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GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA

ANNUAL FINANCIAL REPORTS
Years Ended June 30, 1998 and 1997

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FINANCIAL SECTION

2612 Crestway Road
Marrero, Louisiana 70072

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Grand Isle Port Commission
Grand Isle, Louisiana

I have audited the accompanying general purpose financial statements of the Grand Isle Port Commission (the "Port"), as of and for the years ended June 30, 1998 and 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Port's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures About Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

> any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant; a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

The Port has omitted such disclosures. I do not provide assurance that the Port is or will be year 2000-ready, that the Port's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Port does business will be year 2000 ready.

In my opinion, except for the omission of the information discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Grand Isle Port Commission as of June 30, 1998 and 1997 and the results of its operations and changes in cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 20, 1998, on my consideration of the Port's internal control over financial reporting and my tests of compliance with laws, regulations, contracts and grants.

My audit was made for the purpose of forming an opinion on the general purpose financial statements of the Port, taken as a whole. The Supplemental Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Grand Isle Port Commission. This information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Paul Rivera, CPA

December 20, 1998

GENERAL PURPOSE FINANCIAL STATEMENTS

GRAND ISLE PORT COMMISSION

ENTERPRISE FUND
BALANCE SHEET
JUNE 30, 1998 AND 1997

		JUNE 30, 1998		JUNE 30, 1997
ASSETS				
Current Assets				
Cash	$	34,745	$	4,607
Certificated of Deposit		30,000		-
Total Current Assets		64,745		4,607
Property and equipment, net		78,852		6,993
TOTAL ASSETS	$	143,597	$	11,600
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Current Liabilities				
Accounts payable	$	-	$	-
Bank loan payable		-		10,000
Total Current Liabilities		-		10,000
Long Term Liabilities		-		-
TOTAL LIABILITIES		-		10,000
FUND EQUITY				
Contributed Capital				
Grant from Town of Grand Isle		5,865		5,865
Other donations		73,700		467
Total Contributed Capital		79,565		6,332
Retained Earnings (Deficit)		64,032		(4,732)
TOTAL FUND EQUITY		143,597		1,600
TOTAL LIABILITIES AND FUND EQUITY	$	143,597	$	11,600

The accompanying notes are an integral part of this statement.

GRAND ISLE PORT COMMISSION

ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	JUNE 30, 1998	JUNE 30, 1997
OPERATING REVENUES		
Dockage fees or rentals	$ -	$ -
Total Operating Revenue	-	-
OPERATING EXPENSES		
Accounting & bookkeeping	600	-
Advertising	1,567	319
Dues	1,550	550
Election expense	39	18
Gas & oil	592	46
Insurance	3,455	-
Licenses & permits	86	61
Miscellaneous supplies	13	-
Office supplies	1,143	734
Postage & PO box rental	100	88
Professional fees	7,358	500
Repairs & maintenance	2,132	425
Telephone	1,192	1,161
Travel	985	486
Depreciation	1,374	344
Depreciation on contributed assets	6,767	33
Total Operating Expenses	28,953	4,765
Operating Income (Loss)	(28,953)	(4,765)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	91,340	-
Interest earned on investments	426	-
Interest expense on bank loan	(816)	-
Total Non-Operating Revenue (Expense)	90,950	-
NET INCOME	61,997	(4,765)
Add Back: Depreciation on contributed assets	6,767	33
RETAINED EARNINGS (DEFICIT)		
Beginning of Year	(4,732)	-
End of Year	$ 64,032	$ (4,732)

The accompanying notes are an integral part of this statement.

GRAND ISLE PORT COMMISSION

ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	JUNE 30, 1998	JUNE 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	$ (28,953)	$ (4,765)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,374	344
Depreciation on contributed assets	6,767	33
Net Adjustments	8,141	377
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(20,812)	(4,388)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	91,340	-
Receipts from bank loan	10,000	10,000
Payments on bank loan	(20,000)	-
Interest paid on bank loan	(816)	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	80,524	10,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	-	(6,870)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(6,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(30,000)	-
Interest received	426	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(29,574)	-
NET INCREASE (DECREASE) IN CASH	30,138	(1,258)
CASH AT BEGINNING OF YEAR	4,607	5,865
CASH AT END OF YEAR	$ 34,745	$ 4,607
NON-CASH ACTIVITIES		
Donation of vehicles or equipment	$ 80,000	$ 500
Contributed Capital	(80,000)	(500)
	$ -	$ -

The accompanying notes are an integral part of this statement.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grand Isle Port Commission (the "Port") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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 Port's accounting policies are described below.

