

PORT OF SOUTH LOUISIANA

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED**

April 30, 2012 and 2011

PORT OF SOUTH LOUISIANA

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April 30, 2012 and 2011

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Kushner LaGraize, L.L.C.

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners of the Port of South Louisiana

We have audited the accompanying financial statements of the Port of South Louisiana as of and for the years ended April 30, 2012 and 2011, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Port of South Louisiana. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of South Louisiana as of April 30, 2012 and 2011, and the results of its operations and its 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*, we have also issued a report dated October 3, 2012, on our consideration of the Port of South Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 and the Schedule of Funding Progress for the Port's OPEB Plan on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements of the Port of South Louisiana as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
October 3, 2012

PORT OF SOUTH LOUISIANA

Management's Discussion and Analysis

April 30, 2012

This section of the Port of South Louisiana's (the Port) financial report presents a discussion and analysis of the Port's financial performance during the fiscal year that ended April 30, 2012. Please read it in conjunction with the Port's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The Port's net assets (assets fully owned with no restrictions) represent approximately 82% of total assets of approximately \$113.0 million in 2012. In 2011, the Port's net assets approximated 95% of total assets of approximately \$94.0 million.

The Port had an increase in net assets of approximately \$3.6 million for the year ended April 30, 2012, as well as an increase in net assets of \$7.0 million in 2011. In addition, the Port's cash from operating activities was \$4,618,633 in 2012 as compared to \$2,538,621 in 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the Port's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Port's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Changes in Net Assets. All assets and liabilities associated with the operations of the Port are included in the Balance Sheets.

The Balance Sheet reports the Port's net assets, which is the difference between its assets and liabilities. Net assets is one way to measure the Port's financial health or position.

PORT OF SOUTH LOUISIANA

Management's Discussion and Analysis - Continued

April 30, 2012

FINANCIAL ANALYSIS OF THE PORT

Net Assets

The Port's total assets at April 30, 2012 reached approximately \$113.0 million. A change in the composition of assets is due to the increase in capital assets of approximately \$10.8 million related to the ongoing construction of the finger pier and the operations emergency center. In addition, there was an increase in current assets of approximately \$7.4 million due to the Port receiving funds from the issuance of revenue bonds and grant anticipation notes. As in the prior year, the Port was designated as the agent for the LMRPSSC, and therefore, manages all grant funding. These funds are classified as restricted cash with a corresponding payable. The grants will be used for various projects which will enhance the security of maritime related activities for five major ports in the southern region of Louisiana.

Table A-1
PORT OF SOUTH LOUISIANA
Balance Sheets
April 30, 2012 and 2011

| | 2012 | 2011 | Variance | Percent Variance |
|---|------------------------------|-----------------------------|-----------------------------|---------------------|
| ASSETS | | | | |
| Current assets | \$ 22,586,059 | \$ 15,187,208 | \$ 7,398,851 | 49 % |
| Restricted assets | 1,325,244 | 644,810 | 680,434 | 106 % |
| Property and equipment, net | 89,038,620 | 78,200,268 | 10,838,352 | 14 % |
| Other assets | 654 | 654 | - | 0 % |
| Total Assets | <u>\$ 112,950,577</u> | <u>\$ 94,032,940</u> | <u>\$ 18,917,637</u> | 20 % |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities | \$ 4,028,468 | \$ 2,222,734 | \$ 1,805,734 | 81 % |
| Revenue bonds payable from restricted assets | 7,675,500 | - | 7,675,500 | 100 % |
| Grant anticipation notes payable from restricted assets, net of unamortized discount of \$88,667 and \$0 | 5,611,333 | - | 5,611,333 | 100 % |
| Other noncurrent liabilities | <u>3,147,099</u> | <u>2,879,822</u> | <u>267,277</u> | 9 % |
| Total Liabilities | 20,462,400 | 5,102,556 | 15,359,844 | 301 % |
| NET ASSETS | | | | |
| Invested in capital assets, net of debt | 75,255,208 | 77,993,184 | (2,737,976) | (4) % |
| Restricted | 155,982 | 223,073 | (67,091) | (30) % |
| Unrestricted | <u>17,076,987</u> | <u>10,714,127</u> | <u>6,362,860</u> | 59 % |
| Total Net Assets | <u>92,488,177</u> | <u>88,930,384</u> | <u>3,557,793</u> | 4 % |
| | <u>\$ 112,950,577</u> | <u>\$ 94,032,940</u> | <u>\$ 18,917,637</u> | 20 % |

PORT OF SOUTH LOUISIANA

Management's Discussion and Analysis - Continued

April 30, 2012

Total liabilities increased by approximately \$15.4 million. The increase is directly related to the issuance of revenue bonds in the amount of \$8.0 million dollars and grant anticipation notes in the amount of \$5.7 million dollars.

Net assets grew by approximately \$3.6 million as explained in the following section. Net assets invested in capital assets reflect fixed assets, net of accumulated depreciation, net of debt balance for capital leases. Restricted assets reflect assets restricted by a donor and/or contractual agreements for specific purposes.

CHANGE IN NET ASSETS

The change in net assets for the year ended April 30, 2012 was approximately \$3.6 million as compared to a change in net assets of approximately \$7.0 million for the year ended April 30, 2011. The Port's total operating revenues increased by 12% to approximately \$12.5 million. Total operating expenses increased 1% to approximately \$11.4 million, which includes approximately \$2.4 million of depreciation expense. The changes in net assets are detailed in Table A-2.

