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**GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA**

**ANNUAL FINANCIAL REPORTS
Years Ended June 30, 2004 and 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 1-12-05

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Grand Isle Port Commission
Grand Isle, Louisiana

I have audited the accompanying financial statements of the business-type activities of the Grand Isle Port Commission (the "Port"), as of and for the years ended June 30, 2004 and 2003, which comprise the Port's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port's management. 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. 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 purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Grand Isle Port Commission as of June 30, 2004 and 2003 and the changes in financial position and 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 December 18, 2004, on my consideration of the Port's internal control over financial reporting and my tests of compliance with 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.

As described in Note E to the basic financial statements, the Port adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 36, "*Recipient Reporting for Certain Shared Non-exchange Revenues*", GASB Statement No. 37, "*Basic Financial Statement - and Management's Discussion and Analysis -for State and Local Governments - Omnibus*", GASB No. 38, "*Certain Financial Statement Note Disclosures*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*". These new standards result in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the GASB. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The Supplemental Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Grand Isle Port Commission. This 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.

Paul C. Binn, CPA

December 18, 2004

*GRAND ISLE PORT COMMISSION
PO BOX 500
GRAND ISLE, LA 70358*

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Grand Isle Port Commission (the "Port"), we offer readers of the Port's financial statements this narrative overview and analysis of the financial activities of the Grand Isle Port Commission for the fiscal year ended June 30, 2004.

We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 10. All amounts, unless otherwise noted, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The Port was required to adopt the requirements of Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, for the fiscal year ended June 30, 2004. Thus, the format and contents of the financial report have changed significantly from the previous year. The 2003 figures have been restated into the current format.
- The assets of the Port exceeded its liabilities at the close of the most recent fiscal year by \$518 (*net assets*). Of this amount, \$441 or 85.1 percent is invested in capital assets, such as equipment, vehicles, and infrastructure and \$11 or 2.1 percent is reserved for debt service. The remaining balance of \$65 (*unrestricted net assets*) or 12.8 percent may be used to meet the government's ongoing obligations to citizens and creditors.
- The Port's total net assets increased by \$236 or 83.5 percent during the current year because total expenses exceeded total revenues by that amount. The major reason for this increase is the receipt of \$241 in capital grants received from the State for building an access road to the Port site. The related asset is being capitalized on the Statement of Net Assets as construction in progress.
- The Port's total outstanding debt decreased by \$20 or 23.5 percent as the Port made payments on its outstanding Certificates of Indebtedness. The amount still due on these certificates at year-end was \$65.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Port's basic financial statements.

Under GASB Statement No. 34, "government-wide" financial statements are to distinguish between functions of the Port that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Because the Port only engages in "business-type" activities, government-wide financials are not presented. Only the fund financial statements of the Enterprise Fund are presented as the Port's basic financial statements.

The Port's basic financial statements are comprised of two components: 1) Enterprise Fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include only the financial activities of the Grand Isle Port Commission, which is a component unit of the State of Louisiana. The State of Louisiana (the primary government) issues financial statements that include the activity contained in these financial statements. The State's financial statements are issued by the Louisiana Division of Administration – Office of Statewide Reporting and Accounting Policy and are audited by the Louisiana Legislative Auditor.

The basic financial statements can be found on pages 10 to 12 of this report.

Fund financial statements. A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Port, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As noted above, the Port only engages in "business-type" activities and therefore only presents one type of fund – "Proprietary Funds". These fund financial statements are presented as the basic financial statements of the Port.

Proprietary funds. The Port maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities*. The Enterprise Fund financial statements present information on the Port's general operations.

As noted above, the basic proprietary fund financial statements can be found on pages 10 to 12 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 13 to 21 of this report.

Other information. The Supplemental information several schedules required by the State, such as Per Diems Paid to Commissioners and a schedule of State Funding. This information can be found on 24 and 25.

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Port, assets exceeded liabilities by \$518 at June 30, 2004.

