

RECEIVED
LEGISLATIVE AUDITOR

05 JUN 28 AM 11:03

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Financial Reports

December 31, 2004

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 7-13-05

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Financial Reports

December 31, 2004

TABLE OF CONTENTS

	<u>Page</u>
<u>Introductory Section</u>	
Title Page	i
Table of Contents	ii
<u>Required Supplementary Information – (Part I)</u>	
Management’s Discussion and Analysis -----	iii
<u>Financial Section</u>	
Independent Auditors’ Report -----	viii
Statement of Net Assets -----	1
Statement of Activities-----	3
Statement of Cash Flows -----	4
Notes to Financial Statements -----	5
<u>Required Supplementary Information – (Part II)</u>	
Budgetary Comparison Schedule – Enterprise Fund -----	18
<u>Supplementary Information and Reports</u>	
Schedule of Per Diems Paid Board Members-----	19
Schedule of Expenditures of Federal Awards-----	20
Schedule of Findings and Questioned Costs-----	21
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> -----	22
Report on Compliance with Requirements Applicable to its Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 -----	24
Schedule of Prior Year Findings -----	26
Management’s Corrective Action Plan -----	27

Required Supplementary Information
(Part I)

**Greater Lafourche Port Commission
Galliano, Louisiana**

**Management's Discussion and Analysis
Fiscal Year Ended December 31, 2004**

The following is a narrative overview of the Greater Lafourche Port Commission's (the GLPC's) financial performance for the fiscal year ended December 31, 2004. Please read it in conjunction with the transmittal letter at the front of this report and with the financial statements that follow this section. Because fiscal year 2004 represents the first year in which the GLPC implemented the provisions of Governmental Accounting Statements Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons with the previous year. Future reports are required and will include extensive comparisons.

FINANCIAL HIGHLIGHTS

- The assets of the GLPC exceeded its liabilities at the close of the fiscal year by \$71.9 million (reported as net assets).
- Annual operating revenues of the GLPC exceeded \$10 million for the first time ever.
- 1993 Port Fourchon Development Bonds were paid off in full during the fiscal year leaving only the 1996 series outstanding.
- Due to a change in governmental reporting requirements, about \$3.8 million (net book value) of road and bridge infrastructure were retroactively capitalized into the financial statements of the GLPC.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section is an introduction to the GLPC's basic financial reporting tools, which comprise of two main components:

I. "Financial Statements" report information about the GLPC and about its activities that should help answer this question: Is the GLPC better off or worse off as a result of this year's activities?

A. "Statement of net assets" presents all of the GLPC's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets measure whether the GLPC's financial position is improving or deteriorating.

B. "Statement of Activities" presents information showing how the GLPC's net assets changed during the most recent fiscal year.

II. "Notes to the Financial Statement" provide more detailed information that is essential to a full understanding of the financial statements.

A. "Capital Assets"

B. "Outstanding Bonded Debt"

C. "Economic Outlook"

**Greater Lafourche Port Commission
Galliano, Louisiana**

**Management's Discussion and Analysis (Continued)
Fiscal Year Ended December 31, 2004**

Because the GLPC charges general public customers for the services it provides, its activities are required to be reported as a proprietary fund and specifically in an enterprise fund format. Enterprise funds utilize accrual accounting, which is the same method used by private sector businesses. Accrual accounting means that financial activities are reported as soon as the underlying events take place regardless of the timing of related cash flows.

FINANCIAL STATEMENTS

**Statement of Net Assets
December 31, 2004**

Assets:

Current Assets	\$15,781,966	
Restricted Assets	1,047,022	
Capital Assets, Net	<u>65,046,518</u>	
 Total Assets		<u>\$81,874,506</u>

Liabilities:

Current Liabilities	\$9,384,379	
Long Term Liabilities	<u>546,198</u>	
 Total Liabilities		<u>9,930,577</u>

Net Assets:

Invested in Capital		
Assets net of related Debt	\$64,211,518	
Restricted	1,047,022	
Unrestricted	<u>6,686,389</u>	
 Total Net Assets		<u>\$71,944,929</u>

The GLPC's current ratio is 1.7, which means that it has nearly double the amount of current resources available to meet its obligations coming due within the next year. A current ratio above 1.0 is a good sign of financial viability.

Of the \$9,384,379 of current liabilities, \$7,749,403 or 83%, are actually prepaid revenues from port lessees that have not yet been earned according to the accrual method of accounting.

The largest component (\$64,211,518 or 89.2%) of the GLPC's net assets reflects its investment in capital assets (e.g. land, buildings, improvements, and equipment), less any related debt outstanding that was needed to acquire or construct the assets.