PORT OF SOUTH LOUISIANA

Management's Discussion and Analysis - Continued

April 30, 2012

Table A-2

PORT OF SOUTH LOUISIANA

Statements of Revenues, Expenses and Changes in Net Assets

April 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> | <u>Variance</u> | <u>Percent Variance</u> |
|---|-----------------------|-----------------------|----------------------|-----------------------------|
| OPERATING REVENUES | | | | |
| Dockage, net | \$ 3,380,479 | \$ 3,582,627 | \$ (202,148) | (6) % |
| Harbor fees, anchorage and barge fleeting | 4,835,459 | 4,548,709 | 286,750 | 6 % |
| Wharfage | 647,055 | 364,282 | 282,773 | 78 % |
| Foreign trade zone income | 168,500 | 145,000 | 23,500 | 16 % |
| Rentals | 1,990,585 | 1,989,902 | 683 | 0 % |
| Sheddage and other | 1,521,055 | 543,254 | 977,801 | 180 % |
| Gain on sale of assets | <u>-</u> | <u>37,500</u> | <u>(37,500)</u> | <u>(100) %</u> |
| Total Operating Revenues | <u>12,543,133</u> | <u>11,211,274</u> | <u>1,331,859</u> | <u>12 %</u> |
| OPERATING EXPENSES | | | | |
| Salaries and employee benefits | 4,929,709 | 4,558,596 | 371,113 | 8 % |
| Depreciation | 2,419,606 | 2,365,255 | 54,351 | 2 % |
| Insurance | 783,636 | 776,439 | 7,197 | 1 % |
| Maintenance and repairs | 425,854 | 904,107 | (478,253) | (53) % |
| Port planning and development | 197,226 | 180,651 | 16,575 | 9 % |
| Post-retirement benefit expense | 490,195 | 652,233 | (162,038) | (25) % |
| Administrative and other | <u>2,196,978</u> | <u>1,943,090</u> | <u>253,888</u> | <u>13 %</u> |
| Total Operating Expenses | <u>11,443,204</u> | <u>11,380,371</u> | <u>62,833</u> | <u>1 %</u> |
| Operating Income (Loss) | <u>1,099,929</u> | <u>(169,097)</u> | <u>1,269,026</u> | <u>750 %</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| | <u>(219,411)</u> | <u>(3,256)</u> | <u>(216,155)</u> | <u>6,639 %</u> |
| NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | | | | |
| | <u>880,518</u> | <u>(172,353)</u> | <u>1,052,871</u> | <u>611 %</u> |
| CAPITAL CONTRIBUTIONS | | | | |
| | <u>2,677,275</u> | <u>7,155,142</u> | <u>(4,477,867)</u> | <u>(63) %</u> |
| CHANGE IN NET ASSETS | | | | |
| | <u>3,557,793</u> | <u>6,982,789</u> | <u>(3,424,996)</u> | <u>(49) %</u> |
| NET ASSETS, BEGINNING OF YEAR | | | | |
| | <u>88,930,384</u> | <u>81,947,595</u> | <u>6,982,789</u> | <u>9 %</u> |
| NET ASSETS, END OF YEAR | | | | |
| | <u>\$ 92,488,177</u> | <u>\$ 88,930,384</u> | <u>\$ 3,557,793</u> | <u>4 %</u> |

PORT OF SOUTH LOUISIANA

Management's Discussion and Analysis - Continued

April 30, 2012

Operating revenues increased by 12% to \$12.5 million in fiscal year 2012. This is due to an increase in harbor fees, wharfage, sheddage and other income, which includes funding from settlement payments for outstanding litigation totaling \$370,000 and a one-time right-of-way fee of \$355,384 paid by Entergy for the use of Port property. Although dockage revenue decreased by \$202,148 due to the decrease of vessel and barge activity for ADM/Growmark caused by the rising of the Mississippi River in May of 2011, harbor fees increased by \$286,750 due to an increase in fees per vessel from \$350 per vessel to \$450 per vessel, effective July 1, 2011.

Operating expenses increased by 1% to approximately \$11.4 million in fiscal year 2012. Maintenance and repairs and post-retirement benefit expense accounts experienced decreases of 53% and 25%, respectively, during 2012. However, salaries and employee benefits, port planning and development, and administrative and other expense accounts experienced an 8%, 9% and 13% increase, respectively. These increases are due to employee raises and new hires, increases in professional fees related to port development, and a general increase in operational costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset Administration

The Port's investment in capital assets approximated \$89.0 million, net of accumulated depreciation. This investment consists principally of land, buildings and docks, equipment, and vehicles. The Port currently has several ongoing construction projects.

Debt Administration

The Port's debt consists of bonds payable from restricted assets relating to its direct financing leases with its facility operators. The Port issued \$8.0 million in revenue bonds and \$5.7 million in grant anticipation notes during the year ended April 30, 2012.

CONTACTING THE PORT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patrons and other interested parties with a general overview of the Port's finances and to demonstrate the Port's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Port of South Louisiana at (985) 652-9278.

PORT OF SOUTH LOUISIANA

BALANCE SHEETS

April 30, 2012 and 2011

ASSETS

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 11,922,590 | \$ 3,787,870 |
| Certificates of deposit | 3,707,908 | 4,113,843 |
| Investments | 5,773,863 | 5,767,832 |
| Accrued interest receivable | 743 | 1,088 |
| Accounts receivable, net of \$88,344 and \$88,344 allowance for doubtful accounts | 1,167,996 | 1,483,715 |
| Prepaid expenses and other | <u>12,959</u> | <u>32,860</u> |
| TOTAL CURRENT ASSETS | 22,586,059 | 15,187,208 |
| RESTRICTED ASSETS | | |
| Cash | 1,169,342 | 488,908 |
| Cash, held by the State of Louisiana | 148,205 | 148,205 |
| Accrued interest receivable | <u>7,697</u> | <u>7,697</u> |
| TOTAL RESTRICTED ASSETS | 1,325,244 | 644,810 |
| PROPERTY AND EQUIPMENT - NET | 89,038,620 | 78,200,268 |
| OTHER ASSETS | <u>654</u> | <u>654</u> |
| | <u>\$112,950,577</u> | <u>\$ 94,032,940</u> |