1. Reporting Entity

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and its component units. Component units are defined as legally separate organizations for which the elected officials of a primary government are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Port was created by Louisiana Revised Statute (LSA-RS 34:251). It includes all land in the within the Town of Grand Isle's boundaries and all of Ward 11 of Jefferson Parish. The governing board of commissioners administers the operations and responsibilities in accordance with the provisions of Louisiana statutes. The five members of the Board are appointed by the Governor of the State of Louisiana from a list of nominations submitted by the Town of Grand Isle Mayor and Board of Aldermen. The Port has all the powers and privileges granted under the constitution and statutes 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.

Based on the criteria described above, it has been determined that the Grand Isle Port Commission is not a component unit of the State of Louisiana for financial reporting purposes, rather it is a "stand-alone" government. Likewise, the Division of Administration for the State of Louisiana treats the Port as a primary government. The accompanying statements present only transactions of the Port.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund Accounting

The Port uses funds and account groups to report on its financial position and the results of its operations and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The Port's operations are accounted for in an Enterprise Fund because its operations are 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.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise Funds are accounted for on a flow of economic resources management focus. With this focus, all assets and liabilities associated with the operation of this fund type are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into a retained earnings component. Proprietary fund type operating statements represent increases (i.e., revenues) and decreases (i.e., expenses in total assets.

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, it is the policy of the Port to apply all applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) statements, interpretations, accounting principles, board opinions, and accounting research bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

4. Budgets

While not specifically required by state statutes, the Port does adopt a budget for its Enterprise Fund for managerial purposes. Since the budget is adopted on a "cash" basis of accounting, it is not presented.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Cash and Investments

For reporting purposes, cash includes amounts in demand deposits and time deposits. Certificates of deposit are shown separately. Louisiana Revised Statutes allow the Port to invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Investments, if any, are stated at cost or amortized cost. State statutes authorize the Port to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

For purposes of the statement of cash flows, the Port considers investments with a maturity date of less than 90 days to be a cash equivalent. Investments with less than 90 days to maturity at the balance sheet date are also considered cash equivalents.

6. Inventories

The cost of materials and supplies acquired by the Port are recorded as expenses at the time of purchase. It is management's opinion that the inventory of such materials and supplies at June 30, 1998 and 1997 are not material to the financial statements.

7. Fixed Assets

Fixed assets are capitalized in the funds used to acquire or construct them. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of buildings, equipment and vehicles is computed using the straight-line method. Depreciation expense applicable to those fixed assets acquired through capital donations is closed out to the related contributed capital accounts rather than retained earnings. It is considered preferable under the matching concept, as receipts of these fixed assets have been recorded as additions to contributed capital.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Fund Equity

Reserves represent those portions of fund equity not appropriatable for expenditure or legally segregated for a specific future use. Contributed capital is recorded for amounts received on capital grants or donations of assets from other agencies or the public.

NOTE B - DEPOSITS AND INVESTMENTS

The carrying amount of the Port's deposits at June 30, 1998 and 1997 was $64,745 and $4,607, respectively. The bank balances were $64,745 and 4,639, respectively. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The bank balance at June 30, 1998 is categorized as follows:

Risk Category	Cash	Certificates of Deposit	Amount
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	$ 34,745	$ 30,000	$ 64,745
b. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name	0	0	0
c. Uncollateralized (including securities held for the entity by the pledging financial institution or its agent, but not in the entity's name)	0	0	0
Total	$ 34,745	$ 30,000	$ 64,745

The bank balances at June 30, 1997 were completely covered by FDIC insurance.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1998

NOTE C - PROPERTY AND EQUIPMENT

The following is a summary of the property, plant, and equipment at June 30, 1998:

Asset Type	Amount	
Land	$	0
Buildings		0
Furniture & Equipment		0
Vehicles and Heavy Equipment		87,370
		87,370
Less accumulated depreciation		(8,518)
Net Property and Equipment	$	78,852

The useful lives used for computing depreciation are as follows:

Asset Type	***Life in Years***
Buildings and improvements	20 - 50
Furniture & Equipment	5 - 10
Vehicles & Equipment	5 - 10
Boats & Equipment	5 - 10