**Greater Lafourche Port Commission
Galliano, Louisiana**

**Management's Discussion and Analysis (Continued)
Fiscal Year Ended December 31, 2004**

\$1,047,022 of restricted net assets makes up about 1.5% of net assets. These dollars represent resources that are subject to external bond issuance restrictions. The remaining \$6,686,415 or about 9.3% of unrestricted net assets may be used at the GLPC's discretion in accordance with its enabling legislation.

**Statement of Activities
Year ended December 31, 2004**

Operating Revenues:

Leases	\$9,801,928	
Other	<u>620,374</u>	
Total Operating Revenues		\$10,422,302

Operating Expenses:

Personnel Services	\$2,238,207	
Maintenance, Supplies, & Operation of Facilities	1,282,793	
Lease Expense – Port Fourchon	1,231,777	
Other Operating Expenses	755,467	
Depreciation	<u>1,903,943</u>	
Total Operating Expense		<u>\$7,412,187</u>
Operating Profit (Loss)		\$3,010,115

Non-Operating Inc/(Exp):

Ad Valorem Taxes (net of tax Assessor's settlement & pension fund)	\$1,388,530	
Intergovernmental Revenue:		
State Revenue Sharing	35,273	
Non-Capital Grants	632,024	
Interest Earned	196,315	
Interest Expense	(3,780)	
Hurricane Damage Repairs	(642,047)	
Gain/(Loss) on Disposal of Fixed Assets	7,759	
Other Miscellaneous Inc/(Exp)	<u>9,824</u>	
Net Non-Operating Inc/(Exp)		<u>\$1,623,898</u>
Income before Capital Grants		\$4,634,013
Capital Grants		<u>2,906,181</u>
Change in Net Assets		7,540,194
Net Assets-Beginning of Year		60,532,706
Retroactive Capitalization of Infrastructures, net		<u>3,872,029</u>
Net Assets-End of Year		<u>\$71,944,929</u>

**Greater Lafourche Port Commission
Galliano, Louisiana**

**Management's Discussion and Analysis (Continued)
Fiscal Year Ended December 31, 2004**

Operating revenues from leases are the GLPC's primary means of funding its ongoing operations. Lease revenues are generated from land and improvements owned directly by the GLPC and from land leased to the GLPC by third party landowners.

Operating expenses are costs born by the GLPC in providing to the public operations and maintenance of port properties along with providing harbor police security and general administration services.

2004's operating profit of \$3 million constitutes about a 29% operating profit margin.

Non-operating income and expenses are items that are not derived from direct port operations such as the collection of ad valorem (property) taxes and emergency contingencies.

Total 2004 Net Income or positive Change in Net Assets is \$7,540,194.

NOTES TO THE FINANCIAL STATEMENTS

**Capital Assets, Net
December 31, 2004**

Land	\$3,857,752
Buildings	4,352,947
Improvements	50,467,510
Equipment	<u>928,482</u>
Subtotal	\$59,606,691
Construction in Progress	<u>5,439,827</u>
Total	<u>\$65,046,518</u>

Additions of capital assets totaled \$5,447,305, net of prior year costs transferred out of construction in progress. Capital construction projects totaling \$3,522,450 were completed and closed out of Construction in Progress during 2004. Some of the major projects, comprising 81% of the total, are described below.

• Airport Waterline and road extension	\$100,600
• Norman Doucet Road overlay	\$469,800
• Airport Hanger and Taxiway	\$447,908
• New Administration Building	\$1,728,000
• Harbor Patrol Boat	<u>\$115,757</u>
Total of 81%	<u>\$2,862,065</u>

**Greater Lafourche Port Commission
Galliano, Louisiana**

**Management's Discussion and Analysis (Continued)
Fiscal Year Ended December 31, 2004**

83% of the \$5,439,827 in Construction in Progress are projects listed below:

• Northern Expansion Slip B Dredging	\$2,525,289
• Security Camera System	1,011,847
• Northern Expansion Slip B West Bulkhead Proj#2	561,517
• Northern Expansion Slip B West Bulkhead Proj#1	<u>405,145</u>
Total of 83%	<u>\$4,503,798</u>

**Outstanding Bonded Debt
December 31, 2004**

Series 1996 Revenue Bond	<u>\$835,000</u>
--------------------------	------------------

The existing Series 1996 Revenue Bond issue has two remaining principal payouts. \$405,000 will be paid in 2005 and the final payment of \$435,000 is scheduled for 2006.

**Economic Conditions
December 31, 2004**

The GLPC's 2005 budget plans for a 7% increase in operating revenues, which would take the GLPC to slightly over \$11 million in total operating revenues. Reason for the increase is projected higher utilization of developed property in the Northern Expansion area.