PORT OF SOUTH LOUISIANA

BALANCE SHEETS - Continued

April 30, 2012 and 2011

LIABILITIES AND NET ASSETS

| | <u>2012</u> | <u>2011</u> |
|---|------------------------------|-----------------------------|
| CURRENT LIABILITIES | | |
| Payable from current assets: | | |
| Accounts payable and other accrued expenses | \$ 812,583 | \$ 464,361 |
| Accrued salaries and vacation | 324,695 | 277,222 |
| Current portion of note payable -St John the Baptist | 82,918 | 124,167 |
| Retainage payable | 1,040,240 | 536,384 |
| Unearned rent, deposits and other liabilities | <u>185,109</u> | <u>398,863</u> |
| TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS | 2,445,545 | 1,800,997 |
| Payable from restricted assets: | | |
| Port Security grant payable | 1,169,262 | 421,737 |
| Current portion of revenue bonds payable from restricted assets | 324,500 | - |
| Accrued interest payable | <u>89,161</u> | <u>-</u> |
| TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS | <u>1,582,923</u> | <u>421,737</u> |
| TOTAL CURRENT LIABILITIES | 4,028,468 | 2,222,734 |
| NONCURRENT LIABILITIES | | |
| Revenue bonds payable from restricted assets | 7,675,500 | - |
| Grant anticipation notes payable from restricted assets, net of unamortized discounts of \$88,667 and \$0 | 5,611,333 | - |
| Other noncurrent liabilities: | | |
| OPEB payable | 3,147,099 | 2,656,904 |
| General obligation bond - State of Louisiana | - | 140,000 |
| Note payable - St. John the Baptist Parish | <u>-</u> | <u>82,918</u> |
| TOTAL NONCURRENT LIABILITIES | <u>16,433,932</u> | <u>2,879,822</u> |
| TOTAL LIABILITIES | 20,462,400 | 5,102,556 |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Invested in capital assets, net of debt | 75,255,208 | 77,993,184 |
| Restricted | 155,982 | 223,073 |
| Unrestricted | <u>17,076,987</u> | <u>10,714,127</u> |
| TOTAL NET ASSETS | <u>92,488,177</u> | <u>88,930,384</u> |
| | <u>\$ 112,950,577</u> | <u>\$ 94,032,940</u> |

PORT OF SOUTH LOUISIANA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended April 30, 2012 and 2011

| | 2012 | 2011 |
|--|-------------------|-------------------|
| OPERATING REVENUES | | |
| Dockage, net | \$ 2,811,900 | \$ 3,469,174 |
| Harbor fees, anchorage and barge fleeting income | 4,835,459 | 4,548,709 |
| Foreign trade zone income | 168,500 | 145,000 |
| Rentals | 543,306 | 548,693 |
| Miscellaneous | 148,454 | 197,593 |
| Grant funding | 254,248 | - |
| Settlement payments | 370,000 | - |
| Right-of-way fee | 355,384 | - |
| Gain on sale of assets | - | 37,500 |
| Globalplex revenues: | | |
| Dockage | 568,579 | 113,453 |
| Wharfage | 647,055 | 364,282 |
| Rentals | 1,447,279 | 1,441,209 |
| Sheddage and other | 392,969 | 345,661 |
| TOTAL OPERATING REVENUES | 12,543,133 | 11,211,274 |
| OPERATING EXPENSES | | |
| Administration | 22,023 | 21,431 |
| Auditing | 39,293 | 35,949 |
| Building services | 39,886 | 40,014 |
| Computer software | 8,417 | 11,144 |
| Commission meetings | 14,428 | 15,264 |
| Conventions | 84,431 | 55,292 |
| Delivery charges | 2,559 | 2,375 |
| Depreciation | 2,419,606 | 2,365,255 |
| Dues | 25,537 | 31,880 |
| Employee benefits | 1,514,745 | 1,473,820 |
| Engineering fees | 169,120 | 94,766 |
| Equipment rentals | 18,302 | 17,064 |
| Fuel | 111,918 | 134,321 |
| Insurance | 783,636 | 776,439 |
| Legal fees | 127,549 | 87,067 |
| Maintenance and repairs | 425,854 | 904,107 |
| Management services - Globalplex | 27,110 | 26,270 |
| Medical expense | 9,037 | 5,765 |
| Mileage | 2,010 | 3,427 |
| Permits and license fees | 14,915 | 14,646 |
| Port planning and development | 197,226 | 180,651 |

PORT OF SOUTH LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - *Continued*
 Years Ended April 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|----------------------|
| OPERATING EXPENSES (CONTINUED) | | |
| Post-retirement benefit expense | 490,195 | 652,233 |
| Postage | 4,889 | 6,911 |
| Printing | 3,928 | 1,858 |
| Professional fees | 491,511 | 419,931 |
| Publishing | 11,600 | 6,702 |
| Salaries | 3,405,927 | 3,079,011 |
| Security | 393,599 | 364,181 |
| Subscriptions | 7,247 | 5,896 |
| Supplies | 53,803 | 48,244 |
| Telephone | 100,118 | 99,220 |
| Training | 9,911 | 6,897 |
| Uniforms | 12,495 | 22,562 |
| Utilities | <u>400,379</u> | <u>369,778</u> |
| | | |
| TOTAL OPERATING EXPENSES | <u>11,443,204</u> | <u>11,380,371</u> |
| | | |
| OPERATING INCOME (LOSS) | 1,099,929 | (169,097) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest earned on investments | 44,460 | 39,661 |
| Interest expense on grant anticipation notes payable from restricted assets | (12,410) | (17,550) |
| Interest expense - Globalplex | <u>(251,461)</u> | <u>(25,367)</u> |
| | | |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(219,411)</u> | <u>(3,256)</u> |
| | | |
| NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | 880,518 | (172,353) |
| | | |
| Capital Contributions | <u>2,677,275</u> | <u>7,155,142</u> |
| | | |
| CHANGE IN NET ASSETS | 3,557,793 | 6,982,789 |
| NET ASSETS | | |
| | | |
| BEGINNING OF YEAR | <u>88,930,384</u> | <u>81,947,595</u> |
| | | |
| END OF YEAR | <u>\$ 92,488,177</u> | <u>\$ 88,930,384</u> |

PORT OF SOUTH LOUISIANA

STATEMENTS OF CASH FLOWS

Years Ended April 30, 2012 and 2011

| | 2012 | 2011 |
|--|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 12,858,852 | \$ 11,062,742 |
| Payments to other sources | (213,754) | (106,168) |
| Payments to suppliers | (3,144,229) | (3,765,750) |
| Payments to employees and related benefits | (4,882,236) | (4,652,203) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 4,618,633 | 2,538,621 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Receipts on restricted debt | - | 4,657 |
| Payments on notes payable | (264,167) | (247,083) |
| Security grant payable | 747,525 | (1,289,565) |
| Interest paid | (263,871) | (42,917) |
| Direct financing leases receivable | - | 74,629 |
| Proceeds from grant anticipation notes payable | 5,586,000 | - |
| Proceeds from sale of assets | - | 37,500 |
| Property acquisitions | (10,646,692) | (2,201,940) |
| Retainage payable | 503,856 | 536,384 |
| Accrued bond interest payable | 89,161 | (164,462) |
| Proceeds from revenue bonds payable | 8,000,000 | - |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | 3,751,812 | (3,292,797) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Purchase) sale of investments | 399,904 | (2,781,756) |
| Investment income received | 44,805 | 118,291 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 444,709 | (2,663,465) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 8,815,154 | (3,417,641) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 4,424,983 | 7,842,624 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 13,240,137 | \$ 4,424,983 |

