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GREATER KROTZ SPRINGS PORT COMMISSION

Bi-Annual Financial Report

Years Ended June 30, 2003 and 2004

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INTRODUCTORY SECTION

Greater Krotz Springs Port Commission

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October 14, 2004

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

The Greater Krotz Springs Port Commission Financial Report for the years ended June 30, 2003 and 2004, is submitted for your review. This report reflects continuing improvement in the development of the port facility.

The accompanying 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 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 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 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, Bunge Corporation, and Cabot Corporation. 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. Tonnage is up 33% from 3,813,520 tons in 2001 to 5,085,579 in 2002.

Recent Capital Projects

The Port has accomplished a number of capital projects in recent years. The Port extended utility lines, (gas and water) to some newly created industrial sites at a cost of $120,000 shared by Cabot Corporation and the Port Authority. Also, a new access road for the Bunge Grain Elevator was provided at a cost of $50,000 shared by Bunge and the Port. Road and ramp improvements were completed in August 1997 at Boat Ramp Road. The project provided better and safer access to the river docks and helped alleviate truck traffic congestion and bottlenecks created by heavy truck traffic. Cost of the work was $67,132.50. The contractor was Artigue Construction Company. The Port spent $4,288.57 putting 235 tons of limestone on a .6 mile stretch of levee road within the Port area. The Port paid for the limestone and the Levee Board did the grading and spreading.

The Port has just completed 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. After preliminary geotechnical work was performed at the site, the project was delayed due to the results of the survey. The geotechnical tests showed that poor soil stability at the site required pilings to be driven on site in order to reinforce the foundation. This work drove up the cost of the project and forced the Port to look for alternatives. The Port made some changes to the plans and res-submitted them to DOTD for approval. Once approval was received, bids were accepted on September 21, 1999. The bid was awarded to E. L. Habetz on November 16, 1999. Low bid for the project was $664,100. Due to irregularities in the bids, the Notice to Proceed was delayed until July 17, 2000. The project was accepted as substantially complete on June 4, 2001. Final cost of the project was $638,013.00 with the Port paying 10% or $63,801.00 and all engineering costs.

Economic Development and Outlook

On June 14, 2002, the Port received a $468,000 EDAP (Economic Development Awards Program) grant to provide infrastructure improvements at the Port including stabilizing 11.58 acres of property with limestone and provide bathroom facilities, additional office space and warehouse ramp improvements for Corbitt

Manufacturing, Inc. The Port began negotiating with Corbitt in December 2001. Corbitt failed to commit to the project and the grant money was released in August 2003.

The Port has been working with LSUE to put together a local Economic Impact Study focusing on the economic impact of the Port to our local St. Landry Parish economy. LSUE and Dr. Fred Landry have taken this on as a classroom project that has now lasted through three semesters.

The Port is partnering with the Town of Krotz Springs to have a new public boat launch built at the Port. The Port will provide the property through a servitude and the Town will operate and maintain the facility. Funds will be provided by the Corps of Engineers (50%) and the State Department of Natural Resources (50%) and funneled through the Atchafalaya Basin Program. The cost of the project is estimated at $1,100,000 for planning, engineering and construction. The project will be constructed without any local dollars.

Aucoin and Associates, the Port's engineers, worked on a plan to improve Cabot Road at the Port. It took six months to acquire a permit to do four 5 foot to 10 foot borings at intervals along Cabot Road. The borings were performed in February and cost estimates were prepared. Cost of the project was estimated at $245,000, which proved to be cost prohibitive and the project was tabled.

The Port Board is pushing to have Highway 105 improved from Krotz Springs to Interstate 10. This would help truck traffic at the Port and give them another outlet to reach a major highway. We also worked to form a regional coalition with St. Martin Parish to create an industrial corridor along the Atchafalaya River from Krotz Springs to Interstate 10 at Butte LaRose.

