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**GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA**

Bi-Annual Financial Report

Years Ended June 30, 1999 and 1998

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 1999

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INTRODUCTORY SECTION



Sal Diesi, *President*
Attaway Darbonne, *Vice President*
James Soileau, *Secretary*
Peter Smith, *Treasurer*
John Babineaux
Alton Broussard
Billy Fritel
James P. Huval
Malcolm T. McMillan
Monita Reed
Felicien Simon
Gary Soileau, *Executive Director*

August 25, 1999

**Board Members of the
Greater Krotz Springs Port Commission
State of Louisiana
Krotz Springs, Louisiana**

The Greater Krotz Springs Port Commission Bi-Annual Financial Report for the years ended June 30, 1999 and 1998, is submitted for your review. This report reflects continuing improvement in the development of the port facility.

The accompanying general purpose financial statements have been examined by the Port's independent certified public accountant, George F. Delaune, CPA, APC, and his opinion resulting from his examination is included in this Bi-Annual Financial Report. As part of his examination, the auditor performed tests of the Port's compliance with certain provisions of laws, regulations, and contracts, and an evaluation of the Port's internal control over financial reporting as required by *Government Auditing Standards* and the *Louisiana Governmental Audit Guide*.

The *Bi-Annual Financial Report* is presented in two sections. The *Introductory Section* includes a table of contents, a list of officials, and this letter of transmittal which highlights the progress of the Port's operations over the last two years. The *Financial Section* includes the independent auditor's report, the general purpose financial statements and related notes.

Louisiana ports and the maritime industry plays a major role in economic development, providing millions of dollars in state and local tax revenues, and providing thousands of jobs throughout the state. Ports in Louisiana are among the busiest in the world, moving more than a billion tons of cargo annually to and from the United States, Central and South America, Africa, the Pacific Rim, the Middle East, the Baltic States, Europe and all points in between.

According to the most recent study conducted by Dr. Timothy Ryan, University of New Orleans, for the Ports Association of Louisiana (PAL) In March 1998, Louisiana ports provided approximately one in every 8 jobs in the state; 28 percent of the state's total gross product and 5.6percent of all personal income in the state. Louisiana ports generate \$395 million in state and local tax revenues annually and those one in 8 jobs translate to 229,871 jobs. The Port of Krotz Springs, in spite of its disadvantages of being a shall-draft inland river port has been successful in contributing to these positive state numbers.

Progress Report

Businesses operating at the Port of Krotz Springs the past two years included: Valero Energy Corporation (formerly Basis Petroleum), Bunge Corporation, Cabot Corporation, and Johnson Brothers Corporation. Valero, Cabot, and Bunge are planning expansions in the future. The most recent employment survey shows 253 total employees working at the port complex. Of the 253 total employees, 197 of these workers actually reside in St. Landry Parish. These are direct jobs. We do not calculate trucking jobs, rail jobs, barge and maritime jobs or temporary construction jobs that are all spin-offs of the Port and its industries.

Seven docks are being operated at the port at this time handling products of oil and grain.

Capital Projects

The Port is presently in the third phase of a \$2.5 million expansion project consisting of the following:

PHASE I A \$456,000 project to clear 30 acres of property, put in roads and drainage to create additional industrial sites. Three hundred forty-two thousand dollars (\$342,000) of this money was provided by the Ports Priority Program of the Transportation Trust Fund. Phase I has been completed.

PHASE II The Port received funding of \$1,497,918 to construct a general cargo dock and purchase a 50 ton crane. This funding was provided by the Ports Priority Program of the Transportation Trust Fund. Boh Brothers Construction Company submitted the low bid of \$1,294,679.90. Construction of the project began in January 1997. Final inspection was completed September 12, 1997. Of the total cost of the project, the state paid 90% or \$1,167,076.71 and the Port paid 10% or \$129,675.19. The Port was also responsible for all engineering, permitting, surveying, administration, inspection and geotechnical work at a cost of \$133,037.00. The Port has delayed purchase and installation of the 50 ton crane until after Phase III is complete. The State and the Port will share the cost of the crane estimated at \$300,000 for a used machine.

PHASE III The Port received funding in the amount of \$621,000 to construct a warehouse/transit shed, parking and storage to compliment the general cargo dock project. Preliminary plans were presented to the Port Commission by Aucoin and Associates in April 1998. DOTD must give final approval to the plans and then the project will be bid. Construction is expected to occur this year. The State will contribute 90% of the project and the Port will contribute 10% plus all engineering costs involved. Engineering costs are estimated at \$70,000.00.

Scurlock-Permian Corporation has completed the clean-up of a 4.3 acre site that was leased from the Port. The clean-up included dismantling four tanks and removal pipelines. An environmental assessment was completed in early spring. The Port has written Valero regarding leasing of the dock and our requirements for lease of the Scurlock-Permian property. We are awaiting an answer from Valero.

From December 10, 1997 to December 31, 1998, Johnson Brothers Corporation of Louisiana leased a 2 acre tract of land along with non-exclusive use of the general cargo dock. During this time period, the company made major renovations to the Union-Pacific railroad bridge in Krotz Springs.

Economic Development and Outlook

A new brochure was developed featuring our new general cargo dock and will be used for economic development purposes.

Overall the Port has had a very successful two years. The Port is financially strong. We receive no tax money or any other state money other than Port Priority Program grants through the Highway Trust Fund. All of our revenues are self-generated and put back into the Port infrastructure for economic development, maintenance and capital outlay projects. Our newly adopted budget shows \$365,217 in revenue, \$213,773 in expenses and \$155,000 in capital outlay expenditures. Our current tonnage at 2,981,073 is up 11% from a year ago.

Respectfully submitted,



GARY SOILEAU
Executive Director

GREATER KROTZ SPRINGS PORT COMMISSION
208 SOUTH LEVEE ROAD
P. O. BOX 155
KROTZ SPRINGS, LOUISIANA 70750
(318) 566-8867

GOVERNING BOARD

COMMISSIONER

APPOINTEE

Attaway Darbonne	St. Landry Parish
Billy Frilot	St. Landry Parish
Tommy McMillan	St. Landry Parish
Sal Diesi	City of Opelousas
Alton Broussard	City of Opelousas
John Babineaux	City of Eunice
Felicien Simon	City of Eunice
James Soileau	Town of Krotz Springs
Monita Reed	Town of Krotz Springs
James Huval	St. Landry Parish Municipal Assn
Peter Smith	St. Landry Parish Municipal Assn