PORT OF SOUTH LOUISIANA
STATEMENTS OF CASH FLOWS - Continued
Years Ended April 30, 2012 and 2011

| | 2012 | 2011 |
|---|----------------------|---------------------|
| Cash and cash equivalents include: | | |
| Cash and cash equivalents | \$ 11,922,590 | \$ 3,787,870 |
| Restricted assets: | | |
| Restricted cash | 1,169,342 | 488,908 |
| Cash held by the State of Louisiana | 148,205 | 148,205 |
| TOTAL CASH AND CASH EQUIVALENTS | \$ 13,240,137 | \$ 4,424,983 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ 1,099,929 | \$ (169,097) |
| Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities: | | |
| Depreciation | 2,419,606 | 2,365,255 |
| (Gain)/Loss on (sale)/disposal of assets | 66,009 | (37,500) |
| Amortization of discounts on notes payable | 25,333 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | 315,719 | (111,031) |
| Prepaid expenses and other | 19,901 | (20,401) |
| Accounts payable | 348,222 | 58,938 |
| Accrued expenses | 47,473 | (93,608) |
| Unearned rent, deposits and other liabilities | (213,754) | (106,168) |
| OPEB payable | 490,195 | 652,233 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 4,618,633 | \$ 2,538,621 |

Noncash Activity: The Port received contributed property from outside sources of \$2,677,275 in 2012 and \$7,155,142 in 2011. The Port redeemed Industrial Revenue Term Bonds in the amount of \$52,000,000 in 2011, see NOTE 4.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS
April 30, 2012 and 2011

NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of South Louisiana (the "Port") is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:2471. The Port is governed by a Board of Commissioners (the "Board") consisting of seven members appointed for a four-year term as follows:

- The parish presidents, with concurrence of 2/3 of the members of the respective parish councils of each of the parishes of St. Charles, St. James and St. John the Baptist, appoint one resident commissioner each.
- Three resident members (one from each parish) or chief executive officers of a business which is principally operated within each parish are appointed by the Governor of the State of Louisiana.
- One member at-large who shall reside and be domiciled within the geographical boundaries of the Port is appointed by the Governor.

The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but 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 the Port.

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The Port is reported as a stand-alone entity as defined by Government Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity." The Port is neither fiscally dependent on any other local government, nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

Basis of Presentation - Fund Accounting

The Port's operations are accounted for in a proprietary fund type - the enterprise fund. The proprietary fund type is accounted for using the flow of economic resources measurement focus. With this measurement focus all assets and liabilities associated with the operations are included on the balance sheet. Fund equity is segregated into contributed capital and net assets. The operating statement presents increases (revenues) and decreases (expenses) in net total assets.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Presentation - Fund Accounting (continued)

The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The measurement focus emphasizes the determination of net income.

The Port follows the accrual basis of accounting for its proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Under the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Fund Accounting", the Port has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investments and Restricted Assets

Restricted and unrestricted investments of the Port, substantially all of which have original maturities of one year or less, are recorded at fair value. Fair value is based on quoted market prices.

Restricted assets are deposits received and/or made by the Port prior to payment due to the bondholders on the revenue bonds payables.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment

Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.

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

| | |
|------------------------------------|---------------|
| Docks, barges and other facilities | 5 - 50 years |
| Boats | 10 - 30 years |
| Equipment and furniture | 3 - 40 years |
| Buildings | 7 - 40 years |

The Port's policy is to capitalize construction period interest, if any. For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing. Maintenance and repairs are charged to expenses when incurred.

Intangible Assets

Intangible assets include easements, computer software, patents, copyrights, trademarks and goodwill. The Port does not currently have any reportable intangible assets that meet the capitalization threshold for intangible assets since the implementation of GASB No. 51 "Accounting and Reporting for Intangible Assets" in 2010.

Long-Term Obligations

Long-term obligations include revenue bonds and grant anticipation notes used to provide capital for construction projects in the three-parish area.

Contributed Capital and Net Assets

Contributed capital includes various grants from the State of Louisiana as well as other state and federal departments. Net assets represent the amount of accumulated earnings related since the beginning of operations.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Compensated Absences

Employees of the Port are covered by the State of Louisiana civil service regulations and, as such, accumulate sick and annual leave in accordance with varying rates stipulated under these regulations. Upon termination and/or retirement, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes. The Port's liabilities for sick leave of \$1,416,402 and \$1,308,228 as of April 30, 2012 and 2011, respectively, have not been accrued because the employees are not entitled to it upon termination.

Statements of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents consist of demand deposits and time deposits with banks and money market mutual funds.

Reclassification

Certain 2011 amounts have been reclassified to conform with the 2012 financial statement presentation.

NOTE 2 - CASH AND INVESTMENTS

Cash and Cash Equivalents

At April 30, 2012, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled \$16,799,840; the bank balance totaled \$16,884,611. Of the bank balance, \$1,150,000 was covered by federal deposit insurance, \$15,729,138 was covered by collateral held by the bank's agent and pledged in the Port's name, and \$5,473 was unsecured money market deposits.