Part of the scheduled increases to operating expenses are for non-capital projects such as continued Hurricane Isidore and Lili repairs, repairs to port bulkheads, and mitigation work for the new LA 1 elevated highway.

\$19.5 million of capital budget dollars are expected to produce about 6000 feet of new port bulkhead. \$1.7 million of capital budget dollars are expected to prepare our airport runway site for future expansion from 3800 feet to 6500 feet. To assist in these capital projects, the GLPC expects to receive about \$14 million in grants and funding from outside sources.

Cash position at year-end is projected to significantly decrease primarily due to GLPC self-funded capital growth, which are investments toward future years revenue generation.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, creditors, and investors with a general overview of the GLPC's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional information, contact the Greater Lafourche Port Commission, Director of Finance and Administration at (985) 632-6701.

Financial Section

5779 Hwy. 311
P. O. Box 3695
HOUMA, LOUISIANA, 70361-3695
TELEPHONE (985) 851-0883
FAX (985) 851-3014

Lanaux & Felger

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

THOMAS J. LANAUX, CPA
MARK S. FELGER, CPA

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Greater Lafourche Port Commission
Galliano, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Greater Lafourche Port Commission, as of and for the year ended December 31, 2004, which comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 we 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Lafourche Port Commission as of December 31, 2004 and 2003 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

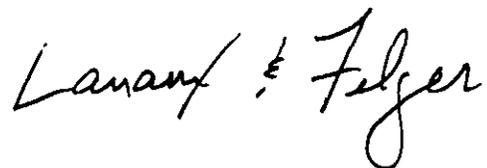
As discussed in note 1 of the financial statements, the Greater Lafourche Port Commission adopted provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments* for the year ended December 31, 2004.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2005 on our consideration of the Greater Lafourche Port Commission's internal control over financial reporting and our 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 our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary 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 Greater Lafourche Port Commission. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 8, 2005

A handwritten signature in cursive script that reads "Lanam & Felger". The signature is written in dark ink and is positioned to the right of the date.

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA
STATEMENT OF NET ASSETS
ENTERPRISE FUND
December 31, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 10,294,956
Investments, at market value	2,277,138
Receivables:	
Grants receivable from other government units	1,220,394
Ad valorem taxes	1,362,246
Lease rentals	141,688
State revenue sharing	35,273
Accrued interest	11,613
Other	87,883
Prepaid lease expense	185,243
Prepaid insurance	141,316
Resale inventory	<u>24,216</u>
Total current assets	<u>15,781,966</u>

RESTRICTED ASSETS

Cash	<u>1,047,022</u>
Total restricted cash	<u>1,047,022</u>

FIXED ASSETS

Property, plant, and equipment	80,934,906
Less accumulated depreciation	<u>(15,888,388)</u>
Fixed asset, net	<u>65,046,518</u>
Total assets	<u>81,875,506</u>

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA
STATEMENT OF NET ASSETS, CONTINUED
ENTERPRISE FUND
December 31, 2004

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 803,518
Interest payable	18,560
Deferred revenue:	
Advance payment of leases	7,749,403
Deferred grant revenues	390,322
Other	3,250
Current maturities of long-term debt	405,000
Other current liabilities	<u>14,327</u>
Total current liabilities	<u>9,384,380</u>

LONG-TERM LIABILITIES

Long-term debt, less current maturities	430,000
Compensated absences	<u>116,198</u>
Total long-term liabilities	<u>546,198</u>

Total liabilities	<u>9,930,578</u>
-------------------	------------------

NET ASSETS

Invested in capital assets, net of related debt	64,211,518
Restricted for debt service	1,047,022
Unrestricted	<u>6,686,389</u>
Total net assets	<u>\$ 71,944,929</u>

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA
STATEMENT OF ACTIVITIES
ENTERPRISE FUND
Years Ended December 31, 2004

	2004
Operating revenues:	
Lease rental	\$ 9,801,928
Other User Fees	374,685
Utility sales	20,190
Fuel sales	122,696
Other	102,803
Total operating revenue	10,422,302
Operating expenses:	
Personnel services	2,238,207
Maintenance, supplies, and operation of facilities	1,282,793
Lease expense - Port Fourchon	1,231,777
Other operating expense	755,467
Depreciation and amortization	1,903,943
Total operating expenses	7,412,187
Operating income (loss)	3,010,115
Nonoperating revenues (expenses):	
Ad valorem taxes (net of tax assessor's settlement and pension fund)	1,388,530
Intergovernmental revenue:	
State revenue sharing	35,273
Noncapital grants	632,024
Investment income	196,315
Interest expense	(3,780)
Hurricane damage repairs	(642,047)
Gain (loss) on disposal of fixed assets	7,759
Other nonoperating revenues (expenses), net	9,824
Net nonoperating revenues	1,623,898
Change in net assets before capital contributions	4,634,013
Capital contributions	2,906,181
Change in net assets	7,540,194
Net assets, beginning of year	60,532,706
Retroactive capitalization of infrastructure assets, net	3,872,029
Net assets, end of year	\$ 71,944,929