A large portion of the Port's net assets (85.1 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and fixtures, machinery, vehicles and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Port used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Port's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

**GRAND ISLE PORT COMMISSION
PROPRIETARY FUNDS - ENTERPRISE FUND**

	Business-Type Activities			
	2004	2003		
Current and other assets	\$ 350	\$ 100		
Restricted assets	11	12		
Capital assets	507	255		
Total assets	<u>868</u>	<u>367</u>		
Long-term liabilities outstanding	65	0		
Other liabilities	285	0		
Total liabilities	<u>350</u>	<u>0</u>		
Net assets:				
Invested in capital assets, net of related debt	441	170	85.1%	60.3%
Restricted	11	12	2.1%	4.3%
Unrestricted	66	100	12.8%	35.4%
Total net assets	<u>\$ 518</u>	<u>\$ 282</u>		

The balance of *unrestricted net assets* (\$66 or 12.8 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2004, the Port is able to report positive fund balances in all three categories of net assets.

The Port's net assets increased by \$236 during the current fiscal year.

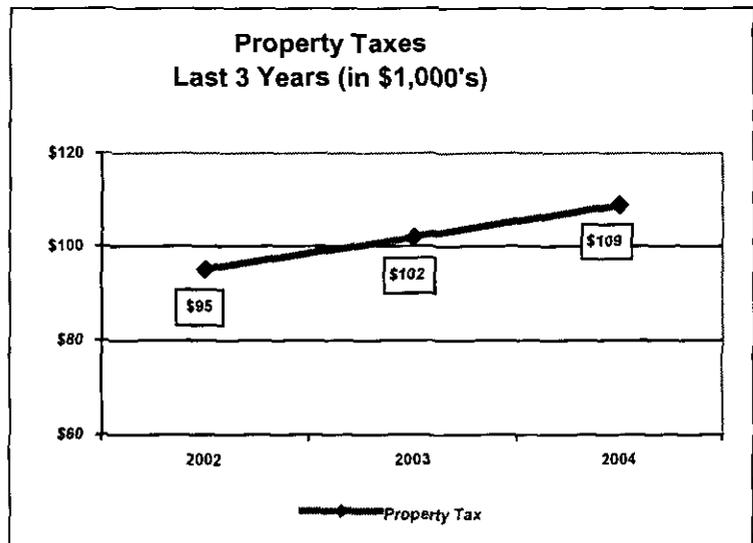
Business-type Activities. Business-type activities increased the Port's net assets by \$236.

**GRAND ISLE PORT COMMISSION
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUND**

	<u>Business-type Activities</u>	
	2004	2003
Revenues:		
Program revenues:		
Charges for services	\$ 2	\$ -
Operating grants and contributions	-	9
Capital grants and contributions	241	11
General revenues:		
Property taxes	109	102
Interest	2	2
Other	-	-
Total revenues	<u>354</u>	<u>124</u>
Expenses:		
Public works		
Operating expenses	114	104
Interest on long-term debt	4	5
Total expenses	<u>118</u>	<u>109</u>
Increase in net assets	236	15
Net assets - Beginning of year	282	267
Net assets - end of year	<u>\$ 518</u>	<u>\$ 282</u>

Key elements of this increase are as follows:

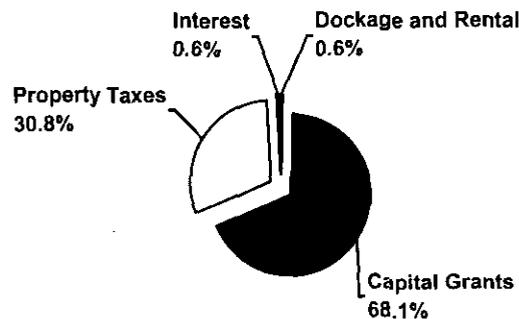
- \$2 was recognized as rental income. This amount relates to the land lease with the State Department of Wildlife and Fisheries. The lease is for 50 years. The upfront rental payment of \$150,000 is being deferred and amortized (i.e., recognized) over the term of the lease.
- A capital grant for building an access road to the Port site was received from the State. In 2004, \$241 was recognized as non-operating revenue.
- Ad valorem (property) taxes of \$109 were recognized in 2004 (see graph below). This is an increase of \$7 or 6.2 percent over the prior year. The majority of this increase had to do with reassessments of property values during the year, as well as with adjustments caused by the tax research the Port did on its tax roll during the year.



