See Notes to Financial Statements.

PORT OF SOUTH LOUISIANA

Statement of Cash Flows — *Year Ended April 30, 1999*

Enterprise Fund

Cash Flows From Operating Activities	
Operating income	$ 1,456,705
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,199,042
Non-operating income	383,161
Amortization of bond discount	40,829
Amortization of unearned interest	(26,822)
Provision for doubtful accounts	341,115
Changes in assets and liabilities	
Decrease in accounts receivable	334,355
Decrease in prepaid expenses	3,639
Increase in accounts payable	65,944
Decrease in accrued expenses	(69,822)
Increase in unearned rental income and other liabilities	92,770
Decrease in other assets	60
Net Cash Provided By Operating Activities	3,820,976
Cash Flows From Investing Activities	
Purchase of property and equipment	(3,679,617)
Purchase of investment securities	(6,128,679)
Proceeds from maturities of investment securities	5,453,122
Net Cash Used In Investment Activities	(4,355,174)
Cash Flows From Financing Activities	
Decrease in accrued interest receivable	70,413
Increase in restricted assets	3,647,623
Increase in restricted debt	(3,645,000)
Decrease in notes payable	821,818
Grant from State of Louisiana and Department of Transportation	804,890
Net Cash Provided By Financing Activities	1,699,744
Increase in Cash	1,165,546
Unrestricted Cash	
Beginning	4,598,594
Ending	$ 5,764,140

1. Summary of Significant Accounting Policies

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

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

1. The Parish Presidents, with concurrence of 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;

2. 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; and

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

The Port has all the powers and privileges granted under the constitution and statues of the State of Louisiana which include, but are not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by it. Those charges are based on tariffs approved by the U.S. Maritime Commission. Accounts receivable relates primarily to tariff charges to shippers using the facilities of the Port. An executive director is appointed by the Port and is responsible for administrative control of the district.

Reporting Entity

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

Basis of Presentation – Fund Accounting.

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

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

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

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

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

Maintenance and repairs are charged to expenses when incurred.

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

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

Vacation and Sick Leave. Employees of the Port are covered by state civil service and as such, accumulated sick leave and vacation time in accordance with varying rates stipulated under civil service regulations. The employee is entitled, upon termination of employment, to vacation leave up to a maximum of 300 hours. Upon retirement any accumulation in excess of 300 hours is considered as earned service in calculating retirement benefits. Vacation pay to which the employees would be entitled upon resignation or termination has been accrued in the amount of $120,011. The Port's liability for sick leave, amounting to $347,923 at year-end, has not been accrued because the employees are not entitled to it upon termination of employment.

Post Employment Health Care and Life Insurance Benefits. The Port provides certain continuing health care and life insurance benefits for its retired employees. Employees become eligible for these benefits if they reach retirement age while working for the Port. These benefits for retirees and similar benefits for active employees were provided through the Group Insurance Internal Service fund, whose monthly premiums are paid by the employee and the Port. The Port recognizes the cost of the benefits (the Port's portion of the premiums) as an expense when the premiums are due. The Port's portion of the cost of group insurance for the year was $193,630 of which $17,764 was for insurance on four retired employees.

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

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

Risk Management. The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Port purchases commercial insurance policies at levels which management believes is adequate to protect the Port. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

2. Cash and Cash Investments

Cash and Cash Equivalents. At April 30, 1999, the book balance of the Port's total cash and certificates of deposit balance including unrestricted and restricted deposits was $10,817,336, and the bank balance was $10,961,552. Of the bank balance, $400,000 was covered by federal deposit insurance, and $10,561,552 was covered by collateral held by the bank's agent and pledged in the Port's name.

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

The deposits are all included in GASB risk category Number 3.

	Cash	Certificates of Deposit	Bank Balance	Collateral Market Value
Covered by federal depository insurance	$ 200,000	$ 200,000	$ 400,000	$ 400,000
Secured with securities held by the pledging institution or its agent but not in the Port's name	5,939,522	4,622,000	10,561,522	14,079,330
Total bank balance	$6,139,522	$ 4,822,000	$10,961,522	$14,479,330

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

For fiscal year 1999, the Port invested in U.S. Treasury bills and notes, U.S. government agency obligations, and the Louisiana Asset Management Pool program which is sponsored by the State of Louisiana.

