

CADDO-BOSSIER PORT COMMISSION

SHREVEPORT, LOUISIANA

DECEMBER 31, 2017 AND 2016

CADDO-BOSSIER PORT COMMISSION

SHREVEPORT, LOUISIANA

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REQUIRED SUPPLEMENTARY INFORMATION (PART I)

MANAGEMENT'S DISCUSSION AND ANALYSIS

CADDO-BOSSIER PORT COMMISSION
SHREVEPORT, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

This section of the Port's annual financial report presents a discussion and analysis of the Port's financial performance for the year ended December 31, 2017. Please read it in conjunction with the Port's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Port's equity increased \$4.4 million resulting primarily from the construction of additional Port projects and positive operating income. The Port generates revenue from Port operations and receives funds from the State of Louisiana, ad valorem taxes and various agencies for the development of the Port complex. Ordinary business activity resulted in an increase in net position of \$2.4 million.

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 Port's financial statements are prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 Revenues and Expenses. All assets and liabilities associated with the operation of the Port are included in the Statements of Net Position.

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.

FINANCIAL ANALYSIS

Equity

The Port's total assets and deferred outflows at December 31, 2017 increased to \$238.5 million. This represents an increase of \$26.2 million or 12.4% from the prior year. Total liabilities and deferred inflows increased \$21.8 million to \$72.8 million and total net position is \$165.7 million, for an increase of \$4.4 million or 2.7% (See Table 1).

Table 1
Net Position

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Current assets	29,418,800	25,108,166	17.2%
Restricted assets	34,654,949	10,222,638	239.0%
Property-net	170,827,266	173,504,407	(1.5)%
Other assets	2,900,009	2,527,415	14.7%
Deferred outflows of resources	<u>681,036</u>	<u>902,778</u>	<u>(24.6)%</u>
Total assets and deferred outflows	<u>238,482,060</u>	<u>212,265,404</u>	<u>12.4%</u>

Table 1 (Continued)
Net Position

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Current liabilities	17,429,698	13,706,903	27.2%
Non-current liabilities	55,297,001	37,202,110	48.6%
Deferred inflow of resources	<u>91,678</u>	<u>100,724</u>	<u>(9.0)%</u>
Total liabilities	<u>72,818,377</u>	<u>51,009,737</u>	<u>42.8%</u>
 <u>Net position:</u>			
Net investment in capital assets	106,490,076	130,766,487	(18.6)%
Restricted	34,654,949	10,222,638	239.0%
Unrestricted	<u>24,518,658</u>	<u>20,266,542</u>	<u>21.0%</u>
Total net position	<u>165,663,683</u>	<u>161,255,667</u>	<u>2.7%</u>
 Total liabilities, deferred inflows and net position	 <u>238,482,060</u>	 <u>212,265,404</u>	 <u>12.4%</u>

Changes in Net Position

The change in total net position for 2017 was an increase of \$4.4 million or 2.7%. The Port's total operating revenues increased \$1.4 million or 9.5%. Total operating expenses increased \$0.3 million or 2.4%. The changes in net position for operations are detailed in Table 2 and operating expenses are detailed in Table 3.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
<u>Operating revenues:</u>			
Ad valorem taxes	6,625,959	6,633,499	(0.1)%
Lease rentals	3,903,662	3,442,389	13.4%
Port operations	2,664,996	1,782,628	49.5%
Miscellaneous	<u>3,038,188</u>	<u>2,969,477</u>	<u>2.3%</u>
Total operating revenues	<u>16,232,805</u>	<u>14,827,993</u>	<u>9.5%</u>
 <u>Operating expenses:</u>			
Operating expenses	5,818,156	5,718,966	1.7%
Depreciation and amortization	<u>6,701,495</u>	<u>6,509,185</u>	<u>3.0%</u>
Total expenses	<u>12,519,651</u>	<u>12,228,151</u>	<u>2.4%</u>
 Operating income	 3,713,154	 2,599,842	 42.8%
 Nonoperating revenues and (expenses)	 <u>(1,352,501)</u>	 <u>(1,374,710)</u>	 <u>(1.6)%</u>
 Net income	 <u>2,360,653</u>	 <u>1,225,132</u>	 <u>92.7%</u>

Operating revenues increased by \$1.4 million or 9.5%. Port operations revenue increased from the prior year as a result of increased rail and waterway activities.

Total expenses increased by \$0.3 million or 2.4%, mainly due to an increase in salaries and employee benefits, and depreciation.

Table 3
Operating Expenses

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
<u>General and administrative expenses:</u>			
Salaries and employee benefits	3,123,630	2,866,433	9.0%
Contract labor	44,576	1,726	2,482.6%
Dues and subscriptions	36,074	29,997	20.3%
Office, maintenance, supplies and postage	182,993	188,519	(2.9)%
Fuel and lubes	39,629	28,363	39.7%
Telephone	149,849	126,320	18.6%
Utilities	175,076	153,493	14.1%
Insurance	540,078	493,018	9.5%
Rentals	42,000	42,000	0.0%
Training and safety	14,448	13,590	6.3%
Supplies and materials	17,344	25,117	(30.9)%
Maintenance and repairs	317,638	263,588	20.5%
Gear and equipment	18,398	1,963	837.2%
Miscellaneous	<u>24,736</u>	<u>8,542</u>	<u>189.6%</u>
Total general and administrative expenses	4,726,469	4,242,669	11.4%
Fire station operations	567,287	576,696	(1.6)%
Port maintenance	202,409	125,039	61.9%
Legal	19,807	92,949	(78.7)%
Travel, promotional and marketing	98,409	186,639	(47.3)%
Professional services	203,775	345,394	(41.0)%
Flood related cost	<u>-</u>	<u>149,580</u>	<u>(100.0)%</u>
	<u><u>5,818,156</u></u>	<u><u>5,718,966</u></u>	<u><u>1.7%</u></u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2017, the Port had invested \$170.8 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents a net decrease of \$2.7 million. Gross additions are primarily attributed to the water line project and warehouse expansion. Total additions amounted to \$3.9 million less depreciation of \$6.6 million.

