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**GREATER KROTZ SPRINGS
PORT COMMISSION
FINANCIAL REPORT
JUNE 30, 1997**

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 10/8/97

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To the Greater Krotz Springs
Port Commission
Krotz Springs, Louisiana

We have audited the accompanying general purpose financial statements of Greater Krotz Springs Port Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Port Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Greater Krotz Springs Port Commission as of June 30, 1997, and the results of its operations and the cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 23, 1997 on our consideration of the Port Commission's internal control structure and a report dated September 23, 1997 on its compliance with laws and regulations.

Broussard, Poehi, Lewis & Breunig

Lafayette, Louisiana
September 23, 1997

GENERAL PURPOSE FINANCIAL STATEMENTS

GREATER KROTZ SPRINGS PORT COMMISSION

BALANCE SHEET
June 30, 1997

ASSETS

CURRENT ASSETS

Cash	\$ 292,574
Investments	1,548,000
Due from the State of Louisiana	611,788
Leases receivable	17,186
Interest receivable	3,547
Miscellaneous receivable	<u>975</u>

Total current assets

\$ 2,474,070

PROPERTY, PLANT AND EQUIPMENT,

net of accumulated depreciation \$567,455

\$ 2,523,944

Total assets

\$ 4,998,014

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable - trade	\$ 1,286
Accounts payable - contract	691,750
Retainage payable	51,224
Deferred income	15,000
Accrued expenses	<u>2,441</u>

Total current liabilities

\$ 761,701

FUND EQUITY

Contributed capital, net of accumulated amortization \$413,152	\$ 1,564,483
Retained earnings - unreserved	2,640,958
Retained earnings - reserved for capital expenditures	<u>30,872</u>

Total fund equity

\$ 4,236,313

Total liabilities and fund equity

\$ 4,998,014

See Notes to Financial Statements.

GREATER KROTZ SPRINGS PORT COMMISSION

STATEMENT OF REVENUES AND EXPENSES

Year Ended June 30, 1997

Operating revenues:	
Leases	\$ 217,929
Tonnage and docking fees	34,420
Miscellaneous income	<u>5,963</u>
Total operating revenue	<u>\$ 258,312</u>
Operating expenses:	
Salaries and benefits	\$ 79,849
Per diem - Commissioners	23,250
Insurance	24,198
Dues	1,858
Office expense	4,047
Advertising and promotion	5,640
Telephone and utilities	5,990
Repairs and maintenance	15,657
Professional fees	9,160
Depreciation	48,900
Travel	5,056
Meetings and conventions	<u>10,109</u>
Total operating expenses	<u>\$ 233,714</u>
Operating income	\$ 24,598
Nonoperating revenues:	
Interest income	<u>84,375</u>
Net income	\$ 108,973
Add depreciation on fixed assets acquired by grants restricted for capital acquisition and construction that reduces contributed capital	<u>36,626</u>
Increase in retained earnings	<u>\$ 145,599</u>

See Notes to Financial Statements.

GREATER KROTZ SPRINGS PORT COMMISSION

STATEMENT OF FUND EQUITY
Year Ended June 30, 1997

	<u>Contributed Capital</u>	<u>Retained Earnings - Unreserved</u>	<u>Reserved for Capital Expenditures</u>	<u>Total</u>
Balances, beginning	\$ 712,924	\$ 2,526,231	\$ -	\$ 3,239,155
Funds received from state grants	888,185	-	-	888,185
Increase in retained earnings for the year	-	145,599	-	145,599
Depreciation of contributed assets	(36,626)	-	-	(36,626)
Reservation for capital expenditures	<u>-</u>	<u>(30,872)</u>	<u>30,872</u>	<u>-</u>
Balances, ending	<u>\$ 1,564,483</u>	<u>\$ 2,640,958</u>	<u>\$ 30,872</u>	<u>\$ 4,236,313</u>

See Notes to Financial Statements.

GREATER KROTZ SPRINGS PORT COMMISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 1997

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 24,598
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	48,900
Changes in assets and liabilities:	
Increase in accounts payable	692,437
(Increase) in due from other governmental agencies	(611,788)
(Decrease) in accrued expenses	(1,450)
Increase in retainage payable	51,224
(Increase) in miscellaneous receivable	(975)
(Increase) in accrued interest receivable	(481)
(Increase) in accounts receivable	<u>(17,186)</u>
Net cash provided by operating activities	<u>\$ 185,279</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>\$ 80,828</u>
Net cash used in investing activities	<u>\$ 80,828</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	\$(1,080,120)
Capital contributed by other governmental agencies	<u>888,185</u>
Net cash used in capital and related financing activities	<u>\$ (191,935)</u>
Net increase in cash	\$ 74,172
Cash at beginning of year	<u>218,402</u>
Cash at end of year	<u>\$ 292,574</u>

See Notes to Financial Statements.