Gary Soileau, Executive Director

AVAILABLE INDUSTRIAL SITES

Krotz Springs, Louisiana

Location

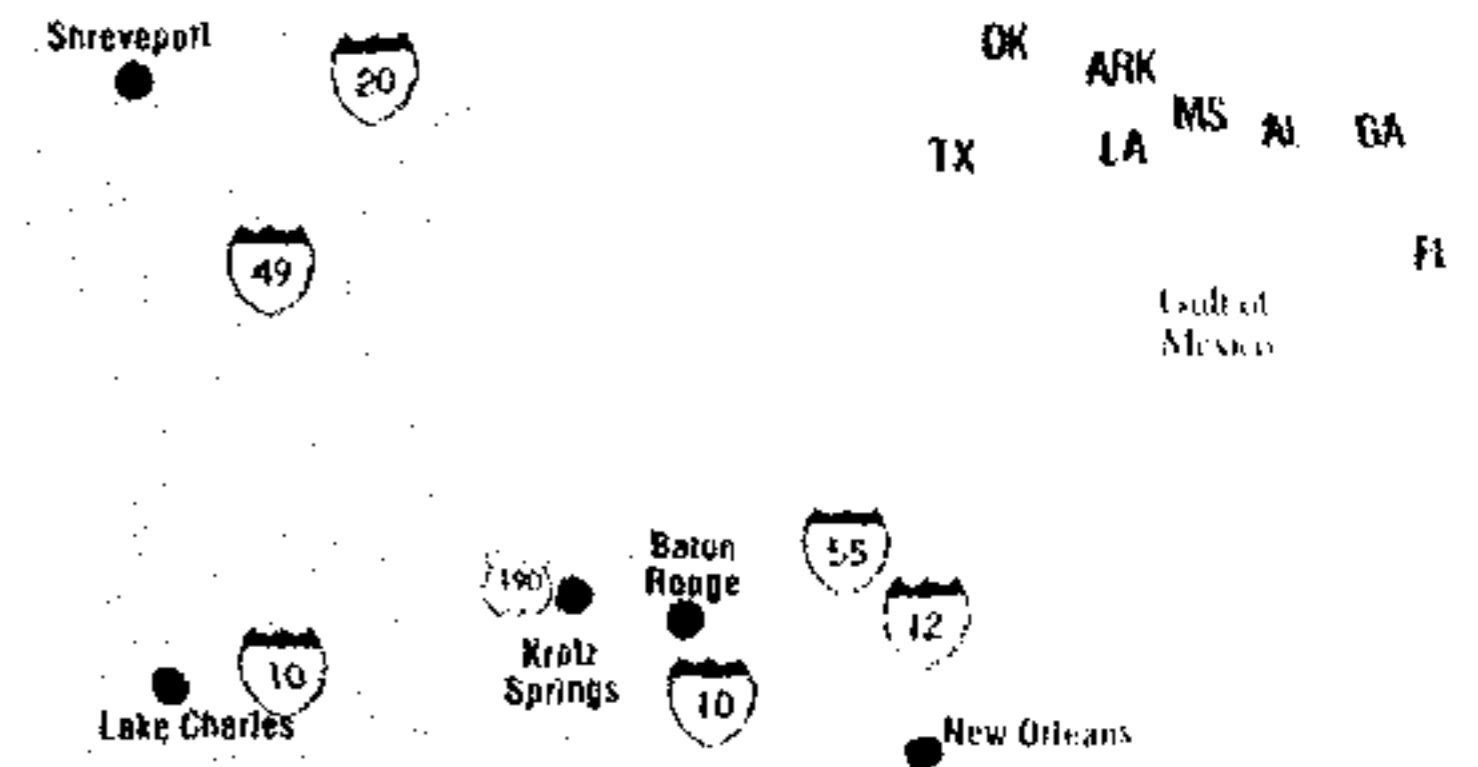
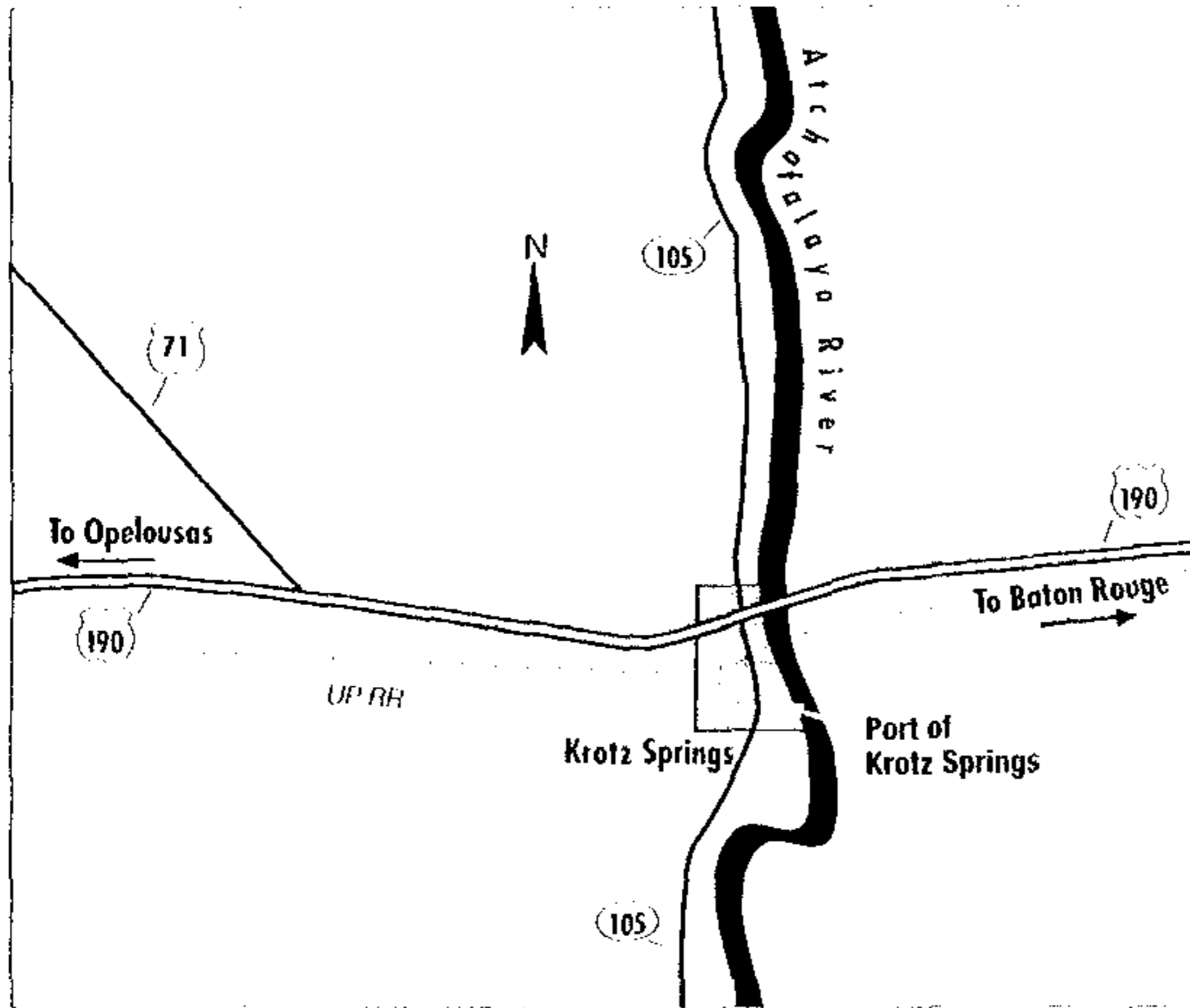
Port of Krotz Springs