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA
STATEMENTS OF CASH FLOWS - ENTERPRISE FUND

Years Ended December 31, 2004

	2004
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from operations	\$ 8,217,720
Cash paid to employees	(2,238,207)
Payments for goods and services	(3,431,174)
Net Cash Flows from Operating Activities	2,548,339
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Tax receipts collected by other governments	1,399,906
Operating grants received from other governments	693,756
Payments for hurricane damage repair	(642,047)
Other nonoperating receipts	9,824
Net Cash Flows from Noncapital Financing Activities	1,461,439
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants collected	1,913,102
Payments for capital acquisitions	(5,516,722)
Principal repayments on long-term debt	(670,000)
Interest paid net of interest capitalized	(16,923)
Net Cash Flows from Capital and Related Financing Activities	(4,290,543)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of equipment	12,070
Proceeds from sale and maturities of investments	1,255,994
Receipts of interest	199,725
Purchases of investments	(1,761,330)
Net Cash Flows from Investing Activities	(293,541)
Net Change in Cash	(574,306)
Cash and cash equivalents, beginning of year	11,916,284
Cash and cash equivalents, end of year	\$ 11,341,978
Reconciliation of Operating Income to Net Cash Flows from Operating Activities	
Operating income (loss)	\$ 3,010,115
Add depreciation expense	1,903,943
(Increase)/Decrease in Current Assets	
Rent receivables	(76,427)
Prepaid expenses	(94,929)
Miscellaneous receivables	(68,619)
Inventory	(5,696)
Increase/(Decrease) in Current Liabilities	
Accounts payable and accrued expenses	(157,003)
Advance payment of leases	(1,963,045)
Net Cash Flows from Operating Activities	\$ 2,548,339

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements

1) Organization and Summary of Significant Accounting Policies

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

- a) Reporting Entity. The Greater Lafourche Port Commission (Commission) was created under Louisiana Revised Statute 34:1651 with a nine member board elected for a term of six (6) years. The Commission has been empowered to regulate the commerce and traffic within the port area; to promote commerce within the area through the construction, acquisition and maintenance of wharves, docks, sheds, landings and waterways; to provide police protection and services for its facilities; and to lease its facilities to all types of commercial transportation, storage, and shipping industries. The Commission also sponsors the Leonard Miller Jr. Airport in Galliano. Through this sponsorship, the Commission is responsible for the maintenance and operation of the airport.

This report includes all funds which are controlled by the Commission. The Commission is financially independent and is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Commission.

- b) Change in Accounting. Effective January 1, 2004, the Greater Lafourche Port Commission (Commission) adopted the provisions of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued by the Governmental Accounting Standards Board. Adoption of this statement had no significant effect on the basic financial statements except for the reformatting of the financial statements and classification of net assets in accordance with this statement.
- c) Financial Statement Presentation. As stated above, effective January 1, 2004, the Commission adopted the provisions of Statement No. 34. This statement established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

- i. Invested in capital assets, net of related debt: This component of net assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Commission has \$835,000 debt attributable to its capital assets.
 - ii. Restricted net assets: This component of net assets consists of constraints imposed by creditors (such as through debt covenants), contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation. The Commission has \$1,047,022 in net assets restricted for the payment of long-term debt.
 - iii. Unrestricted net assets: This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
- d) Fund Accounting. The Greater Lafourche Port Commission uses a proprietary fund to report on its financial position and results of operations. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities provided to outside parties are accounted for by an enterprise fund type of the proprietary fund. The Commission is accounted for as an enterprise fund.
- e) Measurement Focus and Basis of Accounting. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheets. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Commission's financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the Commission. Principal operating revenues are charges to tenants for rent and utilities. Principal operating expenses are lease payments to

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

landowners, maintenance of port facilities, the costs of providing police and fire protection services to tenants, administrative expenses and depreciation of capital assets.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The Greater Lafourche Port Commission has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

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.

- f) Budgetary Accounting. Budgetary practices include public notice of the proposed notice of the proposed budgets, public inspection of the proposed budget and public hearings on the budgets. Budgets are prepared based on a flow of economic resources measurement focus as explained in note 1(e) above. Budgetary control is exercised at the fund level.

State law provides that when actual revenues within certain funds are failing to meet estimated annual budgeted revenues, and/or actual expenditures within certain funds are exceeding estimated budgeted expenditures by five percent or more, a budget amendment shall be adopted by the board in an open meeting.