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

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

	Carrying Value	Market Value
U. S. Government and agency securities	$ 767,221	$ 770,891
Louisiana Asset Management Pool	1,414,129	1,414,129
Restricted assets – U.S. Government securities	2,345,450	2,345,450
	$ 4,526,800	$ 4,530,470

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

3. Restricted Assets

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

4. Property and Equipment

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

Port Facility – Land	$ 1,236,989
Globalplex Facility – Land	4,043,379
Port Facility Buildings and Dock Facilities	1,831,487
Globalplex – Buildings and Dock Facilities	23,163,839
Construction in progress	7,754,912
Total property and equipment, at cost	38,030,606
Less accumulated depreciation	(5,977,062)
Net book value	$32,053,544

Globalplex is property that the Port acquired in 1992 which was the former Godchaux-Henderson dock and bulk loading and storage facility located in Reserve, Louisiana. The facility includes a dock and loading and unloading facility, storage facilities, several buildings, a water treatment facility, and land. The Port continues to expand its facilities at Globalplex and other locations.

5. Direct Financing Lease Agreements

The Port entered into direct financing lease agreements with various private corporations and issued industrial revenue bonds for the acquisition and construction of Port facilities. The various private corporations lease these facilities from the Port for an amount necessary to pay the principal, interest and premium, if any, on the bonds. Most of the lease agreements contain a bargain purchase option at the end of the lease term. The direct financing leases expire in various years through 2027. Contingent rental payments are determined in accordance with the lease agreements upon the occurrence of certain events. Following is a summary of the components of the Port's net investment in direct financing leases for the year ended April 30, 1999.

Total minimum lease payments to be received	$ 106,800,000
Less: Unearned income	160,933
Net investment in direct financing leases	$ 106,639,067

Minimum rental payment commitments for succeeding years are as follows:

April 30, 2000	$ 3,425,000
April 30, 2001	2,025,000
April 30, 2002	17,400,000
April 30, 2003	2,025,000
April 30, 2004	2,145,000
Aggregate thereafter	79,780,000
Total	$ 106,800,000

The amount of unearned income included in income for the year ended April 30, 1999 is $26,822.

6. Bonds Payable (from restricted assets)

Bonds payable from restricted assets were issue in connection with direct financing lease agreements to provide capital for the construction of dock and wharf facilities within the jurisdiction of the Port. The bond interest and principal are payable solely from revenues derived from the lease, sale or other disposition of the project facilities. Direct financing leases and assets held in trust are pledged to secure payment of the bonds. The bonds are due to mature on various dates through 2027. Interest payable on the bonds generally ranges from 3.0% through 13.0% annually of the principal due with interest computed on either a fixed rate or floating rate depending on the particular terms of the bond indenture.

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

Payment Due	Current Bonds Payable	Revenue Bonds (including interest)
April 30, 2000	$ 1,400,000	$ 4,953,775
April 30, 2001		6,252,975
April 30, 2002		6,152,175
April 30, 2003		4,052,625
April 30, 2004		6,451,825
Aggregate thereafter		109,200,626
Total		137,044,175
Less interest		31,644,175
Less unamortized discount		199,374
Outstanding principal		$ 105,200,626

Changes in long-term during the year were as follows.

Bonds payable, May 1, 1998	$ 106,567,398
Increase in current bonds payable	(1,400,000)
Amortized discount	33,228
Bonds payable, April 30, 1999	$ 105,200,626

7. Revenue Bonds Payable (payable from sources other than direct financing leases)

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

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

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

Payment Due	Current Bonds Payable	Revenue Bonds (including interest)
April 30, 2000	$ 340,000	$ 183,665
April 30, 2001		581,677
April 30, 2002		583,793
April 30, 2003		587,342
April 30, 2004		586,768
Aggregate thereafter		1,488,528
Total		4,011,773
Less interest		(1,046,773)
Less unamortized discount		(17,958)
Outstanding principal		$ 2,947,042

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

Bonds payable, May 1, 1998	$ 3,284,049
Increase in current bonds payable	(340,000)
Amortized discount	2,993
Bonds payable, April 30, 1999	$ 2,947,042

Included in the balance sheet under the following captions.