Site

St. Landry

Parish

Louisiana's Electric Cooperatives

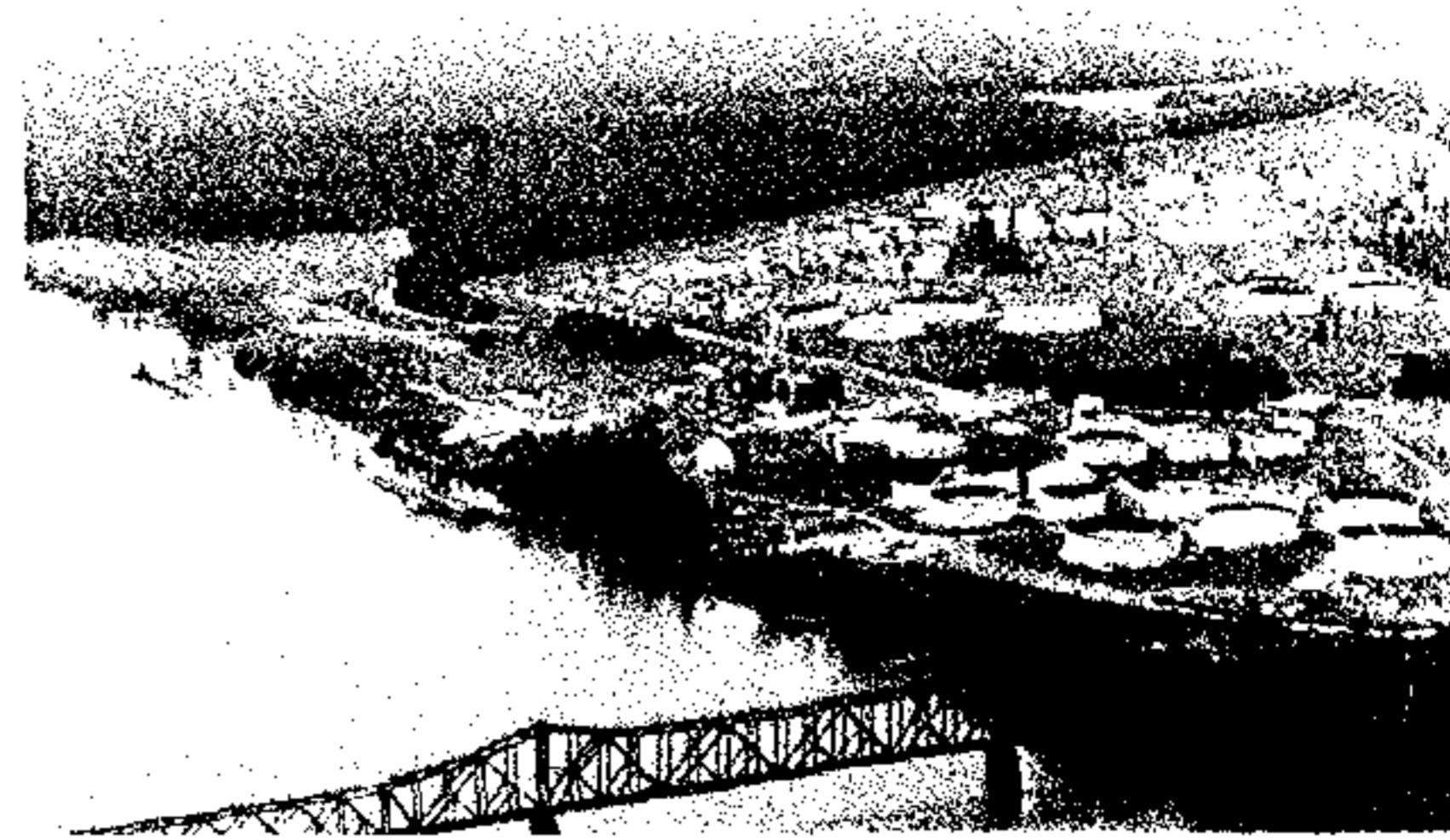
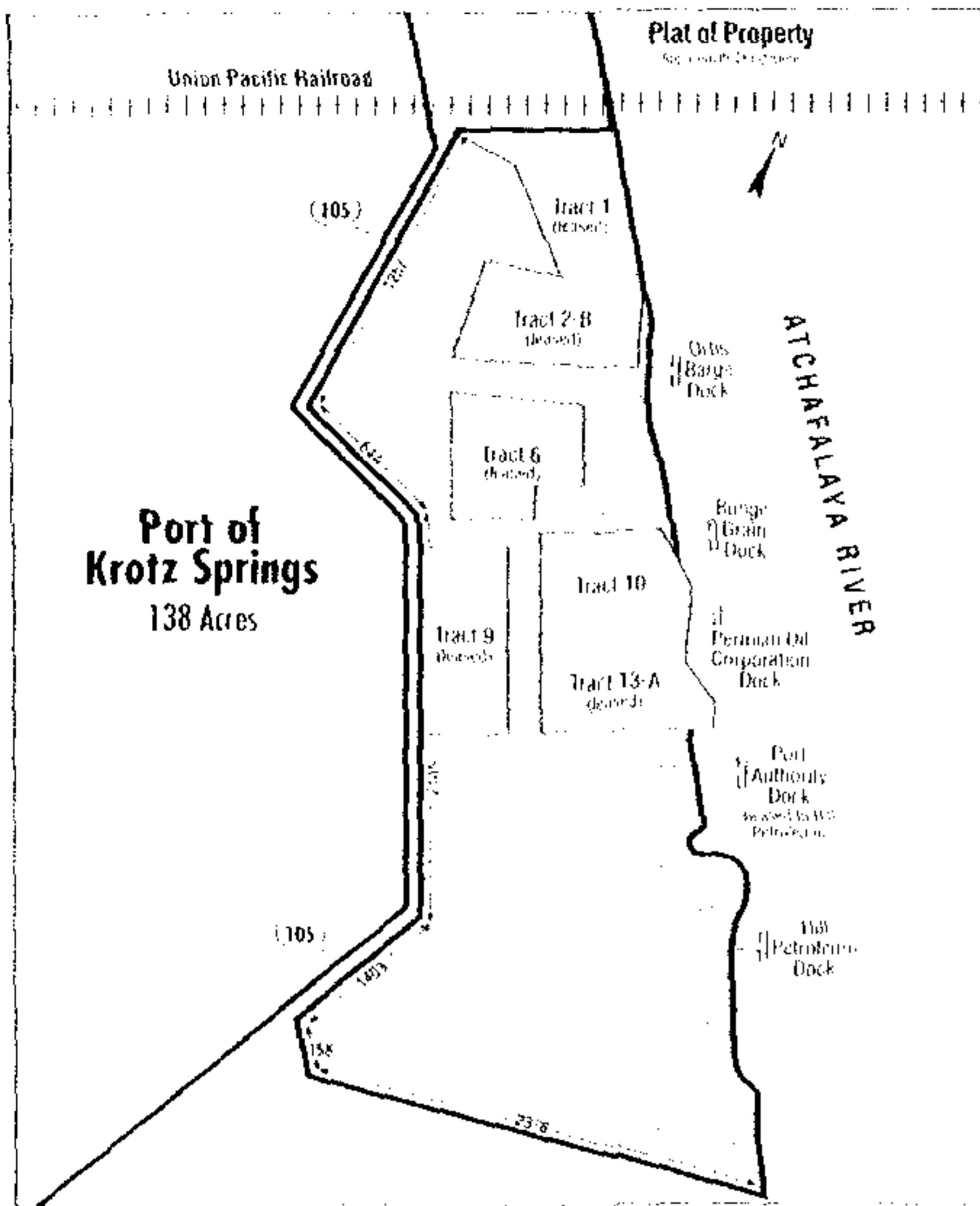


The Port of Krotz Springs is owned and operated by the Greater Krotz Springs Port Authority. The port complex is located within the city limits of Krotz Springs. It is just off U.S. Highway 190, a major four-laned highway stretching 17 miles to Interstate 49 in the City of Opelousas, and 40 miles to Interstate 10 at Baton Rouge.