Gary Soileau
Executive Director

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GOVERNING BOARD

COMMISSIONER	APPOINTEE
Arlen LaFleur	St. Landry Parish
Billy Frilot, V.P.	St. Landry Parish
Tommy McMillan	St. Landry Parish
Sal Diesi, President	City of Opelousas
Vernon Haynes	City of Opelousas
Barry K. Soileau	City of Eunice
Christopher Thomas	City of Eunice
James Soileau, Secretary	Town of Krotz Springs
Monita Reed	Town of Krotz Springs
James Huval	St. Landry Parish Municipal Assn
Michael R. Thibodeaux, Treasurer	St. Landry Parish Municipal Assn

Gary Soileau, Executive Director

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FINANCIAL SECTION

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OFFICERS ASSOCIATION

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

I have audited the accompanying basic 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, 2003 and 2004, as listed in the Table of Contents. These basic financial statements are the responsibility of management of the Greater Krotz Springs Port Commission. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the accompanying basic 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, 2003 and 2004, and the results of its operations and the cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated October 14, 2004, 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, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Greater Krotz Springs Port Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 10 through 12, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

George F. Delaune, CPA

October 14, 2004

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Greater Krotz Springs Port Commission

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Greater Krotz Springs Port Commission, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Commission's basic financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The Commission's net assets decreased slightly by $22,239 from $5,419,985 in 2003 to $5,397,746 in 2004 as a result of depreciation of capital assets.
- The Commission's operating expenses exceeded operating revenues by $56,748 for the year ended June 30, 2004; but this was reduced by interest income of $34,509.
- Cash and investments increased by $101,904 for the year ended June 30, 2004.

USING THIS BI-ANNUAL REPORT

This bi-annual report consists of three parts – management's discussion and analysis, the basic financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The Government-wide Financial Statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Commission's Government-wide Financial Statements distinguish functions that are intended to recover all or a significant portion of their costs through charges (business-type activities). The Government-wide Financial Statements can be found on pages 13 and 16 of this report.

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Commission's net assets decreased slightly by $22,239 between the fiscal years 2003 and 2004.

The Commission's net assets are mainly composed of cash and investments (47.11%) and capital assets (52.87%). The Greater Krotz Springs Port Commission owns and operates a port authority all of which is located in Krotz Springs, St. Landry Parish, Louisiana. The Commission actively recruits firms located outside of Louisiana to locate in the area.

Net assets of the Commission decreased by 0.41%. Net assets are restricted as to the purposes they can be used for or are invested in capital assets (land, buildings, improvements, etc.) Consequently, unrestricted net assets were $2,435,270 and $2,536,218 at the end of 2003 and 2004, respectively. These balances reflect the Commission's income from operations that far exceeds long-term investment in its fixed assets on an annual basis.

NET ASSETS

	2004	2003	% Change
Current and other assets	$ 2,552,753	$ 2,451,941	4.11%
Capital assets	2,861,528	2,984,715	-4.13%
Total assets	5,414,281	5,436,656	-0.41%
Other liabilities	16,535	16,671	-0.82%
Total liabilities	16,535	16,671	0.82%
Net assets -			
Invested in capital assets	2,861,528	2,984,715	-4.13%
Unrestricted	2,536,218	2,435,270	4.15%
Total net assets	$ 5,397,746	$ 5,419,985	-0.41%

The Commission's total revenues increased by 0.71% from $279,726 in 2003 to $281,716 in 2004 primarily due to tonnage passing through the Port. Total expenses decreased by 6.49% from $325,040 in 2003 to $303,955 in 2004.

CHANGES IN NET ASSETS

	2004	2003	% Change
Revenues:			
Operating -			
Charges for services	$ 247,207	$ 229,891	7.53%
Nonoperating -			
Interest	34,509	49,835	-30.75%
Total revenues	281,716	279,726	0.71%
Expenses:			
Operating	303,955	325,040	-6.49%
Total expenses	303,955	325,040	-6.49%
Change in net assets	$ (22,239)	$ (45,314)	50.92%

CAPITAL ASSETS

At June 30, 2004 and 2003, the Commission had $2,891,528 and $2,984,715, respectively, invested in a broad range of capital assets, including land, buildings, wharfs and docks, mooring dolphins, road and land improvements, etc. There were no additions to capital assets during 2004 or 2003.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact Gary Soileau, Executive Director of the Greater Krotz Springs Port Commission, Krotz Springs, Louisiana at (337) 566-8867.