GREATER KROTZ SPRINGS PORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of Greater Krotz Springs Port Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Reporting entity:

The Greater Krotz Springs Port Commission was created as a political subdivision of the State of Louisiana under the provisions of Louisiana Revised Statutes 34:1451 - 1456. The Port Commission is responsible for the regulation of commerce and traffic within the port area consisting of the entire parish of St. Landry.

The Port Commission is governed by a board of commissioners, consisting of eleven members. Two of the members are appointed each by the City of Eunice and Opelousas, two members by the Town of Krotz Springs, two members by the St. Landry Parish Municipal Association and three members are appointed by the St. Landry Parish Police Jury.

Fund accounting:

The accounts of the Commission are organized as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Basis of accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All proprietary funds (including enterprise funds) are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

NOTES TO FINANCIAL STATEMENTS

Cash and investments:

Cash consists of amounts in two demand deposit accounts and bank certificates of deposit. The certificates of deposit are stated at cost.

For purposes of the statement of cash flows, highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Fixed assets:

Depreciation of all exhaustible fixed assets used by enterprise funds is charged as an expense against their operations. Accumulated depreciation is reported on enterprise fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Building	30 Years
Wharfs and docks	30 Years
Road and road improvements	30 Years
Mooring dolphin	5 Years
Furniture and fixtures	5 Years

Compensated absences:

Employees can accumulate up to 400 hours of sick leave; however, no payment is made for accrued and unused sick leave upon termination or retirement.

Two weeks of annual leave is earned by each employee; however, any unused portion lapses at the end of the fiscal year.

Fund equity:

Contributed capital is recorded in propriety funds that have received capital grants or contributions from lessees or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Note 2. Deposits

At year end, the carrying amount of the Commission's deposits was \$1,840,574 and the bank balance was \$2,055,699. Of the bank balance, \$400,000 was covered by federal depository insurance and \$1,655,699 was covered by collateral held by a third party in the Commission's name.

NOTES TO FINANCIAL STATEMENTS

Note 3. Property, Plant and Equipment

The following is a summary of property, plant and equipment at June 30, 1997:

Buildings	\$ 153,221
Wharfs and docks	671,798
Road and road improvements	610,701
Mooring dolphin	43,119
Furniture and equipment	24,555
Construction in process	<u>1,170,011</u>
	\$ 2,673,405
Less accumulated depreciation	<u>(567,455)</u>
	\$ 2,105,950
Land	<u>417,994</u>
	<u>\$ 2,523,944</u>

Depreciation expense for the year ended June 30, 1997 is \$48,900.

Note 4. Employee Retirement System

Virtually all of the Commission's employees participate in the Louisiana State Employees' Retirement System (LASERS), a cost-sharing, multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended June 30, 1997 was \$81,999.

Members of the plan may retire at any age after completing thirty years of creditable service, at age fifty-five upon completing twenty-five years of creditable service, or at age sixty upon completing ten years of creditable service. The basic annual retirement benefit is equal to 2.5% of the member's average compensation, as defined by the plan, multiplied by the number of years of creditable service plus \$300. Participants who became members of LASERS on or after July 1, 1986 are not eligible for the \$300 addition to the annual retirement benefit formula. The maximum annual retirement benefit may not exceed the lesser of 100% of a member's average compensation or certain specified dollar amounts of actuarially determined monetary limits depending upon the member's age at retirement. As an alternative to the basic retirement benefit, a member may elect to receive his retirement benefits under any one of four different options providing for a reduced retirement benefit payable throughout his life with certain benefits being paid to his designated beneficiary after his death. The System also provides disability and survivor benefits. All benefits are established by State statute.

NOTES TO FINANCIAL STATEMENTS

Description of funding policy:

Covered employees are required by State statute to contribute 7.5% of their earnings to the System and the Commission contributes 12.4%. Contributions for the year ended June 30, 1997 was \$5,194 from employees and \$8,587 from the Commission.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among government pension plans and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at June 30, 1996, the last actuarial determination available, for the LASERS as a whole, determined through an actuarial valuation performed as of that date, was \$6,254,405,263. The LASERS net assets available for benefits on that date (valued at cost or amortized cost) were \$4,114,460,628, resulting in an unfunded pension benefit obligation of \$2,139,944,635. The Commission's contribution for 1996 represented approximately .0040% of total contributions required of all participating employers.

Trend information:

Ten-year historical trend information indicating revenues by source and expenditures by type is presented in the LASERS June 30, 1996 comprehensive annual report.

Note 5. Lease Income

The Commission has entered into lease-rental and user contracts with three companies for the use of the Port's wharfs, docks, land and warehouses. Fees are composed of minimum lease payments and, in certain contracts, additional rates based upon the volume of commodities moved across the docks leased. The total lease and tonnage revenue earned in fiscal year 1997 was \$252,349.