Budgeted amounts included in the accompanying financial statements include original adopted budget amounts and all subsequent amendments. Amendments to the budget must be approved by the Board

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

of Commissioners. There were no amendments to the budget in 2004. Budget amounts which are not expended lapse at year end.

Encumbrance accounting is not utilized by the Commission.

- g) Cash, Cash Equivalents and Investments. Cash and cash equivalents include amounts in demand deposit accounts, money market accounts and investments in the Louisiana Asset Management Pool (LAMP).

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the Commission to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the Commission to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with state statutes and those adopted by the Board of Commissioners.

Investments are stated at market value. Increases or decreases in the market value of investments are included as a component of investment income.

- h) Receivables. All receivables are recorded at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- i) Prepaid Expenses. Payments made to vendors for services that will benefit periods beyond the current period are recorded as prepaid expenses.
- j) Restricted Assets. Certain resources are set aside for repayment of revenue bonds and general obligation bonds and for additions, extensions and improvements to Commission facilities. These resources are classified as restricted assets on the balance sheet because their use is limited by applicable covenants.
- k) Fixed Assets. Property constructed or acquired by purchase is stated at cost or estimated historical cost if actual historical cost is not available. General infrastructure assets acquired prior to January 1, 2004 consist of the road network and bridge assets that were acquired or that received

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. Net interest costs are capitalized on major construction projects during the construction period. Total interest incurred was \$85,745 of which \$81,965 was capitalized for the year ended December 31, 2004, and \$122,991 of which \$120,046 was capitalized for the year ended December 31, 2003. Donated assets are valued at estimated fair value at the time of donation.

The costs of normal maintenance, dredging and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of related fixed assets, as applicable.

Depreciation is computed using the straight-line method over the following useful lives:

Buildings and marine construction	10 to 40 years
Infrastructure roads	40 years
Infrastructure bridges	50 years
Machinery and equipment	5 to 10 years
Furniture and fixtures	5 to 20 years

- l) Interest receivable. Interest receivable on time deposits is recorded as revenue in the year the interest is earned.

- m) Ad Valorem Taxes and Revenue Sharing. Ad valorem taxes and the related state revenue sharing (which is based on population and homesteads in the parish) are recorded in the year the taxes are assessed except for taxes paid under protest which are recorded in the year available. Delinquent taxes considered to be uncollectible are not recorded as revenues, consequently, no allowance for uncollectible taxes is considered necessary.

Ad valorem taxes are assessed on a calendar year basis, become due November 15th of each year and become delinquent on December 31st. The taxes are generally collected in December of the current year.

The Commission's authorized and levied ad valorem tax millage rate for 2004 was 5.4 mills. Total taxes levied for the years ended December 31, 2004 were \$1,436,468.

State revenue sharing monies are generally received by the Commission on the 15th day of December in the year of determination and the the 15th day of April and June of the subsequent year in equal installments.

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

- n) Compensated Absences. The Commission employees accumulate unlimited amounts of annual and sick leave at varying rates as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits.

At December 31, 2004, \$116,198, has been recorded as a long-term liability which represents that portion of estimated absence which will be taken or reimbursed after the balance sheet date.

- o) Inventories. Inventories are stated at cost using the weighted average cost method of inventory valuation.
- p) Cash Flows Statement. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.
- 2) Cash and Cash Equivalents

Under state law, the Commission's 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 Commission's deposits were adequately secured.

The following chart presents bank balances as of December 31, 2004 and 2003. The deposits are listed in terms of risk involved. Category 1 represents those deposits insured (inclusive of FDIC) or collateralized with securities held by the Commission or its agent in the Commission's name. Category 2 represents deposits collateralized with securities held by pledging financial institution's trust department or agent in the Commission's name. Category 3 represents deposits uncollateralized including any securities held for the entity, but not in the Commission's name.

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2004	Bank Balances			Total	Carrying Amount
	Category				
	1	2	3		
Cash and demand deposits	\$ 100,000	\$ -	\$ 1,253,549	\$ 1,353,549	\$ 1,130,070
Money market deposits	-	-	1,047,022	1,047,022	1,047,022
	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 2,300,571</u>	<u>\$ 2,400,571</u>	2,177,092
Units in Louisiana Asset Management Pool					<u>9,164,886</u>
Total cash and cash equivalents					<u>\$ 11,341,978</u>

Cash and cash equivalents are reported on the balance sheets as follows:

Current assets:

Cash and cash equivalents \$ 10,294,956

Restricted assets:

Cash 1,047,022

Total cash and cash equivalents \$ 11,341,978

Units of the LAMP represent an undivided fractional interest in each of the securities held by the LAMP. Securities held by the LAMP include only debt securities issued, guaranteed or otherwise backed by the U.S. Treasury, the government of the United States, or an agency, enterprise or instrumentality thereof, and repurchase agreements collateralized by such securities.