GREATER KROTZ SPRINGS PORT COMMISSION
STATEMENT OF NET ASSETS
(Proprietary Fund Type - Enterprise Fund)
June 30, 2004 and 2003
(With Comparative Total for 2002)

	2004	2003	2002
ASSETS			
Current Assets			
Cash	$ 799,688	$ 1,047,784	$ 1,002,712
Investments	1,750,000	1,400,000	1,350,000
Leases receivable	1,737	2,276	19,631
Interest receivable	1,328	1,881	2,508
Reimbursement due from Louisiana			0
Total Current Assets	2,552,753	2,451,941	2,374,851
Capital Assets			
net of accumulated depreciation	2,861,528	2,984,715	3,108,949
TOTAL ASSETS	$ 5,414,281	$ 5,436,656	$ 5,483,800
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	$ 673	$ 856	$ 1,366
Accrued payroll and benefits	862	815	2,135
Deferred income	15,000	15,000	15,000
Total Current Liabilities	16,535	16,671	18,501
Net Assets			
Invested in capital assets	2,861,528	2,984,715	3,108,949
Unrestricted	2,536,218	2,435,270	2,356,350
Total Net Assets	5,397,746	5,419,985	5,465,299
TOTAL LIABILITIES AND NET ASSETS	$ 5,414,281	$ 5,436,656	$ 5,483,800

The accompanying notes are an integral part of this statement.

GREATER KROTZ SPRINGS PORT COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Proprietary Fund Type - Enterprise Fund)
Years Ended June 30, 2004 and 2003
(With Comparative Total for 2002)

	2004	2003	2002
Operating Revenues			
Leases	$ 203,102	$ 185,053	$ 224,203
Tonnage and docking fees	44,105	44,838	27,009
Total Operating Revenues	247,207	229,891	251,212
Operating Expenses			
Commissioners per diem	21,450	22,425	23,325
Salaries and benefits	87,479	93,456	90,883
Board meetings	5,699	7,219	9,404
Travel	6,910	10,807	13,010
Meetings and conventions	12,333	12,894	5,727
Dues	3,437	2,398	3,224
Advertising and promotion	1,265	1,872	2,081
Professional fees	6,903	9,524	2,586
Insurance	18,257	17,977	13,308
Telephone and utilities	7,165	7,353	8,102
Repairs and maintenance	7,029	10,864	5,786
Office expense	2,841	4,017	6,633
Depreciation	123,187	124,234	124,703
Total Operating Expenses	303,955	325,040	308,772
Operating (Loss)	(56,748)	(95,149)	(57,560)
Nonoperating Revenues			
Interest income	34,509	49,835	73,107
Grant - DOTD Port Priority Program			31,532
Change in Net Assets	(22,239)	(45,314)	47,079
Net Assets, Beginning of Year	5,419,985	5,465,299	5,418,220
NET ASSETS, END OF YEAR	$ 5,397,746	$ 5,419,985	$ 5,465,299

The accompanying notes are an integral part of this statement.

GREATER KROTZ SPRINGS PORT COMMISSION
STATEMENT OF CASH FLOWS
(Proprietary Fund Type - Enterprise Fund)
Years Ended June 30, 2004 and 2003
(With Comparative Total for 2002)

	2004	2003	2002
Cash Flows From Operating Activities			
Receipts from tenants	$ 247,747	$ 247,246	$ 249,710
Payments to suppliers	(72,021)	(82,884)	(69,802)
Payments to commissioners	(23,136)	(24,188)	(23,325)
Payments to employees and benefits	(85,747)	(95,564)	(91,614)
Net cash provided by operating activities	66,843	44,610	64,969
Cash Flows From Investing Activities			
Redemptions of certificates of deposits	2,800,000	2,700,000	3,200,000
Purchases of certificates of deposits	(3,150,000)	(2,750,000)	(2,950,000)
Interest received on interest-bearing deposits	35,061	50,462	74,170
Net cash provided by investing activities	(314,939)	462	324,170
Cash Flows From Capital & Related Financing Activities			
Acquisition of capital assets			(46,752)
Reimbursement from DOTD			41,153
Net cash used in capital & related financing activities	0	0	(5,599)
Net Increase (Decrease) in Cash	(248,096)	45,072	383,540
Cash, Beginning of Year	1,047,784	1,002,712	619,172
CASH, END OF YEAR	$ 799,688	$ 1,047,784	$ 1,002,712

The accompanying notes are an integral part of this statement.