- Operating expenses increased from \$104 to \$114 (an 8.6 percent increase). This net increase came from a) \$6 increase in buoy installation costs, b) \$15 increase in staffing costs (the Port operates its office through a temporary staffing firm), c) \$10 increase in economic development costs related to the offshore project, d) a \$38 decrease in professional engineering fees, e) \$4 increase on tax research fees – related to the Port’s tax roll review, f) \$13 increase in travel costs – for attending international economic conference.
- Interest income was relatively stable at \$2 due to continuing low rates seen over the past year.
- Interest expense of \$4 was recognized on the Certificates of Indebtedness, which are discussed below.

A breakdown of the revenues received by the Port’s business-type activities is as follows:

Revenues by Source - Business Activities



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Port’s investment in capital assets for its business-type activities as of June 30, 2004 amounts to \$441 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and fixtures, machinery, vehicles and equipment, and infrastructure. The Port’s investment in capital assets increased by \$252 or 98.9 percent this year.

GRAND ISLE PORT COMMISSION
(NET OF DEPRECIATION)

	Business-type Activities	
	2004	2003
Land	\$ 167	\$ 167
Buildings	41	35
Vehicles and equipment	41	53
Construction in progress	257	-
 Total	 \$ 506	 \$ 255

Major capital asset events during the current fiscal year included the following:

- \$8 was spent on an addition to the administrative office,
- \$257 was spent on construction in progress, primarily related to the Access Road project,
- \$14 was recognized as depreciation expense.

Additional information on the Port's capital assets can be found in Note C.3 on page 18.

Long-term Debt. The Port issued Certificates of Indebtedness in 1999 to provide funds for the purchase of the site of the planned Port. At June 30, 2004 and 2003, the amount of outstanding debt was \$65 and \$85, respectively. During 2004, the Port made principal payments totaling \$20 and interest payments totaling \$4.

Additional information on the Port's long-term debt can be found in Note C.4 on page 19.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the Parish of Jefferson is currently 4.9 percent, which is 0.3 percent higher than it was a year ago. In the coastal community of Grand Isle, which is heavily dependent on offshore oil and commercial fisheries (primarily shrimping), the rate is much higher.
- Inflationary trends in the region compare favorably to national indices.
- The ad valorem millage rate levied for the 2004 (next year's) tax roll was 5.00 mills.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Irvin Richoux, President, President, PO Box 500, Grand Isle, Louisiana 70358.

BASIC FINANCIAL STATEMENTS

GRAND ISLE PORT COMMISSION

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUND
JUNE 30, 2004 AND 2003**

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>JUNE 30, 2004</u>	<u>JUNE 30, 2003</u>
ASSETS		
Current Assets		
Cash	\$ 114,498	\$ 52,011
Certificates of deposit and savings	88,175	36,897
Accounts receivable	147,813	11,180
Restricted Assets		
Cash	10,907	12,306
Total Current Assets	<u>361,393</u>	<u>112,394</u>
Property and equipment, net	506,429	254,597
TOTAL ASSETS	<u>867,822</u>	<u>366,991</u>
LIABILITIES		
Current Liabilities		
Accounts payable	136,993	-
Deferred revenue	148,250	-
Total Current Liabilities	<u>285,243</u>	<u>-</u>
Long-term Liabilities		
Certificates of Indebtedness payable	65,000	85,000
TOTAL LIABILITIES	<u>350,243</u>	<u>85,000</u>
NET ASSETS		
Invested in capital assets, net of related debt	441,429	169,597
Reserved for debt service - sinking fund	10,907	12,306
Unrestricted	65,243	100,088
Total Retained Earnings	<u>517,579</u>	<u>281,991</u>
TOTAL NET ASSETS	<u>\$ 517,579</u>	<u>\$ 281,991</u>

The accompanying notes are an integral part of this statement.