3) Investments

Investments are carried at market value and include certificates of deposit and U.S. Government Agency debt securities with original maturities of three months or more. The following chart presents investments at year end categorized to give an indication of the level of risk assumed by the Commission. Category 1 includes investments that are insured or registered, or for which the securities are held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department in the name of the Commission. Category 3 includes uninsured and unregistered investments for which the

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

securities are held by the financial institution or its agent but not in the name of the Commission.

December 31, 2004	Category			Carrying Value
	1	2	3	
Certificates of Deposit	\$ 600,000	\$ -	\$ 905,610	\$ 1,505,610
U.S. Government Agency Obligations	1,176,141	-	-	1,176,141
	<u>\$ 1,776,141</u>	<u>\$ -</u>	<u>\$ 905,610</u>	<u>\$ 2,681,751</u>

4) Property, Plant, and Equipment

A summary of changes in property, plant, and equipment for the year ended December 31, 2004 follows:

	Balance 12/31/2003 (restated)	Additions	Deletions and Transfers	Balance 12/31/04
Land	\$ 3,823,065	\$ 34,687	\$ -	\$ 3,857,752
Buildings	3,088,330	2,138,901	-	5,227,231
Port facilities and improvements	63,375,774	1,107,334	-	64,483,108
Furniture and office equipment	247,510	119,250	22,735	344,025
Vehicles, boats, and field equipment	1,408,150	245,583	70,770	1,582,963
Construction in process	3,544,770	5,417,507	3,522,450	5,439,827
	<u>75,487,599</u>	<u>9,063,262</u>	<u>3,615,955</u>	<u>80,934,906</u>
Less accumulated depreciation	14,057,864	1,919,535	89,011	15,888,388
Totals	<u>\$ 61,429,735</u>	<u>\$ 7,143,727</u>	<u>\$ 3,526,944</u>	<u>\$ 65,046,518</u>

The beginning balances have been restated to record certain infrastructure assets, which had not been capitalized in previous years, in the amount of \$6,191,817 and accumulated depreciation associated with those assets in the amount of \$2,319,788.

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

Depreciation on fixed assets was \$1,919,535 for the year ended December 31, 2004, of which \$15,591 was capitalized and \$1,903,944 was charged to expense.

5) Long-Term Debt

A summary of changes in bonds payable for the years ended December 31, 2004 follows:

<u>Description of Bonds payable</u>	<u>Payable 12/31/2003</u>	<u>Issued</u>	<u>Retired</u>	<u>Payable 12/31/2004</u>
Revenue Bonds:				
Series 1993	\$ 290,000	\$ -	\$ (290,000)	\$ -
Series 1996	1,215,000	-	(380,000)	835,000
	<u>\$ 1,505,000</u>	<u>\$ -</u>	<u>\$ (670,000)</u>	<u>\$ 835,000</u>

Bonds payable at December 31, 2004 are represented by the following issue:

Port Facility Revenue Bonds

\$3,300,000 Port Facility Revenue Bonds
(Port Fourchon Development) Series 1996;
due in annual principal installments of
\$295,000 to \$430,000 through
September 1, 2006; interest payable semi-
annually at 5.85% to 6.65% until maturity.

\$ 835,000

The bonds are secured by revenues of the Commission, including ad valorem taxes.

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

The annual requirements to amortize all debt outstanding as of December 31, 2004 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 405,000	\$ 55,528	\$ 460,528
2006	430,000	28,595	458,595
	<u>\$ 835,000</u>	<u>\$ 84,123</u>	<u>\$ 919,123</u>

6) Leases

The Commission leases the land on which Port Fourchon Industrial Park is built from four landowners under operating leases expiring in various years through 2056. The leases are structured to have a minimum amount of base rent with additional amounts payable as contingent rentals based on sublease rentals received by the Commission.

Minimum rental payments of approximately \$128,501 were included in lease expense of \$1,231,777 for the year ended December 31, 2004.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2004 for each of the next five years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	115,662
2006	116,345
2007	119,571
2008	122,960
2009	74,813
Thereafter	<u>1,021,530</u>
Total minimum future rental payments	<u>\$ 1,570,881</u>

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

Total minimum future rental payments have not been reduced by sublease rentals to be received in the future under non-cancelable subleases.

7) Port Lease Rentals

The Commission leases sites situated on Port Fourchon to businesses operating primarily in the oil and gas and seafood industries. The number of lessees as of December 31, 2004 was sixty-six. The Commission received 34% of its lease revenues from one lessee for the year ended December 31, 2004. In general, lease contracts state that in each year of the primary term or any extended option term, rental payments to the Port shall escalate at rates varying from 2% to 5% of the rental paid in the preceding year, unless other arrangements are negotiated.