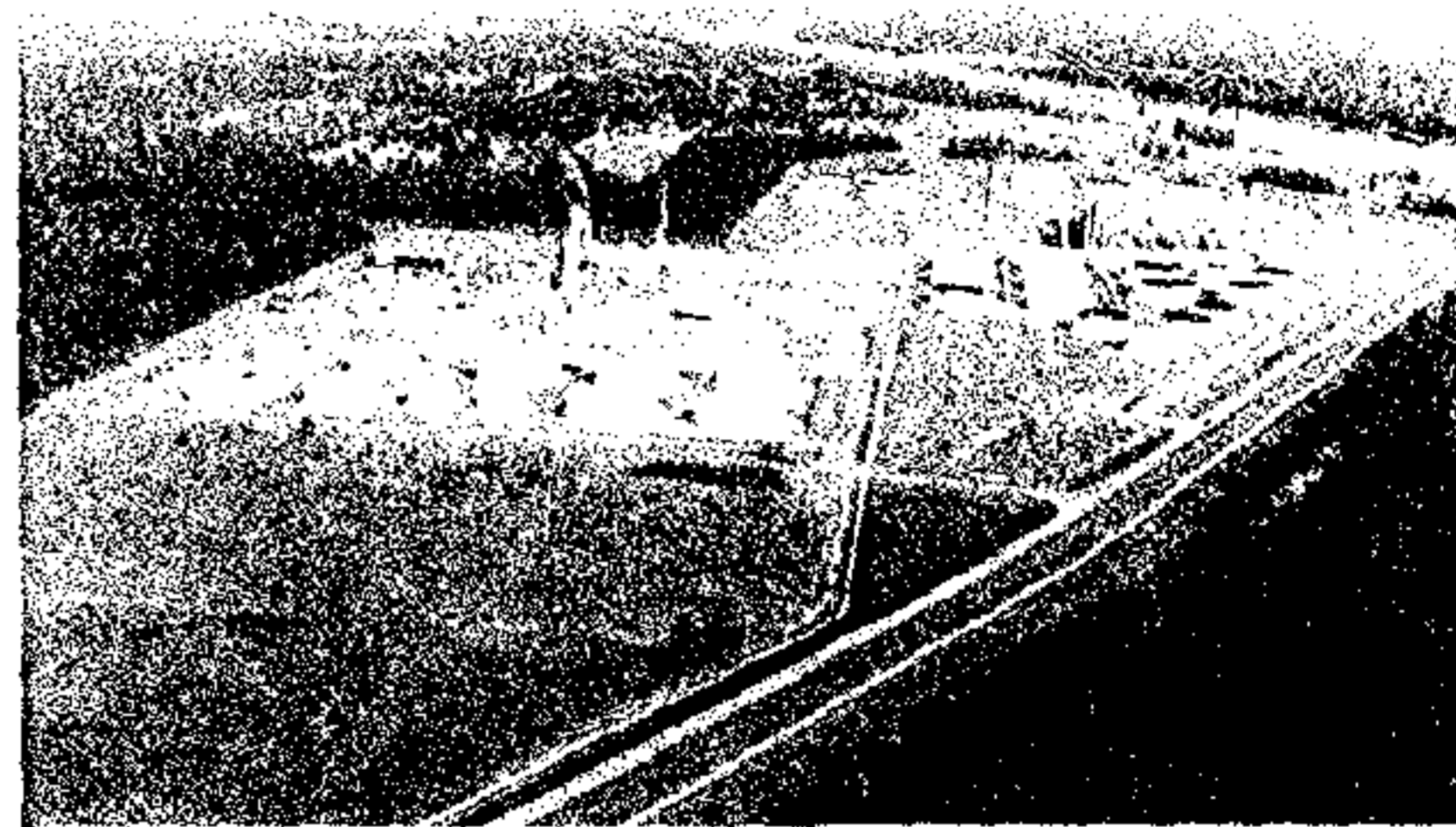
U-1 The area map illustrates the site's location and the surrounding transportation network.



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Shown above is the Union Pacific Railroad crossing the Atchafalaya River with the port complex in the background.



The above photograph shows some of the large industrial tenants at the Port, including a major refinery.

SPECIFICATIONS

LOCATION

City:
Krotz Springs, Louisiana
Parish:
St. Landry
Site Adjacent to City Limits:
No
Section:
-
Township:
6S
Range:
14
Nearest City of 25,000 or More Population:
Lafayette, Louisiana (35 miles)

CHARACTERISTICS

Total Acres in Site:
138 Acres
Available Acreage:
87 Acres
Acres in Largest Tract Available:
15 Acres
Lease Price:
\$1,500.00/acre/year
Adjacent Land Available:
400 Acres
Topography/Slope:
Flat
Soil Boring Information Available:
Yes
Percent of Total Site Subject to Flooding:
None (All Above 10' Year Flood Plain)
Zoning Classification:
None

UTILITIES AND SERVICES

Electricity:
Distance to 3-Phase Electric Power:
On Site
Distributor:
SLEMCO
Transmission Company:
Cajun Electric Power Cooperative, Inc. (CESU)
5700 Highway 105
Baton Rouge, LA 70805

Pressure:
65 psi
Distributor:
Town of Krotz Springs
Transmission Company:
Montana Pipeline
Water:
Distance to Nearest Main:
Adjacent
Size of Main:
6" (2" on site)
Static Pressure:
40 psi
Distance to Nearest Elevated Water Tank:
2.500 Feet
Tank Capacity:
50,000 gallons
Sewer:
Distance to Nearest Sanitary Services:
Adjacent
Sewer Main Diameter:
8"
Domestic Sewage Treatment Type:
Municipal oxidation ponds
Fire Protection:
Available:
Yes
Suppliers:
Fire District #1
Fire Insurance Rating:
7

TRANSPORTATION

Highways:
Distance to Nearest Interstate Highway Access:
17 miles
Name of Highway:
149
Type of Roadway System Adjacent to the Site:
U.S. Highway 190 & State Highway 105
Legal Load Limit:
80,000 lbs.
Number of Truck Lines Serving Site:
15
None