GRAND ISLE PORT COMMISSION

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2004 and 2003**

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>JUNE 30, 2004</u>	<u>JUNE 30, 2003</u>
OPERATING REVENUES		
Dockage fees or rentals	\$ 1,750	\$ -
Intergovernmental		
Federal grant - FEMA	-	9,271
Total Operating Revenue	<u>1,750</u>	<u>9,271</u>
OPERATING EXPENSES		
Advertising	287	869
Auditing	2,000	2,000
Bank charges	-	153
Bouy installation	8,438	2,208
Coffee and supplies	1,047	367
Contract labor		
Grass cutting	2,640	4,080
Temporary staffing	39,374	24,492
Other	-	780
Dues & subscriptions	942	310
Economic development	10,000	-
Import/export project	-	866
Insurance	5,614	5,633
Legal and professional fees	(4,103)	34,039
Licenses & permits	-	100
Mangrove project	1,321	-
Miscellaneous	537	2,093
Office supplies	1,456	2,718
Oyster lease access fee	1,500	-
Postage & PO box rental	-	233
Tax research	4,000	-
Telephone	5,139	3,135
Travel	17,309	4,438
Utilities	2,964	2,875
Depreciation	13,599	13,412
Total Operating Expenses	<u>114,064</u>	<u>104,801</u>
Operating Income (Loss)	<u>(112,314)</u>	<u>(95,530)</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	108,604	102,267
Interest on taxes	110	89
State grant - access road	241,390	11,180
Interest earned on bank accounts and investments	2,203	1,874
Interest expense on Certificates of Indebtedness	(4,405)	(5,405)
Total Non-Operating Revenue (Expense)	<u>347,902</u>	<u>110,005</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	235,588	14,475
CAPITAL CONTRIBUTIONS	-	-
CHANGE IN NET ASSETS	<u>235,588</u>	<u>14,475</u>
NET ASSETS		
Beginning of Year	281,991	267,516
End of Year	<u>\$ 517,579</u>	<u>\$ 281,991</u>

The accompanying notes are an integral part of this statement.

GRAND ISLE PORT COMMISSION

STATEMENTS OF CASH FLOWS
 PROPRIETARY FUNDS - ENTERPRISE FUND
 FOR THE YEARS ENDED JUNE 30, 2004 and 2003

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>JUNE 30, 2004</u>	<u>JUNE 30, 2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Dock Fees and rentals	\$ 150,000	\$ -
Receipts from FEMA grant	-	9,271
Payments to vendors	(61,091)	(66,897)
Payments to temporary employees	(39,374)	(24,492)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>49,535</u>	<u>(82,118)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	108,604	102,267
Interest on ad valorem taxes	110	89
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>108,714</u>	<u>102,356</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of vehicles and equipment	-	(17,628)
Improvements to land	-	-
Improvements to building	(8,073)	(3,739)
Payments on construction in progress	(120,365)	-
Receipts from State on Access Road project	104,757	-
Payments of principal on Certificates of Indebtedness	(20,000)	(20,000)
Interest paid on Certificates of Indebtedness	(4,405)	(5,405)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(48,086)</u>	<u>(46,772)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(51,278)	(819)
Interest received	2,203	1,874
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(49,075)</u>	<u>1,055</u>
NET INCREASE (DECREASE) IN CASH	61,088	(25,479)
CASH AT BEGINNING OF YEAR	64,317	89,796
CASH AT END OF YEAR	<u>\$ 125,405</u>	<u>\$ 64,317</u>
RECONCILIATION TO BALANCE SHEET		
Unrestricted Cash	\$ 114,498	\$ 52,011
Restricted Cash	10,907	12,306
Total Cash Reported on Balance Sheet	<u>\$ 125,405</u>	<u>\$ 64,317</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (112,314)	\$ (84,350)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(136,633)	(11,180)
Increase (decrease) in accounts payable	136,633	-
Increase (decrease) in deferred revenue	148,250	-
Depreciation	13,599	13,412
	-	-
Net Adjustments	<u>161,849</u>	<u>2,232</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 49,535</u>	<u>\$ (82,118)</u>

The accompanying notes are an integral part of this statement.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

The Port was created by Louisiana Revised Statute (LSA-RS 34:251). It includes all land in the within the Town of Grand Isle's boundaries and all of Ward 11 of Jefferson Parish. The governing board of commissioners administers the operations and responsibilities in accordance with the provisions of Louisiana statutes. The five members of the Board are appointed by the Governor of the State of Louisiana from a list of nominations submitted by the Town of Grand Isle Mayor and Board of Aldermen. The Port has all the powers and privileges granted under the constitution and statutes of the State of Louisiana which include, but are not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by it. Those charges are based on tariffs approved by the U.S. Maritime Commission.

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

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004 and 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Description of Activities

The Port operates an administrative office within the city limits of the Town of Grand Isle and is in the process of constructing a port on the rear of the isle. Property for the port has been obtained and improvements are currently underway to allow the land to be put to use. Services provided by the Port include general administrative activities, primarily economic development and public works.

3. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Port. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Since the Port engages only in *business-type activities*, only the financial statements of the Port's proprietary funds is presented.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The Port uses *Enterprise Funds* to account for its operations. The principal operating revenues will be charges to customers for dock fees and rentals. Operating expenses of the enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The proprietary fund type is accounted for on the *economic resources management focus* and the *accrual basis of accounting*. With this measurement focus, all assets and liabilities associated with the operation of this fund type are included on the balance sheet. Proprietary fund type operating statements represent increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of related cash flows.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004 and 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Port may also report deferred revenue on its statement of net assets. Deferred revenues arise when a potential revenue does not meet both the "measurable and available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability of deferred revenue is removed from the statement of net assets and revenue is recognized.

5. Assets, Liabilities, and Net Assets or Equity

A. Cash and Investments

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

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

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

B. Inventories

The cost of materials and supplies acquired by the Port are recorded as expenses at the time of purchase. It is management's opinion that the inventory of such materials and supplies at June 30, 2004 and 2003 are not material to the financial statements.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004 and 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Restricted Assets

Special accounts set up in accordance with the Certificates of Indebtedness bond indenture are classified as restricted assets on the balance sheet. These accounts include a "debt service - sinking fund".

E. Capital Assets

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

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

The useful lives used for computing depreciation are as follows:

<u>Asset Type</u>	<u>Life in Years</u>
Buildings and improvements	20 - 50
Furniture & Equipment	5 - 10
Vehicles & Equipment	5 - 10
Boats & Equipment	5 - 10

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004 and 2003

NOTE C - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

1. Deposits and Investments

The carrying amount of the Port's deposits at June 30, 2004 and 2003 was \$213,580 and \$101,214, respectively. The bank balances were \$215,325 and \$113,070, respectively. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The bank balance at June 30, 2004 is categorized as follows:

Risk Category	Cash	Certificates of Deposit and Savings	Amount
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	\$ 125,405	\$ 88,175	\$ 213,580
b. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name	0	0	0
c. Uncollateralized (including securities held for the entity by the pledging financial institution or its agent, but not in the entity's name)	0	0	0
Total	<u>\$ 125,405</u>	<u>\$ 88,175</u>	<u>\$ 213,580</u>

The bank balances at June 30, 2003 consisted of \$76,173 of cash and \$36,897 of certificates of deposit and savings accounts in category a above.

2. Restricted Assets

The balances of the Port's restricted asset accounts were \$10,907 and \$12,306 at June 30, 2004 and 2003, respectively. These amounts were on deposit in the Certificates of Indebtedness Sinking Fund.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004 and 2003

NOTE C - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

3. Capital Assets

Property, Plant and Equipment

The following is a summary of changes in capital assets related to business-type activities during the fiscal year:

	Balance July 1, 2003	Additions	Deletions	Transfers	Balance June 30, 2004
Business-type Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 167,070	\$ 0	\$ 0	\$ 0	\$ 167,070
Construction in progress	0	257,358	0	0	257,358
Total capital assets, not being depreciated	167,070	257,358	0	0	424,428
Capital assets, being depreciated:					
Buildings	36,423	8,073	0	0	44,496
Vehicles and equipment	110,959	0	0	0	110,959
Total capital assets, being depreciated	147,382	8,073	0	0	155,455
Less accumulated depreciation for:					
Buildings	(1,634)	(1,821)	0	0	(3,455)
Vehicles and equipment	(58,221)	(11,778)	0	0	(69,999)
Total accumulated depreciation	(59,855)	(13,599)	0	0	(73,454)
Capital assets being depreciated, net					
Buildings	34,789	6,252	0	0	41,041
Vehicles and equipment	52,738	(11,778)	0	0	40,960
Total capital assets being depreciated, net	87,527	(5,526)	0	0	82,001
Total governmental activities capital assets, net	\$ 254,597	\$ 251,832	\$ 0	\$ 0	\$ 506,429