NOTES TO FINANCIAL STATEMENTS

The total minimum rental commitment at June 30, 1997 under the leases mentioned in the preceding paragraph is as follows:

1998	\$ 221,713
1999	210,343
2000	210,343
2001	210,343
2002	210,343
2003 - 2007	172,671
2008 - 2012	75,000
2013 - 2014	<u>45,000</u>
	<u>\$ 1,355,756</u>

Note 6. Contributed Capital

Amounts contributed to the Port Commission for acquisition or construction of fixed assets are recognized as contributed capital. Contributed capital generated through grants externally restricted for capital acquisitions is amortized based upon the depreciation recognized on the fixed assets acquired or constructed from such grants. The depreciation is closed to the appropriate contributed capital account and is reflected as an adjustment to net income.

The following is a summary of contributed capital at June 30, 1997:

State of Louisiana - Department of Transportation and Development:	
Grant to construct a product dock and wharf facility	\$ 671,798
Grant to construct a product dock and wharf facility	888,185
Grant to construct road and road improvements	326,982
Land	1,749
Hill Petroleum Company - land	10,000
Cabot Corporation - water and gas lines	60,000
Phibro Energy USA, Inc. - access road	<u>18,921</u>
Total contributed capital	\$ 1,977,635
Less accumulated amortization	<u>(413,152)</u>
Net contributed capital	<u>\$ 1,564,483</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Compensation of Commissioners

A detail of per-diem paid to individual commissioners for the year ended June 30, 1997 follows:

John Babineaux	\$	1,650
Attaway Darbonne		2,550
Sal Diesi		1,725
Dorris Godet		450
Alvin Haynes		1,125
James Huval		1,500
Malcolm McMillan		1,800
Ina Moran		2,625
Felicien Simon		1,875
Peter Smith		2,625
Jimmy Soileau		2,700
Aaron Washington		<u>2,625</u>
Total	\$	<u>23,250</u>

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL
CONTROL STRUCTURE BASED ON AN AUDIT OF
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GOVERNMENT AUDITING STANDARDS

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To the Board of Commissioners
Greater Krotz Springs Port Commission
Krotz Springs, Louisiana

We have audited the accompanying general purpose financial statements of Greater Krotz Springs Port Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated September 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Greater Krotz Springs Port Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Greater Krotz Springs Port Commission, for the year ended June 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Segregation of Duties

Finding:

Because only three people are employed in the Commission's administrative offices, the Commission does not have adequate internal control procedures because of an inadequate segregation of duties. A system of internal control procedures contemplates an adequate segregation of duties so no one individual handles a transaction from its inception to its completion. While we recognize that the Port may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition.

Recommendation:

Keeping in mind the limited number of employees to which duties can be assigned, the Commission should continue to monitor assignment of duties to assure as much segregation of duties and responsibilities as possible.

Response:

Due to the small size of the administrative staff, complete segregation of duties is not possible. However, the Commissioners feel that the risk associated with the lack of segregation of duties is minimal due to the Commissioners' involvement in the operations of the Port. The Commissioners approve all disbursement of funds and review the Port's financial statements monthly.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Greater Krotz Springs Port Commission, for the year ended June 30, 1997.

Pledged Securities

Finding:

The Commission's bank deposits were properly secured at June 30, 1997. However, we noted in our audit work that during the month of May 1997, approximately \$200,000 of the Commission's bank deposits were unsecured for nineteen days.

Recommendation:

The Commission should establish a system, whereby, all bank deposits, including certificates of deposit, are monitored continuously to ensure no deposits are unsecured.

Response:

The funds have been properly secured at this time. The Commissioners will monitor bank deposits in the future.

This report is intended for the information of the Greater Krotz Springs Port Commission, management, all applicable federal agencies, and those other governments from which federal financial assistance and any other financial assistance was received. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poche, Lewis & Brant

Lafayette, Louisiana
September 23, 1997

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Greater Krotz Springs Port Commission
Krotz Springs, Louisiana

We have audited the accompanying general purpose financial statement of Greater Krotz Springs Port Commission, a component unit of the State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated September 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Greater Krotz Springs Port Commission is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements or violations of prohibitions, contained in statutes, regulations, contracts, or grants, that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of our tests of compliance disclosed the following material instance of noncompliance.

Pledged Securities

Although the Commission's bank deposits were properly secured at June 30, 1997, we noted in our audit work that during the month of May 1997, approximately \$200,000 of the Commission's bank deposits were unsecured for nineteen days.

We recommend that the Commission establish a system, whereby, all bank deposits, including demand deposits, are monitored continuously to ensure no deposits are unsecured.

We considered this material instance of noncompliance in forming our opinion on whether Greater Krotz Springs Port Commission's 1997 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated September 23, 1997 on those financial statements.

Except as described above, the results of our tests of compliance indicated that, with respect to the items tested, Greater Krotz Springs Port Commission complied in all material respects, with those laws and regulations referred to above, and with respect to items not tested, nothing came to our attention that caused us to believe that the Commission had not complied, in all material respects, with those provisions.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poche, Lewis & Brauf

Lafayette, Louisiana
September 23, 1997