Water

Distance to Nearest Navigable Waterway:
On Site
Depth:
12 feet
Width:
1,000 feet
Name of Waterway:
Atchafalaya River
Distance to Nearest Deepwater Port:
42 miles by truck; 135 miles by boat
Name of Port:
Port of Baton Rouge
No
Distance to Nearest Major Commercial Airport:
45 miles
Name of Airport:
Lafayette and Baton Rouge
Distance to Nearest General Aviation Airport:
28 miles
Name of Airport:
St. Landry Parish Airport
Runway Length:
6,000 feet

Owner of Property:
Greater Krotz Springs Port Authority

CONTACT:

Cajun Electric Power Cooperative, Inc.
Economic Development Department
P.O. Box 15540
Baton Rouge, LA, 70895
(504) 291-3060
(504) 296-1746 (FAX)

Manager:
Southwest Louisiana Electric Membership
Corporation (SLEMCO)
3420 Highway 167 North
Lafayette, LA 70507
(318) 896-5384

Executive Director:
Greater Krotz Springs Port Authority

FINANCIAL SECTION

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George F. Delaune

CERTIFIED PUBLIC ACCOUNTANT
(A Professional Corporation)

Practice Limited to Governmental Accounting, Auditing and Financial Reporting

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LOUISIANA SOCIETY OF CPAs
GOVERNMENT FINANCE
OFFICERS ASSOCIATION

AUDITOR'S REPORT

**Board Members of
Greater Krotz Springs Port Commission
State of Louisiana
Krotz Springs, Louisiana**

I 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 years ended June 30, 1999 and 1998, as listed in the Table of Contents. These financial statements are the responsibility of management of the Greater Krotz Springs Port Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, the standards applicable to financial 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 I 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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Greater Krotz Springs Port Commission as of June 30, 1999 and 1998, and the results of its operations and the 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 August 25, 1999, on my consideration of the Greater Krotz Springs Port Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts.

George F. Delaune, CPA

August 25, 1999

**GREATER KROTZ SPRINGS PORT COMMISSION
BALANCE SHEETS
JUNE 30, 1999 AND 1998**

	1999	1998
ASSETS		
Current Assets		
Cash	\$230,102	\$173,698
Investments	1,750,569	1,645,000
Leases receivable	22,012	16,337
Interest receivable	3,011	2,450
Total Current Assets	2,005,694	1,837,485
Fixed Assets, net of accumulated depreciation	2,718,065	2,813,641
TOTAL ASSETS	\$4,723,759	\$4,651,126
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts payable	\$1,168	\$244
Accrued payroll and benefits	1,584	1,806
Deferred income		16,000
Total Current Liabilities	2,752	18,050
Fund Equity		
Contributed capital, net of accumulated amortization	1,729,383	1,804,209
Retained earnings - Unreserved - undesignated	2,991,624	2,828,867
Total Fund Equity	4,721,007	4,633,076
TOTAL LIABILITIES AND FUND EQUITY	\$4,723,759	\$4,651,126

The accompanying notes are an integral part of this statement.

**GREATER KROTZ SPRINGS PORT COMMISSION
STATEMENTS OF FUND EQUITY
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

	<u>Contributed Capital</u>	<u>Retained Earnings - Unreserved</u>	<u>Reserved for Capital Expenditures</u>	<u>Total</u>
Balances - July 1, 1997	\$1,564,483	\$2,640,958	\$30,872	\$4,236,313
Funds received from state grants	278,891			278,891
Increase in retained earnings for the year		157,037		157,037
Depreciation of contributed capital (assets)	(39,165)			(39,165)
Release of reserve for capital expenditures		30,872	(30,872)	
Balances - June 30, 1998	\$1,804,209	\$2,828,867		\$4,633,076
Increase in retained earnings for the year		162,757		162,757
Depreciation of contributed capital (assets)	(74,826)			(74,826)
Balances - June 30, 1999	<u>\$1,729,383</u>	<u>\$2,991,624</u>		<u>\$4,721,007</u>

The accompanying notes are an integral part of this statement.

**GREATER KROTZ SPRINGS PORT COMMISSION
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

	1999	1998
Operating Revenues		
Leases	\$242,272	\$224,737
Tonnage and docking fees	33,398	32,917
Total Operating Revenues	275,670	257,654
Operating Expenses		
Salaries and benefits	70,438	70,197
Per diem - Commissioners	23,325	22,575
Travel	7,346	6,308
Meetings and conventions	8,255	11,004
Dues	2,443	1,283
Advertising and promotion	11,269	10,938
Professional fees	7,007	10,773
Insurance - medical	16,067	16,402
Insurance	8,034	9,403
Telephone and utilities	6,234	5,157
Repairs and maintenance	14,423	15,143
Office expense	6,870	5,278
Depreciation	100,026	54,722
Total Operating Expenses	281,737	239,183
Operating Income	(6,067)	18,471
Nonoperating Revenues		
Interest income	93,998	99,401
Net Income	87,931	117,872
Add depreciation on fixed assets acquired by grants restricted for capital acquisition and construction that reduces contributed capital	74,826	39,165
Increase in Retained Earnings	\$162,757	\$157,037

The accompanying notes are an integral part of this statement.

**GREATER KROTZ SPRINGS PORT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

	1999	1998
Cash Flows From Operating Activities		
Operating income	(\$6,067)	\$18,471
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation	100,026	54,722
Decrease (increase) in assets -		
Leases receivable	(5,675)	849
Miscellaneous receivable		975
Increase (decrease) in liabilities -		
Accounts payable - trade	924	(1,042)
Accrued salaries and benefits	(222)	(636)
Deferred income	(16,000)	1,000
	72,986	74,339
Cash Flows From Investing Activities		
Increase in investments	(105,569)	(97,000)
Interest received on investments	93,437	100,501
	(12,132)	3,501
Cash Flows From Capital and Related Financing Activities		
Capital asset expenditures	(4,450)	(1,087,796)
Capital contributed by other governmental agencies		890,680
Proceeds from sale of capital assets		400
	(4,450)	(196,716)
Net Increase in Cash	56,404	(118,876)
Cash at Beginning of Year	173,698	292,574
Cash at End of Year	\$230,102	\$173,698

The accompanying notes are an integral part of this statement.

GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

NOTE 1 - INTRODUCTION

The Greater Krotz Springs Port Commission was created as a political subdivision of the State of Louisiana by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 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 appointed as follows:

1. Three members by the St. Landry Parish Police Jury
2. Two members by the City of Opelousas
3. Two members by the City of Eunice
4. Two members by the Town of Krotz Springs
5. Two members by the St. Landry Parish Municipal Association

The Commission's office is located in Krotz Springs, Louisiana, and employs 2 administrative personnel. The Commission's operations are funded entirely through annual self-generated revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The Greater Krotz Springs Port Commission prepares its financial statements in accordance with the standards established by the GASB.

Reporting Entity

GASB Codification Section 2100 and GASB Statement 14, "The Financial Reporting Entity," have defined the governmental reporting entity to be the State of Louisiana. The Greater Krotz Springs

GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Port Commission is considered a component unit of the State of Louisiana because it was created as a political subdivision of the state. The accompanying general purpose financial statements present information only as to the transactions of Greater Krotz Springs Port Commission, a component unit of the State of Louisiana.