At April 30, 2011, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled \$8,390,621; the bank balance totaled \$8,920,251. Of the bank balance, \$1,150,000 was covered by federal deposit insurance, \$7,764,255 was covered by collateral held by the bank's agent and pledged in the Port's name, and \$5,996 were unsecured money market deposits.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and Cash Equivalents (continued)

April 30, 2012:

| | <u>Cash</u> | <u>Certificates of Deposit</u> | <u>Total</u> |
|---|----------------------|------------------------------------|----------------------|
| Covered by federal depository insurance | \$ 250,000 | \$ 900,000 | \$ 1,150,000 |
| Collateralized with securities held by the pledging institution's trust department or agent, in the Port's name | 12,921,231 | 2,807,907 | 15,729,138 |
| Uncollateralized, including securities held by the pledging institution or its agent but not in the Port's name | <u>5,473</u> | <u>-</u> | <u>5,473</u> |
| Total bank balance | <u>\$ 13,176,704</u> | <u>\$ 3,707,907</u> | <u>\$ 16,884,611</u> |

April 30, 2011:

| | <u>Cash</u> | <u>Certificates of Deposit</u> | <u>Total</u> |
|---|---------------------|------------------------------------|---------------------|
| Covered by federal depository insurance | \$ 250,000 | \$ 900,000 | \$ 1,150,000 |
| Collateralized with securities held by the pledging institution's trust department or agent, in the Port's name | 4,550,413 | 3,213,842 | 7,764,255 |
| Uncollateralized, including securities held by the pledging institution or its agent but not in the Port's name | <u>5,996</u> | <u>-</u> | <u>5,996</u> |
| Total bank balance | <u>\$ 4,806,409</u> | <u>\$ 4,113,842</u> | <u>\$ 8,920,251</u> |

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and Cash Equivalents (continued)

The following is a breakdown by banking institution and amount of the balances shown above:

| <u>Banking Institution</u> | <u>2012 Amount</u> | <u>2011 Amount</u> |
|---------------------------------------|--------------------------|-------------------------|
| 1. Regions Bank | \$ 13,171,231 | \$ 4,800,413 |
| 2. Edward Jones | 5,473 | 5,996 |
| 3. Community Bank | 200,000 | 200,000 |
| 4. First National Bank, USA | 307,907 | 713,842 |
| 5. Iberia Bank | 200,000 | 200,000 |
| 6. First American Bank | <u>3,000,000</u> | <u>3,000,000</u> |
| Total bank balance – all deposits | <u>\$ 16,884,611</u> | <u>\$ 8,920,251</u> |

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Port's deposits may not be returned to it. As of April 30, 2012 and 2011, \$5,473 and \$5,996, respectively, of the Port's bank balances of \$16,884,611 and \$8,920,251 were exposed to custodial credit risk because they were uninsured and uncollateralized.

Investments

The Port may invest idle funds as authorized by Louisiana Statutes, as follows:

- a. United States bonds, treasury notes, certificates, or any other federally insured investment.
- b. Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.
- c. Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities 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.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port's investment policy requires that all repurchase agreement investments be fully collateralized and held by the counterparty's trust department or agent in the Port's name. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission. The Port's investment balances exposed to custodial credit risk (not registered in the entity's name), totaled \$4,517 and \$5,346 in 2012 and 2011, respectively.

All investments are carried at Fair Value.

| | 2012 | 2011 |
|---|--------------|--------------|
| Unrestricted investments: | | |
| Government mortgage-backed securities (GNMAs) | \$ 4,517 | \$ 5,346 |
| Louisiana Asset Management Pool, Inc. | 5,769,346 | 5,762,486 |
| | \$ 5,773,863 | \$ 5,767,832 |

Restricted cash of \$148,205 held by the State of Louisiana as of April 30, 2012 and 2011 represents funds held on behalf of the general obligation bond payable. This general obligation bond was paid off in April 2012. The State of Louisiana will return the funds to the Port.

Investments held at April 30, 2012 and 2011 include \$5,769,346 and \$5,762,486, respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at April 30, 2012 and 2011 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments (continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1 + commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares. LAMP is rated AAAM by Standards & Poor's.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company. Audited financial statements for LAMP can be found at www.lamppool.com.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The Port's investment policy limits interest rate risk by generally limiting maturities of its investments to shorter term securities, money market mutual funds, or similar investment pools as well as structuring the investment portfolio so that securities meet cash requirements for ongoing operations.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk and Concentration of Credit Risk

The credit risk of investments is the risk that an issuer or other counterparty will not meet its obligations. This credit risk is measured by credit quality ratings as described by ratings agencies such as Standard & Poor's (S&P) and Moody's. The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools). The Port's investment policy does not place a limit on the amount the Port may invest in any one issuer.

The following table illustrates the Port's investment exposure to credit risk as of April 30, 2012 and 2011:

| <u>S&P RATING</u> | <u>FAIR VALUE</u> | |
|-----------------------|-------------------|-------------|
| AAA | <u>2012</u> | <u>2011</u> |
| | \$ 4,517 | \$ 5,346 |

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at April 30:

| | <u>2012</u> | | | |
|---|----------------------|----------------------|--------------------|----------------------|
| | <u>05/01/11</u> | <u>Additions</u> | <u>Deletions</u> | <u>04/30/12</u> |
| Land | \$ 11,983,060 | \$ 3,000 | \$ - | \$ 11,986,060 |
| Building, docks and equipment | 4,512,404 | 577,827 | - | 5,090,231 |
| Globalplex buildings, docks and equipment | 74,274,620 | - | - | 74,274,620 |
| Construction in progress | <u>11,947,729</u> | <u>12,743,140</u> | <u>(66,009)</u> | <u>24,624,860</u> |
| Total property and equipment | 102,717,813 | 13,323,967 | (66,009) | 115,975,771 |
| Less accumulated depreciation | <u>(24,517,545)</u> | <u>(2,419,606)</u> | - | <u>(26,937,151)</u> |
| Property and equipment, net | <u>\$ 78,200,268</u> | <u>\$ 10,904,361</u> | <u>\$ (66,009)</u> | <u>\$ 89,038,620</u> |

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following at April 30:

| | 2012 | 2011 |
|--|---------------|------------|
| Bonded debt – State Bond Commission | \$ - | \$ 140,000 |
| Bonded debt – revenue bonds | 8,000,000 | - |
| Notes payable to St. John the Baptist Parish | 82,918 | 207,085 |
| Grant anticipation notes payable | 5,700,000 | - |
| Total | 13,782,918 | 347,085 |
| Less current portion | (407,418) | (124,167) |
| Less discount | (88,667) | - |
| Total long-term portion | \$ 13,286,833 | \$ 222,918 |

The Port had a note payable to the Louisiana State Bond Commission. The General Obligation Bond (series 1992A) was related to property acquisition for a multi-use Port facility. The original value of the note, dated March 1, 1992 was \$1,600,000. This note was payable in annual installments of \$75,000 to \$140,000 plus varying interest at 6.1% to 6.5% due in semi-annual installments. The balance of the note was paid off in April 2012.