GREATER KROTZ SPRINGS PORT COMMISSION
STATEMENT OF CASH FLOWS
(Proprietary Fund Type - Enterprise Fund)
Years Ended June 30, 2004 and 2003
(With Comparative Total for 2002)

	2004	2003	2002
Reconciliation of operating loss to net cash provided by operating activities:			
Operating (loss)	$ (56,748)	$ (95,149)	$ (57,560)
Adjustments to reconcile operating loss to net cash provided by operating activity:			
Depreciation	123,187	124,234	124,703
Changes in assets and liabilities:			
Receivables, net	540	17,355	(1,503)
Accounts and other payables	(183)	(510)	(939)
Accrued expenses	47	(1,320)	268
Deferred income	0	0	0
Net cash provided by operating activities	$ 66,843	$ 44,610	$ 64,969

The accompanying notes are an integral part of this statement.

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

The Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Commission the option of electing to apply FASB pronouncements issued after November 30, 1989. The Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2001, the Commission early implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

Reporting Entity

GASB Codification Section 2100 and GASB Statement 14, "The Financial Reporting Entity," have defined the governmental reporting entity to be the Greater Krotz Springs Port Commission because it derives its operating revenues from self-generated revenues. The accompanying general purpose financial statements present information only as to the transactions of Greater Krotz Springs Port Commission.

Basis of Presentation

The Commission's operations are reported as an enterprise fund. An enterprise fund is a proprietary fund used to account for business-type activities financed in whole or in part by fees charged to external parties for goods or services.

Measurement Focus and Basis of Accounting

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. The proprietary fund of the Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise fund are charged to tenants for the use of the facilities. Operating expenses for enterprise funds include the cost of maintaining the facilities, administrative expenses, and depreciation on capital assets. All revenues not meeting the definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the statement of cash flows, "cash and cash equivalents" include all demand, pooled cash account, and certificates of deposit with an original maturity of three months or less. Additional cash disclosures are presented in Notes 2.

Receivables

Receivables consist of all revenues earned at year-end and not yet received.

Inventories

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

Fixed Assets

All fixed assets are valued at historical cost. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	30 Years
Wharfs and docks	30 Years
Road and road improvements	30 Years
Mooring dolphin	5 Years
Furniture, fixtures, and office equipment	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.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements and fund statements as it is incurred. The current portion of this debt is estimated based on historical trends.

Equity Classifications

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

At June 30, 2003 and 2004, the Commission has cash (book balances) shown on the balance sheet of $1,047,784 and $799,688, respectively.

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 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.

Investments held at June 30, 2003 and 2004, in certificates of deposit amount to $1,400,000 and $1,750,000.

At June 30, 2003 and 2004, cash and investments (excluding the LAMP investment) representing collected bank balances are secured from risk as follows:

	2004	2003
Demand deposits	$ 144,575	$ 96,788
Certificates of deposits	1,750,000	1,400,000
Total Collected Bank Balances	1,894,575	1,496,788
Secured by federal deposit insurance	400,000	392,812
Secured by collateralized pledge of securities	1,494,575	1,103,976
Unsecured/uncollateralized	$ 0	$ 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 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 I50.165, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.164 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. At June 30, 2003 and 2004, cash on deposit in LAMP is $660,330 and $951,825, respectively.

GREATER KROTZ SPRINGS PORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 and 2004

NOTE 4 - CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment at June 30, 2003 follows:

	Beginning Balance 7-01-2002	Increases	Decreases	Ending Balance 6-30-2003
Capital Assets not being depreciated:				
Land	$ 417,994			$ 417,994
Other capital assets:				
Buildings	153,221			153,221
Wharfs and docks	2,814,347			2,814,347
Road and road improvements	689,657			689,657
Mooring dolphin	43,119			43,119
Furniture and equipment	36,580			36,580
Total other capital assets at historical cost	3,736,924			3,736,924
Less: Accumulated depreciation for -				
Buildings	(88,796)	(5,107)		(93,903)
Wharfs and docks	(689,398)	(93,812)		(783,210)
Roads and road improvements	(193,395)	(22,993)		(216,388)
Mooring dolphin	(43,119)			(43,119)
Furniture and equipment	(31,261)	(2,322)		(33,583)
Total accumulated depreciation	(1,045,969)	(124,234)		(1,170,203)
Business-type activities capital assets, net	$ 3,108,949	$ (124,234)		$ 2,984,715