Based on existing leases at December 31, 2004, minimum lease rentals on non-cancelable leases to be received over the next five years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$ 3,801,781
2006	1,894,193
2007	1,164,263
2008	835,434
2009	<u>574,964</u>
Total	<u>\$ 8,270,635</u>

8) Pension Plan

All full-time employees of the Greater Lafourche Port Commission must participate in the Louisiana State Employees Retirement System (LASERS), a cost sharing multiple-employer public employee retirement system.

Plan Description: The LASERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and disability benefits. Five years of service credit is required to become vested for survivor benefits. Benefits are established and amended by state statute. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information for the LASERS. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213 Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. Plan members are required to contribute a percentage of their annual covered salary and the Commission is required to contribute at an

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

actuarially determined rate. Member contributions and employer contributions for the LASERS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. The Commissions' employer contribution for the LASERS is funded through annual appropriations. Contributions required and made to the LASERS were as follows:

Fiscal year ended December 31,	2004	2003	2002
Member contribution	7.5%	7.5%	7.5%
Employer contribution	17.8%	15.8%	14.1%
Member contribution	\$ 79,942	\$ 77,913	\$ 63,178
Employer contribution	\$ 179,027	\$ 156,025	\$ 112,521

9) Deferred Revenues

Deferred revenue is comprised of prepaid lease rentals received of \$7,752,652 and deferred grant revenues of \$390,322 for the year ended December 31, 2004.

11) Restricted Net Assets

As of December 31, 2004, net asset restrictions represent amounts set aside for debt service in accordance with the bond indentures for the Series 1993 and Series 1996 bonds payable.

12) Noncash Investing and Financing Activities

Noncash investing and financing activities for the year ended December 31, 2004 follow:

	<u>2004</u>
Unrealized gains(losses) on investments	\$ (5,968)

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Notes to Financial Statements, Continued

13) Construction Commitments

At December 31, 2004, the Commission had the following commitments on construction and maintenance projects in progress:

<u>Project description</u>	<u>Estimated total cost</u>	<u>Costs incurred to date</u>	<u>Estimated % funded by other entities</u>
Security Camera System	\$ 1,250,000	\$ 1,011,847	72%
Northern Expansion Dredging Slip B	<u>2,525,289</u>	<u>2,525,289</u>	62%
	<u>\$ 3,775,289</u>	<u>\$ 3,537,136</u>	

14) Risk Management

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. To manage these risks, the Commission has obtained coverage from commercial insurance companies. During 2004 there were no claims in excess of insurance coverage.

Required Supplementary Information
(Part II)

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
ENTERPRISE FUND
Year Ended December 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Lease rentals	\$ 10,579,315	\$ 9,801,928	\$ (777,387)
Loading dock fees	152,650	374,685	222,035
Utility sales	13,800	20,190	6,390
Fuel sales	72,270	122,696	50,426
Other	23,180	102,803	79,623
Total operating revenue	<u>10,841,215</u>	<u>10,422,302</u>	<u>(418,913)</u>
Operating expenses:			
Personnel services	2,469,175	2,238,207	230,968
Maintenance, supplies, and operation of facilities	3,999,192	1,282,793	2,716,399
Lease expense - Port Fourchon	1,237,861	1,231,777	6,084
Other operating expense	734,781	755,467	(20,686)
Depreciation and amortization	1,503,169	1,903,943	(400,774)
Total operating expenses	<u>9,944,178</u>	<u>7,412,187</u>	<u>2,531,991</u>
Operating income (loss)	<u>897,037</u>	<u>3,010,115</u>	<u>2,113,078</u>
Nonoperating revenues (expenses):			
Ad valorem taxes (net of tax assessor's settlement and pension fund)	1,291,654	1,388,530	96,876
Intergovernmental revenue:			
State revenue sharing	35,049	35,273	224
Noncapital grants	1,517,108	632,024	(885,084)
Investment income	130,200	196,315	66,115
Interest expense	(95,107)	(3,780)	91,327
Emergency Repairs Contingency	(2,000,000)	(642,047)	1,357,953
Gain (loss) on disposal of fixed assets	121,432	7,759	(113,673)
		9,824	
Net nonoperating revenues	<u>1,000,336</u>	<u>1,623,898</u>	<u>613,738</u>
Change in net assets before capital contribution	<u>\$ 1,897,373</u>	4,634,013	<u>\$ 2,726,816</u>
Capital contributions		<u>2,906,181</u>	
Change in Net Assets		7,540,194	
Net Assets - beginning of year as restated		<u>64,404,735</u>	
Net Assets - end of year		<u>\$ 71,944,929</u>	