Revenue bond payable - Globalplex	$ 1,667,042
Note payable – State of Louisiana	1,280,000
	$ 2,947,042

8. Dockage

In accordance with bond indentures and lease agreements related to the direct financing leases, a percentage, usually 50% or 75% of dockage income received by the Port is transferred to trustees for servicing bonds payable. As provided in the lease agreements and indentures, the amount transferred is credited against direct financing lease payments and related interest receivable from the lessees. The net dockage represents dockage available for the operations of the Port. The amount of dockage used to reduce direct financing lease and interest receivable during the year was $3,809,881. It is reported by the Port as direct financing lease payments or interest payments, depending on the nature of the credit at the time of transfer.

9. Harbor Fees

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

10. Interest Expense

The total amount of interest charged to expense during the year, including bond discount of $36,221 was $3,948,828.

11. Note Payable – St. John the Baptist Parish

In January 1999, the Port purchased a warehouse from St. John the Baptist Parish. The purchase price of the property was $1,345,000. The Port paid $120,000 at the time of purchase and agreed to make six payments of $10,000 beginning on the first anniversary of the purchase date. The remaining balance was financed with the Parish and requires monthly payments equal to one-twelfth of the principal and interest due each year based on the payment schedule of St. John the Baptist Parish bonds outstanding that were issued to purchase the property originally.

The following is a summary on the note maturities and interest requirements for each of the next five years.

April 30, 2000	$ 132,539
April 30, 2001	141,987
April 30, 2002	141,170
April 30, 2003	138,597
April 30, 2004	139,113
Aggregate thereafter	1,213,007
Total	1,906,413
Less interest	(699,595)
Outstanding balance	1,206,818
Current portion	(60,155)
Long-term portion	$ 1,146,663

12. Commitments and Contingencies

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

During the fiscal year, the Inspector General has made inquiry and reviewed several matters which are the subject of a report which has been filed and released.

The Port is the defendant in five class action suits. It is management's opinion that the amount of liability, if any, from the suits cannot be estimated.

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

As of April 30, 1999, the Port has construction in progress that is being conducted under a reimbursement plan with the Department of Transportation and Development. The estimated Port cost for these projects for the next three years is $2,197,002.

No liability has been recorded for any litigation.

It is at least reasonably possible that management's view of the items discussed above will change in the near term.

13. Retirement System

Plan Description. Substantially all employees of the Port are members of the Louisiana State Employees' Retirement System (LASERS), a cost-sharing multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability, and survivor benefits to participating eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. Plan members of the Port are required by state statute to contribute 7.5 percent of their annual covered salary and the Port (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 12.4 percent of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Port's employer contributions to LASERS for the years ending April 30, 1999, 1998 and 1997, were $154,848, $128,370, and $107,986, respectively, and were equal to the required contributions for each year.

14. Operating Leases

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

2000	$ 6,508

15. Year 2000 Readiness

The Port of South Louisiana has assessed its systems in anticipation of the year 2000 as it relates to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or the program will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment – such as environmental systems and vehicles containing computer chips that have date recognition features.

The Port has identified various computer systems and pieces of electronic equipment that are critical to conducting the Port's operations and that need to be year 2000 compliant. The Port is assigning resources to remediate those systems that need to be repaired. The cost of repairs and resources needed have been immaterial to date and are not expected to be material to future operations.

The Commissioner's receive no per diem compensation for attending meetings, but are reimbursed for

Schedule 1

PORT OF SOUTH LOUISIANA

Schedule of Compensation Paid to Board Members ***Year Ended April 30, 1999***
Enterprise Fund

Commissioner	Meetings	Compensation
E. J. Martin	6	$ 188
Honora Gravois	15	550
James Davis	16	316
Gregory Lier	15	373
Louis Joseph	17	535
Brandt Dufrene	15	-
Brent Tregre	20	152
		$ 2,114

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

Provost Salter Harper & Alford LLC
Certified Public Accountants
Business Advisors

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

Board of Commissioners
Port of South Louisiana
171 Belle Terre Boulevard
PO Box 909
LaPlace, Louisiana 70069-0909

We have audited the financial statements of the Port of South Louisiana as of and for the year ended April 30, 1999, and have issued our report thereon dated July 28, 1999, which was qualified because insufficient audit evidence exists to support the Port of South Louisiana's disclosures with respect to the Year 2000 issue. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Port of South Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port of South Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control

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components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee and management is not intended to be and should not be used by anyone other than these specified parties.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

July 28, 1999