During the year ended April 30, 2012, the Port issued revenue bonds in the amount of \$8,000,000 for the purpose of financing a portion of the acquisition, construction, equipping and installation of an extension of the general cargo dock at the Globalplex facility. The bonds are payable in semi-annual installments of principal and interest of \$138,000 to \$353,508 through February 1, 2027. The interest rate on the bonds is 3.45%. As of April 30, 2012, the remaining principal balance of the bonds was \$8,000,000.

The Port has a note payable to St. John the Baptist Parish relating to the purchase of a building. The original value of the note, dated December 21, 1998, was \$1,345,000. The note is payable in annual installments of \$60,000 to \$130,000, with interest ranging from 3.88% to 4.00%, due semi-annually through December 31, 2012. As of April 30, 2012 and 2011, the remaining principal balance of the note was \$82,918 and \$207,085, respectively.

During the year ended April 30, 2012, the Port entered into a grant anticipation notes at a discounted rate of 98% in the amount of \$5,700,000. The discount of \$114,000 is being amortized on a straight-line basis over the life of the note. The stated interest rate of the note is 4.00%. The effective interest rate of the note is 4.12%. The note is payable in full at maturity with interest due semi-annually through October 1, 2014. As of April 30, 2012, the remaining principal balance of the note, including the unamortized discount of \$88,667 was \$5,611,333.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 4 - LONG-TERM DEBT (Continued)

The Port had issued two series of Industrial Revenue Bonds, as of April 30, 2010, to provide for the construction of various dock and wharf facilities within the jurisdiction of the Port. These limited obligation bonds were secured by direct financing leases and assets held in trust and were payable solely from revenues derived by third-party entities. Neither the Port, the State of Louisiana, nor any political subdivision thereof was obligated in any manner for repayment of the bonds. On May 3, 2010, Occidental Chemical Corporation redeemed both Port Facility Refunding Revenue Bonds, totaling \$52,000,000.

Debt service requirements, including interest of \$2,884,389, for outstanding bonds and notes payable were as follows as of April 30, 2012.

| <u>April 30,</u> | Note Payable St. John the Baptist Parish | Revenue Bonds Payable | Grant Anticipation Notes Payable | <u>Total</u> |
|------------------|--|-----------------------------|--|----------------------|
| 2013 | \$ 93,602 | \$ 598,646 | \$ 228,000 | \$ 920,248 |
| 2014 | - | 705,501 | 228,000 | 933,501 |
| 2015 | - | 705,537 | 5,814,000 | 6,519,537 |
| 2016 | - | 705,529 | - | 705,529 |
| 2017 | - | 705,469 | - | 705,469 |
| Thereafter | - | <u>6,883,023</u> | - | <u>6,883,023</u> |
| | <u>\$ 93,602</u> | <u>\$ 10,303,705</u> | <u>\$ 6,270,000</u> | <u>\$ 16,667,307</u> |

NOTE 5 – DOCKAGE AND HARBOR FEES

Dockage fee revenues are not dedicated to provide specific services, but are available to fund the operations of the Port. Harbor fees are dedicated to the providing of services to the vessels which use the Port and to the facilities located therein in the interest of public welfare and safety. Such funds may be appropriated by the Port for such purposes as to assist in defraying the administration and maintenance of the Port, including the supervision of the shipping of the Port, with the view of preventing collision and fires, policing the river and river front, the operation of one or more craft in the Port to aid vessels or persons in distress, and to aid in extinguishing fires in vessels and equipment and their cargo aboard such vessels, or upon wharves and other facilities of the Port.

NOTE 6 - CONCENTRATION

Billings for the four largest facility operators represent 69% and 73%, respectively, of total gross dockage revenues for the years ended April 30, 2012 and 2011.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 7 - RETIREMENT PLANS

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS"), a cost-sharing multiple-employer defined benefit pension plan administered by a separate board of trustees. 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 five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute (LRS 42:651; 712; 712.1; 712.3). 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, P. O. Box 44213, Baton Rouge, Louisiana 70804-4213.

The LASERS is a defined benefit contributory pension plan to which employees hired before July 1, 2006 contribute 7.5% of their salaries and employees hired after July 1, 2006 contribute 8.0% of their salaries, and the Port contributes 25.6% of the employees' salaries toward future benefits.

A member is eligible to retire after at least 10 years of service at age 60, 25 years at age 55, 30 years at any age or after 20 years at any age with a reduced benefit. Effective January 1, 1996, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once a member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% of average annual compensation for the highest 3 consecutive years of employment multiplied by the number of years of creditable service, with certain limitations.

Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

Act 14 of the 1990 Louisiana Legislature provided for a new retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Total contributions for the years ended April 30, 2012, 2011 and 2010 were \$549,961, \$530,742 and \$467,885, respectively. These amounts are equal to the required contributions for each of these three years.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 8 - CONTINGENCIES

The Port is a party to other legal proceedings incidental to its business. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port. While no current liability is recorded, future actions may occur that would affect the Port's liability.

NOTE 9 - CONDUIT DEBT

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

In 1997, the Port issued port facility revenue bonds, due January 1, 2027, for the purpose of financing the cost of acquiring, constructing and installing a project, consisting of certain dock, wharf and related storage facilities, in the amount of \$22,000,000 on behalf of Holcim, Inc. (the Company). The Company is responsible for the payment of these bonds which are secured by an irrevocable letter of credit.

In 2008, the Port issued port facility revenue bonds, due December 1, 2038, for the purpose of financing the cost of design, development, acquisition, construction, installation and equipping of a portion of docks and wharves and related facilities, in the amount of \$40,000,000 on behalf of Plains All American Pipeline, L.P. (the Company). The Company is responsible for the payment of these bonds which are secured by the holder and owner through the Indenture.

NOTE 10 - SUBSEQUENT EVENTS

The Port has evaluated subsequent events through the date the financial statements were available to be issued, which corresponds with the date of the independent auditors' report.

On August 24, 2012, the Port redeemed \$5,000,000 of principal and \$90,556 of accrued interest of the outstanding \$5,700,000 Grant Anticipation Notes, Series 2011 issued on September 7, 2011.