A summary of proprietary fund type property, plant and equipment at June 30, 2004 follows:

	Beginning Balance 7-01-2003	Increases	Decreases	Ending Balance 6-30-2004
Capital Assets not being depreciated:				
Land	$ 417,994			$ 417,994
Other capital assets:				
Buildings	153,221			153,221
Wharfs and docks	2,814,347			2,814,347
Road and road improvements	689,657			689,657
Mooring dolphin	43,119			43,119
Furniture and equipment	36,580			36,580
Total other capital assets at historical cost	3,736,924			3,736,924
Less: Accumulated depreciation for -				
Buildings	(93,903)	(5,107)		(99,010)
Wharfs and docks	(783,210)	(93,812)		(877,022)
Roads and road improvements	(216,388)	(22,994)		(239,382)
Mooring dolphin	(43,119)			(43,119)
Furniture and equipment	(33,583)	(1,274)		(34,857)
Total accumulated depreciation	(1,170,203)	(123,187)		(1,293,390)
Business-type activities capital assets, net	$ 2,984,715	$ (123,187)		$ 2,861,528

NOTE 5 - PENSION PLAN

All full-time 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 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 14.10% from July 1, 2002 to June 30, 2003 and 15.80% from July 1, 2003 to June 30, 2004. Contributions to the System during fiscal year ended June 30, 2004, 2003, and 2002 were funded through employee and employer contributions. Employer contributions were $9,551, $10,524, and $9,646, respectively for years ended June 30, 2004, 2003, and 2002. The total payroll of the Commission, fully covered by the system, was $74,640, $60,450, and $68,200, for the same periods. *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 year ended June 30, 2003 and 2004 was $229,891 and $247,207. 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 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 ®-&-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

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. The present monthly rental is $16,969.83.

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 - RISK RETENTION

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee medical insurance; and natural disasters. The Commission carries commercial insurance for risks of loss or damage to property, general liability, and medical insurance. There were no significant reductions in insurance coverage in 2004 and 2003 from coverage in the prior year. Settled claims has not exceeded this commercial coverage in the past three fiscal years.

NOTE 8 - LITIGATION AND CLAIMS

There were no judgments, claims or similar contingencies pending against the Commission at June 30, 2003 and 2004.

NOTE 9 - FEDERAL FINANCIAL ASSISTANCE

The Board received no federal funds during the fiscal year ended June 30, 2003 and 2004.

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.

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

Member	2003	2004
Alton Broussard	$ 1,350	
Sal Diesi	1,800	$ 1,650
Greg Doucet	1,125	525
Billy Frilot	2,625	2,625
Vernon Haynes	450	1,350
James Huval	1,800	1,800
Arlen LaFleur		600
Malcolm McMillan	2,700	2,700
Monita Reed	1,350	1,575
Felicien Simon	2,700	300
Barry K. Soileau	1,800	1,650
James Soileau	2,550	2,475
Michael R. Thibodeaux	2,175	2,700
Christopher Thomas		1,500
	$ 22,425	$ 21,450

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 BASIC 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 basic 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, 2003 and 2004, and have issued my report thereon dated October 14, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, 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 no instances of noncompliance that is required to be reported under Government Auditing Standards.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

October 14, 2004

GREATER KROTZ SPRINGS PORT COMMISSION
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 2003 and 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Greater Krotz Springs Port Commission.

2. No instances of noncompliance were disclosed during the audit of the basic financial statements.

3. No reportable conditions were disclosed during the audit of the basic financial statements.

4. There were no federal awards received by Greater Krotz Springs Port Commission.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

NONE

GREATER KROTZ SPRINGS PORT COMMISSION
RESOLUTION OF PRIOR YEAR AUDIT FINDINGS
YEARS ENDED JUNE 30, 2001and 2002

There were no prior years audit findings.