NOTE D - BANK LOAN PAYABLE

Prior to the approval of the ad valorem tax, the Port opened a line of credit with South Lafourche Bank and Trust to provide cash flows for operations. The maximum amount allowed under this line was $30,000 at a rate of 7 percent. On April 8, 1997, the Port drew down $10,000. An additional $10,000 was drawn down on September 5, 1997. Once the ad valorem taxes were received, the loan was paid off in full on January 13, 1998. Interest expense of $816 was paid relating to this loan.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 1998

NOTE E - CONTRIBUTED CAPITAL

Contributed capital increased (decreased) by the following amounts:

	Municipal Government	Other Sources	Total
Balance June 30, 1996	$ 5,865	$ 0	$ 5,865
Add: Donation of vehicle	500	0	500
Less: Depreciation on donated asset	(33)	0	(33)
Balance June 30, 1997	6,332	0	6,332
Add: Donation of boat	0	80,000	80,000
Less: Depreciation on donated asset	(100)	(6,667)	(6,767)
Balance June 30, 1998	$ 6,232	$ 73,333	$ 79,565

NOTE F - AD VALOREM TAX

Louisiana Revised Statutes (LRS 34:254(A)) provides the Port with the authority to levy annually, an ad valorem tax not to exceed ten (10) mills. On November 5, 1996, the Port received approval by a vote of the citizens to levy a ten year 5 mill tax for acquiring, constructing, improving, maintaining or operating structures, facilities, and services (including economic development).

The Port levies an ad valorem (property) tax on real property within the Port to finance operations. The levy is generally made as of November 15 of each year. The tax is then due, and becomes an enforceable lien on the property, on the first day of the month following the filing of the tax roll by the Parish assessor with the Louisiana Tax Commission (usually December 1). The tax is delinquent 30 days after its due date.

Ad valorem taxes are levied based on property values determined by the Jefferson Parish Assessor's Office (a separate entity). All land and residential improvements are assessed at 10 percent of its fair market value, and other property at 15 percent of its fair market value. Taxes are billed and collected by the Jefferson Parish Sheriff's Office (a separate entity) which receives a certain millage for its services. The taxes remitted by the Sheriff to the Port are net of assessor's commission and pension fund contributions.

The number of mills levied for operations on the 1997 and 1996 tax rolls were 5.00 and 0.00, respectively.

NOTE G - COMMITMENTS AND CONTINGENCIES

1. Risk Management

   The Port is exposed to various risks of loss resulting from personal injury; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To protect against these risks of loss, the Port purchases various types of insurance from commercial carriers.

   Under these policies, general liability coverage is provided for up to a maximum of $500,000 per occurrence, with a $10,000 deductible. There were no claims against this policy for 1998 or 1997.

2. Litigation

   There is no litigation pending against the Port at June 30, 1998.

SUPPLEMENTAL INFORMATION

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 1998

Board Member	Amount Paid
Dudley Gaspard, Jr.	$ 0
Andy Galliano	0
Irvin Richoux	0
Charles Crosby	0
Robert "Bobby" Pregeant	0
Total	$ 0

The Commissioners do not at this time receive any per diem for serving on the Port Commission.

COMPLIANCE SECTION

2612 Crestway Road
Marrero, Louisiana 70072

Paul C. Rivera, CPA

(504) 371-4390

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

Board of Commissioners
Grand Isle Port Commission
Grand Isle, Louisiana

I have audited the general purpose financial statements of the Grand Isle Port Commission (the "Port"), as of and for the years ended June 30, 1998 and 1997, and have issued my report thereon dated December 20, 1998. In my report, my opinion was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Technical Bulletin 98-1, Disclosures About Year 2000 Issues. I conducted my 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's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered the Port's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Port's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below:

Reportable Condition

Condition - I noted that the size of the Port's operations are too small to provide for an adequate segregation of duties. The Port's secretary is charged with most of the responsibilities relating to the cash receipts and cash disbursement cycles. The Port does, however, have various controls in place which tend to mitigate this problem, including (1) having a Commissioner review and initial all bank reconciliations, (2) requiring dual signatures on all checks, (3) requiring the presentation of actual versus budget reports on a monthly basis, and (4) the use and reconciliation of prenumbered receipts.

Recommendation -Employing additional controls may not be cost beneficial, however, the Board should remain cognizant of the lack of segregation of duties.

Response - We are aware of the condition, however, at this point we are not in the financial position of addressing the problem. The Board is aware of the condition and will continue to monitor the financial activity of the Port in a timely manner.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is a material weakness.

This report is intended for the information of the Board of Commissioners, management, all applicable Federal and State agencies, and the Legislative Auditor of the State of Louisiana and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Paul Rinaudo, CPA

December 20, 1998