Lease to State

On December 1, 2003, the Port leased a portion of land to the Louisiana Department of Wildlife and Fisheries for a period of 50 years. The Port retains title to the land at lease-end and all leasehold improvements erected by the State will be removed at the term of the lease or will revert to the Port. The Port received a rental fee of \$150,000 for the lease. This revenue will be deferred and recognized over the life of the lease on the straight-line method. Thus, rental revenue of \$1,750 is shown along with \$148,250 is shown as deferred.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004 and 2003

NOTE C - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

4. Long-Term Debt

Certificates of Indebtedness

The Port issued \$150,000 of Certificates of Indebtedness, Series 2000 on January 22, 1999 to provide funds for purchasing a site for the new port (the money was in fact used to pay off the interim loan noted above). These Certificates are secured by, and payable solely from, a pledge of the excess annual revenues of the Grand Isle Port Commission, above statutory, necessary and usual charges in each of the fiscal years through June 30, 2007. The Certificates bear interest rates from 5.05 percent to 5.30 percent. For the fiscal year ended June 30, 2004, the Port made payments of \$20,000 in principal and \$4,405 in interest on these Certificates. Certificates outstanding at June 30, 2004 and 2003 totaled \$65,000 and \$85,000, respectively.

Debt service requirements to maturity at June 20, 2004, including interest of \$7,085 are as follows:

Year Ending June 30,	Amount
2005	\$ 23,395
2006	22,365
2007	26,325
Total	72,085
Less Interest	(7,085)
Total Principal Due	<u>\$ 65,000</u>

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004 and 2003

NOTE C - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

5. Ad Valorem Tax

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

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

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

The number of mills levied for operations on the 2003 and 2002 tax rolls were 5.00 and 5.00, respectively. The amount of revenues generated by the taxes in fiscal years ended June 30, 2004 and 2003 was \$108,604 and \$102,267, respectively.

NOTE D - COMMITMENTS AND CONTINGENCIES

1. Risk Management

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

Under these policies, general liability coverage is provided for up to a maximum of \$500,000 per occurrence, with a \$10,000 deductible. There were no claims against this policy for 2004 or 2003.

GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004 and 2003

NOTE D - COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Litigation

There is no litigation pending against the Port at June 30, 2004.

3. Federal Assistance

The Port received federal assistance in 2003 from FEMA relating to Hurricane Lili for debris removal. The amount spent on this project was \$9,271. The federal programs have been audited in accordance with grant requirements and no disallowed costs were noted. However, the grantor agency may provide further examinations which may result in disallowed costs. The Port does not believe that any future examination would result in any material disallowed costs.

NOTE E - CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2004, the Port has implemented GASB No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 36, "*Recipient Reporting for Certain Shared Non-exchange Revenues*", GASB Statement No. 37, "*Basic Financial Statement - and Management's Discussion and Analysis -for State and Local Governments - Omnibus*", GASB No. 38, "*Certain Financial Statement Note Disclosures*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*".

Because the Port reports only Business-type Activities, the financial statements are already reported on the accrual basis of accounting. Thus, the net effect of the change in accounting principles is a change in the format of the financial statements. The June 30, 2003 figures have been reclassified as needed to meet the current format. There was no effect on the reported fund equity.

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SUPPLEMENTAL INFORMATION

**GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Years Ended June 30, 2004 and 2003**

Board Member	June 30, 2004 Amount Paid	June 30, 2003 Amount Paid
Irvin Richoux	\$ 0	\$ 0
Arthur Bellanger	0	0
Andy Galliano	0	0
Dudley Gaspard	0	0
Josephine Cheramie	0	0
Total	<u>\$ 0</u>	<u>\$ 0</u>

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

**GRAND ISLE PORT COMMISSION
STATE OF LOUISIANA
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2004**

Description of Funding	Amount
State Facility Planning and Control (#36-P40-01B-01) - Access Road	<u>\$ 241,390</u>

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COMPLIANCE SECTION

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

Board of Commissioners
Grand Isle Port Commission
Grand Isle, Louisiana

I have audited the basic financial statements of the Grand Isle Port Commission (the "Port"), as of and for the years ended June 30, 2004 and 2003, and have issued my report thereon dated December 18, 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Port's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted 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 Port's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below:

Reportable Condition - Comment # 04-01

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

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

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

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

This report is intended for the information of the Port's management, the Louisiana Legislative Auditor, all applicable Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, the report is distributed by the Legislative Auditor as a public document.

Paul C. Rima, CPA

December 18, 2004