On August 26, 2012, the Port purchased 51 acres of property in Taft, Louisiana in the amount of \$1,100,000 in accordance with FPC Project No. 36-P21-11-01 (see Note 12).

On August 28, 2012, Hurricane Isaac made landfall on the coast of South Louisiana near the mouth of the Mississippi River. Although St. Charles, St. James and St. John the Baptist Parishes, where the Port resides and operates, sustained severe damage, damage to the Port's property and facilities were minimal.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 11 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

Plan Description

The Port provides post-employment health care and life insurance benefits for substantially all employees if they reach normal retirement age while working for the Port. The Port's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan (for fiscal year 2012) that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). LRS 42:801- 883 assigns the authority to establish and amend benefit provisions of the plan.

The OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained on the Office of Statewide Reporting and Accounting Policy's website at www.doa.louisiana.gov/osrap.

Funding Policy

The contribution requirements of plan members and the Port are established and may be amended by LRS 42:801- 883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage.

The OGB offers two standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan and the Health Maintenance Organization (HMO) Plan. Retired employees who have Medicare Part A and Part B coverage also have access to six OGB Medicare Advantage plans which includes three HMO plans and three PPO plans. Depending upon the plan selected, during the year ended April 30, 2012, employee premiums for a single member receiving benefits range from \$90 to \$94 per month for retiree-only coverage with Medicare or from \$146 to \$288 per month for retiree-only coverage without Medicare. The premiums for a retiree and spouse for the year ended April 30, 2012 range from \$162 to \$346 per month for those with Medicare or from \$482 to \$509 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis with the Port contributing anywhere from \$146 to \$281 per month for retiree-only coverage with Medicare or from \$439 to \$864 per month for retiree-only coverage without Medicare during the year ended April 30, 2012. Also, the Port's contributions range from \$486 to \$1,038 per month for retiree and spouse with Medicare or \$1,446 to \$1,526 for retiree and spouse without Medicare.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 11 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS
(Continued)

Annual OPEB Cost

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one-half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at age 70 for retirees.

The Port's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the Plan's fiscal year beginning July 1, 2011 is \$525,700.

| | |
|------------------------------------|-------------------|
| Normal Cost | \$ 311,000 |
| 30-year UAAL amortization amount | 195,487 |
| Interest on the above | <u>19,213</u> |
| Annual required contribution (ARC) | <u>\$ 525,700</u> |

The following table presents the Port's OPEB Obligation for the year ended April 30, 2012:

| | |
|---|---------------------|
| Beginning Net OPEB Obligation May 1, 2011 | \$ 2,656,904 |
| Annual required contribution | 525,700 |
| Interest on Net OPEB Obligation | 106,346 |
| ARC Adjustment | <u>(101,525)</u> |
| OPEB Cost (expense) | 530,521 |
| Less: | |
| Contributions made | <u>(40,326)</u> |
| Change in Net OPEB Obligation | <u>490,195</u> |
| Ending Net OPEB Obligation April 30, 2012 | <u>\$ 3,147,099</u> |

Utilizing the pay-as-you-go method, the Port contributed 8% of the annual post employment benefits cost during the year ended April 30, 2012.

During the year ended April 30, 2010, the Port, through the OGB, established a post-employment benefits plan trust. As of April 30, 2012, the OGB has not funded the trust, has no assets and has a funded ratio of zero. The actuarial accrued liability of \$5,115,900 is unfunded.

PORT OF SOUTH LOUISIANA
 NOTES TO FINANCIAL STATEMENTS - *Continued*
 April 30, 2012 and 2011

NOTE 11 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS
 (Continued)

Funded Status and Funding Progress

The funded status of the Plan as of the most recent valuation date of July 1, 2011 is as follows:

| | | |
|--|----|-----------|
| Actuarial accrued liability (AAL) | \$ | 5,115,900 |
| Actuarial value of plan assets | | - |
| Unfunded actuarial accrued liability (UAAL) | | 5,115,900 |
| Funded ratio (actuarial value of plan assets AAL) | | 0% |
| Covered payroll (annual payroll of active employees covered by the plan) | | 2,607,300 |
| UAAL as a percentage of covered payroll | | 196% |

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 7.5% and 8.6% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized at a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2011, was thirty years.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 12 - COMMITMENTS

Effective November 1, 2010, the Port entered into an Operating and Lease Agreement with the Parish of St. John the Baptist in the amount of \$1 per year, to operate and manage the St. John the Baptist Parish Airport (Airport). This lease expires December 31, 2040. Pursuant to the agreement, the Port will accept sponsorship of the Airport including all obligations past, present and future related to federal grants, maintain and operate the Airport which includes but is not limited to, overseeing day-to-day activities, collection of revenues, payment of expenses and marketing of the Airport and adjacent property. For the years ended April 30, 2012 and 2011, the Port incurred losses related to the operations of the Airport in the amount of \$207,637 and \$142,938, respectively.

On September 6, 2011, the Port entered into a Cooperative Endeavor Agreement with the State of Louisiana Division of Administration – Facility Planning and Control (FPC) which provides the Port with funds totaling \$7,025,000 for dock planning and construction through FPC Project No. 36-P21-06B-04.

On September 27, 2011, the Port entered into a Cooperative Endeavor Agreement with the State of Louisiana Division of Administration – Facility Planning and Control (FPC) which provides the Port with funds totaling \$1,775,000 to construct and extend the runway of the St. John the Baptist Parish Airport through FPC Project No. 36-P21-10-02.

On November 16, 2011, the Port entered into a Cooperative Endeavor Agreement with the State of Louisiana Division of Administration – Facility Planning and Control (FPC) which provides the Port with funds of \$2,850,000 to update the existing Globalplex terminal building through FPC Project No. 36-P21-10-03.

On November 16, 2011, the Port entered into a Cooperative Endeavor Agreement with the State of Louisiana Division of Administration – Facility Planning and Control (FPC) which provides the Port with funds of \$6,500,000 to install a new dock, building, and equipment, and for land acquisition through FPC Project No. 36-P21-11-01.

On November 9, 2011 the Port entered into a Cooperative Endeavor Agreement with the State of Louisiana Division of Administration – Facility Planning and Control (FPC) which provides the Port with funds of \$5,577,932 to purchase land and construct roadway and railway improvements through FPC Project No. 36-P21-02B-02.