Annually the State of Louisiana issues a general purpose financial statement which includes the activity contained in the accompanying financial statement. The general purpose financial statement is issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

Fund Accounting

The accounts of Greater Krotz Springs Port 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

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. 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.

Cash and Investments

Cash consists of amounts in two demand deposit accounts.

State statutes authorize the Commission to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, political subdivisions are authorized to invest in the

GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments 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.

Inventories

Inventories for supplies are immaterial and are recorded as expenses when purchased.

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 proprietary funds that have received capital grants or contributions from lessees or other funds.

GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

NOTE 3 - CASH AND INVESTMENTS

At June 30, 1999 and 1998, the Commission has cash (book balances) shown on the balance sheet of \$230,102 and \$173,698, respectively.

Investments held at June 30, 1999 and 1998, include the following:

	1999	1998
Certificates of deposits	\$ 1,650,000	\$ 1,645,000
Louisiana Asset Management Pool, Inc.	100,569	0
	\$ 1,750,569	\$ 1,645,000

At December 31, 1999, cash and investments (excluding the LAMP investment) representing collected bank balances are secured from risk as follows:

Demand deposits	\$ 216,682
Certificates of deposits	1,650,000
Total Collected Bank Balances	1,866,682
Secured by federal deposit insurance	400,000
Secured by collateralized pledge of securities	3,401,711
Unsecured/uncollateralized	\$ 0

Cash and investments are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on

**GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Board that the fiscal agent has failed to pay deposited funds upon demand.

In accordance with GASB Codification Section 150.165, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.164 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, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments 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. 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. 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.

**GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

NOTE 4 - FIXED ASSETS

The following is a summary of fixed assets at June 30, 1999 and 1998:

	<u>06-30-99</u>	<u>06-30-98</u>
Buildings	\$ 153,221	\$ 153,221
Wharfs and docks	2,100,616	2,100,616
Road and road improvements	693,282	693,299
Mooring dolphin	43,119	43,119
Furniture and equipment	<u>30,580</u>	<u>26,113</u>
	\$ 3,020,818	\$ 3,016,368
Less accumulated depreciation	<u>(720,747)</u>	<u>(620,721)</u>
	\$ 2,300,071	\$ 2,395,647
Land	<u>417,994</u>	<u>417,994</u>
Net fixed assets	<u>\$ 2,718,065</u>	<u>\$ 2,813,641</u>
Depreciation expense for the year ended	<u>\$ 100,026</u>	<u>\$ 54,722</u>

NOTE 5 - PENSION PLAN

The two employees of the Commission are members of the Louisiana State Employees Retirement System ("System"), a multiple-employer, public employee retirement system (PERS) controlled and administered by a separate board of trustees.

All full time employees are eligible to participate in the System. Benefits vest with ten years of service. Vested employees may retire at (a) any age with thirty years of service, (b) age 55 with twenty-five years of service. A participants basic annual retirement benefit is equal to \$300 plus 2.5% of their highest consecutive 36 month average salary multiplied by their years of credited service. 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

GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

throughout his life with certain benefits being paid to his designated beneficiary after his death. The System also provides death and disability benefits. Benefits are established by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees' Retirement System.

Description of Funding Policy -

Covered employees are required by State statute to contribute 7.5% of their gross salary to the System and the Commission contributes an additional percentage of 13% from July 1, 1997 to June 30, 1998, and 12.4% from July 1, 1998 to June 30, 1999. Contributions to the System during fiscal years ended June 30, 1999 and 1998 were funded through employee and employer contributions of \$14,301 and \$13,096, respectively. The total payroll of the Commission, fully covered by the system, was \$70,818 and \$64,812, respectively for fiscal years 1998 and 1997. Under present statutes, the Commission does not guarantee any of the benefits granted by the system.

NOTE 6 - LEASE INCOME

The Commission negotiates lease-rental and user contracts with 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 the fiscal years ended June 30, 1999 and 1998 was \$275,670 and \$257,654, respectively. A summary of current leases follows:

Cabot Corporation

On April 5, 1993 (amended on September 13, 1993), the Commission entered into a lease with Cabot Corporation for the use of 5.58 acres of land, more or less. The Commission also granted several easements, servitudes, rights of way, rights of passage, etc. for Cabot Corporation to conduct its business. The term of the lease is for 5 years from April 5, 1993, with Cabot Corporation having the option to extend the same for 4 additional 5 year terms unless giving notice in writing to the Commission 60 days in advance of the end of a particular 5-year term to renew.

Cabot Corporation shall pay the sum of \$8,370 per year rental (Basic Rent) plus one cent per barrel for all material, either incoming or outgoing, moved across the dock (Additional Rent). Cabot

GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
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JUNE 30, 1999 AND 1998

Corporation guarantees a 30,000 barrel minimum per month throughput. Said one cent per barrel charge to accrue on October 1, 1993 and shall be due on a calendar month basis thereafter. Cabot Corporation shall furnish to Commission a monthly throughput report no later than 30 days following the end of the month covered by each report. The Additional Rent shall be adjusted at the beginning of each option year to reflect the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for all Urban Consumers (CPI-U), South Region.

Bunge Corporation

On June 30, 1989, the Commission entered into a lease with Bunge Corporation for the use of a certain tract of land located in Section 8, Township Six South (T-6-S), Range Seven East (R-&E), Louisiana Meridian, St. Landry Parish, Louisiana, and designated as Tracts 9, 9A and 13A. The Commission also granted a 50-foot easement under the barge loading conveyor.

The initial term of the lease shall be 25 years commencing June 30, 1989, and terminating June 29, 2014. Bunge has the option of extending this lease for one additional 25 year term by notifying the Commission in writing at least 90 days prior to the expiration of the initial term.

Bunge Corporation shall pay an base annual payment of \$15,000 to be paid annually on or before July 1, 1989, and annually thereafter. An additional rent shall be due and payable on or before the 15th day of April, commencing April 15, 1990:

- (i) Four cents per ton on all outgoing shipments of commodities, whether bulk or packaged (including but not limited to grain by-products and manufactured grain products, whether liquid or solid, but excluding grain and oil seeds) regardless of the mode of shipment (i.e., whether by barge, truck or rail), made by Bunge during the previous year (the "Non-Grain Rent");
- (ii) on all grain and oil seeds shipped by barge by Bunge during the previous year, the following amounts (the "Grain Rent"):

1 through 2,999,999 bushels	\$0.040 per bushel
3,000,000 through 3,999,999 bushels	\$0.035 per bushel
4,000,000 through 4,999,999 bushels	\$0.030 per bushel
5,000,000 through 5,999,999 bushels	\$0.025 per bushel
All subsequent bushels	no add'l payments

**GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

Valero Refining and Marketing Company

On May 13, 1993, the Commission entered into a lease with Phibro Energy USA, Inc. for the use of a certain tracts or parcels of land and/or rights of way designated as Tract 2-A containing 10.16 acres, Tract 3 containing 5.29 acres, Tract 4 containing 1.46 acres, Tract 5 containing 2.95 acres. In addition Phibro shall have a pipeline and road right-of-way for the existing Phibro pipelines and the existing roads, etc.