Supplementary Information
and Reports

GREATER LAFOURCHE PORT COMMISSION
GALLIANO, LOUISIANA

Schedule of Per Diems Paid Board Members

Year Ended December 31, 2004

<u>Board Member</u>	<u>2004</u>
Ervin J. Bruce	\$ 6,200
Harris Cheramie	7,200
Harry Cheramie	7,200
Wilbert Collins	6,900
Larry J. Griffin	7,200
Jimmy Lafont	7,200
Beau Martin	7,100
John J. Melancon, Sr.	7,200
Donald J. Vizier	<u>7,200</u>
	<u>\$ 63,400</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Greater Lafourche Port Commission
 Year ended December 31, 2004

Federal Granting Agency/Recipient State Agency/Grant Program	GRANT NUMBER	CFDA NUMBER	EXPENDITURE AMOUNT
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Direct payment from Transportation Security Administration</u> Port Security Grant Program	D TSA20-03-G-01140	97.056	\$ 1,054,029
<u>Pass through payment from State Department of Military Affairs:</u>			
Public Assistance Grants	Various	97.036	442,241
Total - U.S. Department of Homeland Security			<u>1,496,270</u>
DEPARTMENT OF TRANSPORTATION			
<u>Direct payments from Federal Aviation Administration</u> Airport Improvement Program	3-22-0067-006-2004	20.106	100,480
Total - Department of Transportation			<u>100,480</u>
Total program revenue and expenditures			<u>\$ 1,596,750</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Greater Lafourche Port Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

GREATER LAFOURCHE PORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2004

A) SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Greater Lafourche Port Commission.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Greater Lafourche Port Commission were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report Compliance with Requirement Applicable to its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for the Greater Lafourche Port Commission expresses an unqualified opinion.
6. No findings relative to the major federal award program for the Greater Lafourche Port Commission are reported in Part C of this Schedule.
7. The programs tested as major programs are:

Department of Homeland Security	
Port Security Program	CFDA# 97.056
Public Assistance Grants	CFDA# 97.036
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Greater Lafourche Port Commission was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Greater Lafourche Port Commission
Galliano, Louisiana

We have audited the financial statements of the Greater Lafourche Port Commission as of and for the year ended December 31, 2004, and have issued our report thereon dated April 8, 2005. We conducted our 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 Greater Lafourche Port Commission's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our 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 our audit, we considered the Greater Lafourche Port Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 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. We noted no

matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Greater Lafourche Port Commission, the State of Louisiana and the Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

April 8, 2005

Lanamy & Felger

5779 Hwy. 311
P. O. Box 3695
HOUMA, LOUISIANA, 70361-3695
TELEPHONE (985) 851-0883
FAX (985) 851-3014

Lanaux & Felger

— CERTIFIED PUBLIC ACCOUNTANTS —
A PROFESSIONAL CORPORATION

THOMAS J. LANAUX, CPA
MARK S. FELGER, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Greater Lafourche Port Commission
Galliano, Louisiana

Compliance

We have audited the compliance of the Greater Lafourche Port Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 "Compliance Supplement" that are applicable to its major federal program for the year ended December 31, 2004. The Greater Lafourche Port Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major program is the responsibility of the Greater Lafourche Port Commission's management. Our responsibility is to express an opinion on the Greater Lafourche Port Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Greater Lafourche Port Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the Greater Lafourche Port Commission's compliance with those requirements.

In our opinion, the Greater Lafourche Port Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

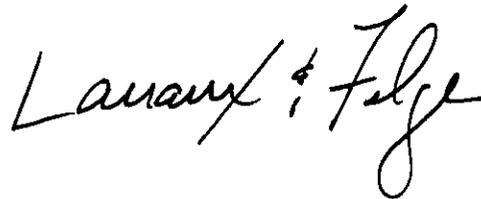
Internal Control Over Compliance

The management of the Greater Lafourche Port Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Greater Lafourche Port Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Greater Lafourche Port Commission, the State of Louisiana, the Legislative Auditor for the State of Louisiana, federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.

April 8, 2005

A handwritten signature in cursive script, appearing to read "L. A. F. & F. J.", is written in black ink.

GREATER LAFOURCHE PORT COMMISSION
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2004

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

There were none reported for the year ended December 31, 2003.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS**

There were none reported for the year ended December 31, 2003.

SECTION III MANAGEMENT LETTER

No management letter was issued for the year ended December 31, 2003.

GREATER LAFOURCHE PORT COMMISSION
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2004

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENT**

No findings were reported which required a response from management.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS**

No findings were reported which require a response from management.

SECTION III MANAGEMENT LETTER

No management letter was issued for the year ended December 31, 2004.