PORT OF SOUTH LOUISIANA
NOTES TO FINANCIAL STATEMENTS - Continued
April 30, 2012 and 2011

NOTE 13 – SETTLEMENT PAYMENTS

In a prior year, the Port was involved in legal proceedings against Godchaux-Henderson for reimbursement of remediation costs. The case had been ongoing for several years. During the year ended April 30, 2012, a settlement was reached, and the Port recovered \$185,000 in damages.

In a prior year, the Port was involved in legal proceedings against Reliance Insurance Company for reimbursement of legal defense fees. The case had been ongoing for several years. During the year ended April 30, 2012, a settlement was reached, and the Port recovered \$185,000 in damages.

PORT OF SOUTH LOUISIANA
SCHEDULE OF FUNDING PROGRESS FOR OPEB PLAN
For the Years Ended April 30, 2012, 2011, and 2010

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Project Unit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| July 1, 2011 | \$ - | \$ 5,115,900 | \$ 5,115,900 | 0% | \$ 2,607,300 | 196% |
| July 1, 2010 | \$ - | \$ 6,366,600 | \$ 6,366,600 | 0% | \$ 2,563,600 | 248% |
| July 1, 2009 | \$ - | \$ 7,199,200 | \$ 7,199,200 | 0% | \$ 2,348,600 | 307% |

OTHER SUPPLEMENTAL INFORMATION

Kushner LaGraize, L.L.C.

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

To the Board of Commissioners
Port of South Louisiana

We have audited the financial statements of the Port of South Louisiana (the Port) as of and for the year ended April 30, 2012 and have issued our report thereon dated October 3, 2012. 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.

Internal Control over Financial Reporting

Management of the Port is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Port, the Port's management, the State of Louisiana, the Legislative Auditor's Office, federal 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 Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
October 3, 2012

Kushner LaGraize, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Port of South Louisiana

Compliance

We have audited the Port of South Louisiana's (the Port) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended April 30, 2012. The Port's major federal programs are 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 each of its major federal programs is the responsibility of the Port's management. Our responsibility is to express an opinion on the Port'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 Port'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 a legal determination of the Port's compliance with those requirements.

As described in item 2012-1 in the accompanying schedule of findings and questioned costs, the Port did not comply with requirements regarding the procurement requirements that are applicable to its Department of Homeland Security Awards. Compliance with such requirements is necessary, in our opinion, for the Port to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Port complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2012.

Internal Control over Compliance

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port as of and for the year ended April 30, 2012, and have issued our report thereon dated October 3, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on

the financial statements that collectively comprise the Port's basic financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Port's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Port's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Port, the Port's management, State of Louisiana, the Legislative Auditor's Office, federal 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 Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
October 3, 2012

PORT OF SOUTH LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2012

| <u>Federal Grantor/Pass-Through Grantor Program Title</u> | <u>CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------|---------------------|
| United States Department of Homeland Security | | |
| Direct programs: | | |
| | 97.056 | \$ <u>774,521</u> |
| FY 2007 Port Security Grant Program | | 774,521 |
| Indirect programs: | | |
| FY 2006 Port Security Grant Program | 97.056 | 1,125,131 |
| FY 2007 Port Security Grant Program | 97.056 | 6,688 |
| FY 2008 Port Security Grant Program | 97.056 | 6,688 |
| FY 2009 Port Security Grant Program | 97.056 | 6,688 |
| FY 2010 Port Security Grant Program | 97.056 | 6,688 |
| FY 2011 Port Security Grant Program | 97.056 | <u>6,688</u> |
| | | <u>1,158,571</u> |
| Total Expenditures of Federal Awards | | <u>\$ 1,933,092</u> |

PORT OF SOUTH LOUISIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of the Port of South Louisiana and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, 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.

PORT OF SOUTH LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended April 30, 2012

I. SUMMARY OF AUDITORS' RESULTS

- a. The type of report issued on the basic financial statements: unqualified opinion.
- b. Significant deficiencies in internal were disclosed by the audit of the financial statements: none reported: Material weaknesses: none.
- c. Noncompliance which is material to the financial statements: none.
- d. Significant deficiencies in internal control over major program: none reported: Material weaknesses: yes.
- e. The type of report issued on compliance for major program: qualified opinion.
- f. Any audit findings which are required to be reported under Section 510 (a) of OMB Circular A-133: yes.
- g. Major Program:

U.S. Department of Homeland Security
Port Security Grant Program:
Office of State and Local Government
Coordination and Preparedness
- h. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- i. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no.

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS: none.

3. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS:

2012-1

During our testing of federal awards we noted that the Port does not have a published procedure to check vendors or contractors against the Debarred or Suspended list as required by OMB Circular A-133.

PORT OF SOUTH LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended April 30, 2012

Recommendation

We recommend that the Port establish a formal procurement process to ensure the Port is in compliance with all requirements in accordance with OMB Circular A-133.

Management's Response

See Management's Corrective Action Plan.

PORT OF SOUTH LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended April 30, 2012

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

None

SECTION II - MANAGEMENT LETTER

None

**STATUS OF CORRECTIVE ACTION PLAN
INTERNAL CONTROL AND COMPLIANCE AND CORRECTIVE
ACTION SCHEDULE OF FINDINGS
For the Year Ended April 30, 2012**

October 3, 2012

Office of Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

The Port of South Louisiana respectfully submits the following status of corrective action plan for resolving findings included in the Auditors' Report on Internal Control and Compliance Material to the Financial Statements for the year ended April 30, 2012. The audit period is from May 1, 2011 - April 30, 2012.

Our independent public accounting firm is Kushner LaGraize, L.L.P., Certified Public Accountants and Consultants, 3330 West Esplanade Avenue, Suite 100, Metairie, Louisiana 70002.

Finding 2012-1

During our testing of federal awards we noted that the Port does not have a published procedure to check vendors or contractors against the Debarred or Suspended list as required by OMB Circular A-133.

Recommendation:

We recommend that Port establish a formal procurement process to ensure the Port is in compliance with all requirements in accordance with OMB Circular A-133.

Management's Response:

The Port has implemented a procedure to ensure that we are in compliance with all requirements of OMB Circular A-133.

America's Largest Tonnage Port