The surface lease agreement shall be for a period of 10 years commencing on January 1, 1993 and ending on December 31, 2002, subject to Phibro's option to extend or renew this lease for one additional 5 year period commencing on January 1, 2003 and terminating on December 31, 2007, on the same terms and conditions as contained herein.

Phibro agrees to pay a monthly rental of \$15,285, due and payable on or before the 15th day of each month beginning March 15, 1993 and like installment due and payable on or before the 15th day of each month thereafter. The rental shall be adjusted by 25% of the CPI adjustment on January 1 of each year of the primary lease and any extension thereof.

In May 1997, Basis Petroleum, Inc. (formerly known as Phibro Energy USA, Inc.) sold all of its capital stock to Valero Refining and Marketing Company, a wholly owned subsidiary of Valero Energy Corporation.

NOTE 7 - 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.

**GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

The following is a summary of contributed capital at June 30, 1999:

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	1,167,077
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	18,921
Total contributed capital	<u>\$ 2,256,527</u>
Less accumulated amortization	<u>(527,144)</u>
Net contributed capital	<u><u>\$ 1,729,383</u></u>

NOTE 8 - LITIGATION AND CLAIMS

There were no judgments, claims or similar contingencies pending against the Commission at June 30, 1999 and 1998.

NOTE 9 - FEDERAL FINANCIAL ASSISTANCE

The Board received no federal funds during the years 1999 and 1998.

NOTE 10 - COMPENSATION PAID TO BOARD MEMBERS

The schedule of per diem payments to Board Members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Commission members are paid \$75 for each meeting they attend, as authorized by Louisiana Revised Statute 34:1451.

GREATER KROTZ SPRINGS PORT COMMISSION
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

The amounts paid to Board members during the years are as follows:

Member	6-30-99	6-30-98
John Babineaux	\$ 2,250	\$ 1,950
Alton Broussard (effective Feb 99)	750	
Attaway Darbonne	2,700	2,625
Sal Diesi	1,650	1,500
Patrick Fontenot (10/98 to 1/99)	375	
Billy Frilot (effective May 98)	1,800	150
Alvin Haynes (7/97 to 10/98)	225	1,275
James Huval	1,800	1,800
Malcolm McMillan	2,100	1,800
Ina Moran (7/97 to 1/99)	1,125	2,475
Monita Reed (effective Feb 99)	750	
Felicien Simon	2,475	1,800
Peter Smith	2,625	2,325
James Soileau	2,700	2,700
Aaron Washington (7/97 to 4/98)		2,175
	<u>\$ 23,325</u>	<u>\$ 22,575</u>

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.

George F. Delaune

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

Board Members of
Greater Krotz Springs Port Commission
State of Louisiana
Krotz Springs, Louisiana

I have audited the general purpose financial statements of the **GREATER KROTZ SPRINGS PORT COMMISSION**, a component unit of the State of Louisiana, as of and for the years ended June 30, 1999 and 1998, and have issued my report thereon dated August 25, 1999. I conducted my audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

Compliance

As part of obtaining reasonable assurance about whether the Greater Krotz Springs Port Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 four instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 99-1, 99-2, 99-3, and 99-4.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Greater Krotz Springs Port Commission's internal control over financial reporting 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 a matter 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 Greater Krotz Springs Port Commission'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 in the accompanying schedule of findings as item 99-5.

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. I believe that this reportable condition is a material weakness.

This report is intended for the information and use of the Greater Krotz Springs Port Commission and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate officials.

George F. Delaune, CPA

August 25, 1999

GREATER KROTZ SPRINGS PORT COMMISSION
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 1999 AND 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Greater Krotz Springs Port Commission.
2. Five reportable conditions were disclosed during the audit of the general purpose financial statements.
3. One reportable condition involving the internal control over financial reporting which is considered material to the general purpose financial statements of Greater Krotz Springs Port Commission was disclosed during the audit.
4. There were no federal awards received by Greater Krotz Springs Port Commission.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

Noncompliance

99-1 Reason for Executive Session Not Documented in Minutes

Condition: The Board entered into executive session during regular meetings without documenting the reason for holding the session.

Criteria: Louisiana Revised Statute 42:6 states "...The vote of each member on the question of holding such an extensive session and the reason for holding such an executive session shall be recorded and entered into the minutes of the meeting..."

Effect: Violation of revised statute.

Cause: Management was not aware of this requirement.

Recommendation: The Board should abide by the requirements of L.R.S. 42:6.

Response: Management concurred with the recommendation and will follow the requirements of L.R.S. 42:6.

99-2 Investment Policy

Condition: The Board has made investments without having an investment policy.

Criteria: According to Louisiana Revised Statute 33:2955D, all political subdivisions of the state shall develop and adopt an investment policy that details and clarifies investment objectives and the procedures and constraints necessary to reach those objectives.

Effect: Violation of revised statute.

Cause: Management was not aware of this requirement.

Recommendation: The Board should abide by the requirements of L.R.S. 33:2955D.

Response: Management concurred with the recommendation and will develop and adopt an investment policy in accordance with L.R.S. 33:2955D.

99-3 Selection of a Fiscal Agent

Condition: The Board could not produce a Fiscal Agent Agreement.

Criteria: As a "political subdivision", the Port should select a fiscal agent for depositing funds in accordance with Louisiana Revised Statute 39:1214.

Effect: Violation of revised statute.

Cause: Management stated that they had an old fiscal agent agreement; but stated that a new contract for a fiscal agent should be obtained that more clearly defines the duties of the fiscal agent.

Recommendation: The Board should abide by the requirements of L.R.S. 39:1214.

Response: Management concurred with the recommendation and will request proposals from area banks for a fiscal agent.

99-4 Sales Tax Paid on Invoices

Condition: During my examination, I noted numerous instances where invoices were paid which contained state and local sales taxes.

Criteria: Under State and Local Sales Tax Regulations, all governmental agencies are exempt from the payment of sales taxes.

Effect: Over expenditure of funds.

Cause: Internal control procedures were not sufficient to prevent the payment of sales taxes included with invoices for supplies and materials.

Recommendation: The Port should cease paying sales taxes on invoices and should modify their internal control procedures to prevent such mistakes in the future.

Response: Management concurred with the recommendation and will cease paying sales taxes.

Material Weakness

99-5 Segregation of Duties

Condition: After the issuance of the 1997 audit report, the Board mentioned the need for an Internal Control Procedure Manual in the October 6, 1997 minutes. However, no manual was ever developed.

Criteria: With an adequately developed Internal Control Procedure Manual, the Port should be able to eliminate problems in internal control over financial reporting due to the limited number of personnel (2).

Effect: During the year under examination, I noted several problems that could have been controlled or corrected if a manual was in place. Some of the problems were sales taxes paid on invoices for supplies and materials, capital outlay expenditures recorded as maintenance and repair items, bank reconciliations performed by the accountant/secretary without verification of the executive director, general ledger postings not reviewed for budgetary control.

Cause: Management considered their involvement in the approval of all disbursements and review of the monthly financial statements as sufficient involvement to reduce the risk associated with the lack of segregation of duties. No consideration was given to the errors found during my examination.

Recommendation: The Board should adopt a manual listing the procedures to be performed by the accountant/secretary and the monitoring required of the executive director.

Response: Management concurred with the recommendation and will direct the executive director to develop an Internal Control Procedure Manual for adoption.

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**GREATER KROTZ SPRINGS PORT COMMISSION
RESOLUTION OF PRIOR YEAR AUDIT FINDINGS
YEARS ENDED JUNE 30, 1999 AND 1998**

1. Segregation of Duties

The Commissioners considered their involvement in the approval of all disbursements and review of the Port's financial statements on a monthly basis sufficient to reduce the risk associated with the lack of segregation of duties. During my examination, I found other problems associated with the lack of segregation of duties that are reported as a material weakness in the schedule of findings as item 99-5.

2. Pledged Securities

The Port's accountant/secretary monitored the deposits during the year. However, I found that pledged security reports were not received on a monthly basis; therefore, the control was inadequate. Consequently, upon my recommendation, the Executive Director has requested all financial institutions to furnish a pledge security report showing the market value of the securities on a monthly basis.

George F. Delaune

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OFFICERS ASSOCIATION

MANAGEMENT LETTER COMMENTS

Board Members of
Greater Krotz Springs Port Commission
State of Louisiana
Krotz Springs, Louisiana

In planning and performing my audit of the general purpose financial statements of the **GREATHER KROTZ SPRINGS PORT COMMISSION**, a component unit of the State of Louisiana, as of and for the years ended June 30, 1999 and 1998, I have encountered several items that require some type of clarification or improvements in the internal control over financial reporting.

1. Meals Provided After Meetings

It has been the policy of the Port Commission to request the attendance of political bodies, both current and prospective tenants, state government elected officials, DOTD representatives, etc. to their meetings. It is the opinion of the Commissioners that these groups have an interest in the economic impact of the Port's operations on their financial condition. After these meetings, a meal was served which is considered as cost to promote economic development of the industrial sites. During the years examined, approximately 36 meetings were held each year. The meals associated with these meetings amounted to an estimated \$10,000 per year or \$280 per meeting.

After extensive research, I could not come to a conclusion if this practice violated any state laws. This conclusion is based upon differing attorney general opinions as to whether the revenues collected by the Port is considered "public funds" or "self-generated funds" that can be used by the Port to promote economic development. Therefore, I recommend that the Port Commission request an attorney general opinion to ascertain if this practice is legal.

2. Meetings Held for No Apparent Reason

After reading the minutes, I came to a conclusion that regular monthly meetings were held with no other apparent need than to read and adopt the minutes of the executive and economic development meetings. Consequently, I doubt if the constitution authorizes meetings to pay per diem without a business purpose.

Therefore, I suggest the Port Commission consider eliminating executive and economic development meetings when actions of the Commission could be better held at a regular monthly meeting. If management does not concur, then I suggest requesting an attorney general opinion.

3. Insurance for Board Members

The Port has received Attorney General Opinion No. 93-182 stating that the Port can use self-generated funds to provide the authorized health insurance for its Board Members. However, the opinion did not give any position as to how the Port was to provide this health insurance. Under present policy, since the Commissioners are not considered full-time employees, the Port cannot obtain a group policy and therefore reimburses the Commissioners for the cost. This may range from an annual low of \$336.60 for one commissioner to a high of \$6,243.12 for another commissioner. During fiscal year ended June 30, 1999, the Port paid \$11,426.02 to cover insurance to six commissioners with five commissioners not participating.

I suggest that the Port request a clarification of AGO No. 93-182 and also adopt a policy to limit the amount of premium paid for one commissioner..

4. Revision to Chart of Accounts

The Joint Legislative Budget Committee requires the Port Commission to submit a budget in a prescribed format on an annual basis for approval. However, the Port's accounting system for recording transactions is not consistent with the budgetary presentation as required by the J.L.B.C.

Therefore, I suggest the Port revise its chart of accounts so that it will provide the data necessary to present totals that are consistent with the budgetary presentation.

These items will be addressed in the next audit when they are clarified or corrected.

George F. Delaune, CPA

August 25, 1999

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August 25, 1999

CORRECTIVE ACTION PLAN

Legislative Auditor
State of Louisiana

Greater Krotz Springs Port Commission respectfully submits the following corrective action plan for the years ended June 30, 1999 and 1998.

Name and address of independent public accounting firm: George F. Delaune, CPA, APC; 7663 Anchor Drive; Ventress, LA 70783-4120.

Audit period: July 1, 1997 to June 30, 1999

The findings from the June 30, 1999 and 1998, schedule of findings and management letter are discussed below. The findings are numbered consistently with the numbers assigned in the schedule and management letter.

Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

Noncompliance

99-1 Reason for Executive Session Not Documented in Minutes

Recommendation: The Board should abide by the requirements of L.R.S. 42:6.

Action Taken: We have adopted the recommendation and will follow the requirements of L.R.S. 42:6.

99-2 Investment Policy

Recommendation: The Board should abide by the requirements of L.R.S. 33:2955D.

Action Taken: Management concurred with the recommendation and will develop and adopt an investment policy in accordance with L.R.S. 33:2955D.

99-3 Selection of a Fiscal Agent

Recommendation: The Board should abide by the requirements of L.R.S. 39:1214.

Action Taken: Management concurred with the recommendation and will request proposals from area banks for a fiscal agent.

99-4 Sales Tax Paid on Invoices

Recommendation: The Port should cease paying sales taxes on invoices and should modify their internal control procedures to prevent such mistakes in the future.

Action Taken: Management concurred with the recommendation and has ceased paying sales taxes.

Material Weakness

99-5 Segregation of Duties

Recommendation: The Board should adopt a manual listing the procedures to be performed by the accountant/secretary and the monitoring required of the executive director.

Action Taken: Management concurred with the recommendation and has directed the executive director to develop an Internal Control Procedure Manual for adoption.

MANAGEMENT LETTER COMMENTS

1. Meals Provided After Meetings

On the advice of the auditor, we are requesting an attorney general opinion to ascertain if this practice is legal.

2. Meetings Held for No Apparent Reason

At the suggestion of the auditor, the Port Commission will request an attorney general opinion regarding the scheduling of meetings

3. Insurance for Board Members

We agree with the auditor's suggestion and have requested our attorney to ask for a clarification of AGO No. 93-182. Once this is received, we will modify our policy on the payment of insurance premiums.

4. Revision to Chart of Accounts

On the suggestion of the auditor, we have requested him to assist us in revising our chart of accounts so that our accounting system will provide the data necessary to present totals that are consistent with the budgetary presentation recommended by the Joint Legislative Budget Committee.

If the Legislative Auditor has questions regarding this plan, please call Gary Soileau, Executive Director at (318) 566-8867.

Sincerely yours,



Gary Soileau
Executive Director