Additional information on the Caddo-Bossier Port Commission's capital assets can be found in Note 5 on Page 10 of this report.

Long-Term Debt

The Port issued utility revenue bond debt of \$2,260,000 during the year for financing the construction and acquisition of redundant water facilities and improvements for the water system.

The Port has made its regularly scheduled payments on all of its long-term debt. During 2017, \$5.5 million in principal payments and \$1.9 million in interest payments were made. All bond debt covenants have been met. Additional information on the Caddo-Bossier Port Commission's debt can be found in Note 10 on Pages 15 through 20 of this report.

CONTACTING THE PORT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, 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 any questions about this report or need additional financial information, contact the Port at (318) 524-2272.

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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June 11, 2018

The Board of Commissioners
Caddo-Bossier Port Commission
Shreveport, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of the Caddo-Bossier Port Commission which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the major fund of the Caddo-Bossier Port Commission as of December 31, 2017 and 2016, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages i through iv, Schedule of Employer's Share of Net Pension Liability on Page 23, and Schedule of Employer Contributions on Page 24 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The accompanying other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on Page 25 is presented for purposes of additional analysis and is not a required part of the 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2018, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF NET POSITION

DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>Current assets:</u>		
Cash and interest-bearing deposits-Note 2	7,283,815	4,428,823
Investments-Note 3	13,917,694	14,066,195
Accounts receivable-ad valorem taxes, net of allowance for uncollectibles of \$372,535 and \$370,996, respectively-Note 7	5,836,389	5,812,274
Accounts receivable-other	2,282,718	624,859
Capital lease receivable	98,184	94,340
Prepaid expenses	-	<u>81,675</u>
Total current assets	<u>29,418,800</u>	<u>25,108,166</u>
<u>Non-current assets:</u>		
Cash-restricted-Note 2 and 10	5,897,806	6,182,158
Investments-restricted-Note 3 and 10	28,757,143	4,040,480
Debt issuance costs-Note 10	912,192	441,412
Capital lease receivable	1,987,817	2,086,003
Land, buildings and equipment (net of accumulated depreciation)-Note 5	<u>170,827,266</u>	<u>173,504,407</u>
Total non-current assets	<u>208,382,224</u>	<u>186,254,460</u>
<u>Deferred outflow of resources:</u>		
Deferred pension outflow	<u>681,036</u>	<u>902,778</u>
 Total assets and deferred outflows	 <u><u>238,482,060</u></u>	 <u><u>212,265,404</u></u>

The accompanying notes are an integral part of these financial statements.

<u>LIABILITIES</u>	<u>2017</u>	<u>2016</u>
<u>Current liabilities:</u>		
Accounts payable	2,671,566	1,473,307
Accrued liabilities payable	1,046,230	681,958
Unearned revenues-Notes 7 and 11	6,069,767	6,045,652
Long-term debt-Note 10	<u>7,642,135</u>	<u>5,505,986</u>
Total current liabilities	17,429,698	13,706,903
<u>Non-current liabilities:</u>		
Unearned revenues-Notes 7 and 11	933,006	963,259
Long-term debt-Note 10	53,840,697	35,617,636
Net pension liability	<u>523,298</u>	<u>621,215</u>
Total non-current liabilities	55,297,001	37,202,110
<u>Deferred inflow of resources:</u>		
Deferred pension inflow	<u>91,678</u>	<u>100,724</u>
Total liabilities and deferred inflows	72,818,377	51,009,737
<u>NET POSITION</u>		
<u>Net position:</u>		
Net investment in capital assets	106,490,076	130,766,487
Restricted	34,654,949	10,222,638
Unrestricted	<u>24,518,658</u>	<u>20,266,542</u>
Total net position	<u>165,663,683</u>	<u>161,255,667</u>
Total liabilities and net position	<u>238,482,060</u>	<u>212,265,404</u>

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Operating revenues:</u>		
Ad valorem taxes-Note 7	6,625,959	6,633,499
Lease rentals and oil and gas royalty income-Note 13	3,903,662	3,442,389
Safety tariff revenue-Note 15	269,858	274,438
Water and sewer revenue-Note 14	3,276,028	2,740,536
Port operations revenue	2,664,996	1,782,628
(Loss) on investments	(531,518)	(95,856)
Miscellaneous income	23,820	50,359
Total operating revenues	<u>16,232,805</u>	<u>14,827,993</u>
<u>Operating expenses:</u>		
General and administrative	4,726,469	4,242,669
Port maintenance	202,409	125,039
Fire station operations	567,287	576,696
Legal	19,807	92,949
Travel promotional and marketing	98,409	186,639
Professional services	203,775	345,394
Flood related cost	<u>-</u>	<u>149,580</u>
Total operating expenses before depreciation and amortization	<u>5,818,156</u>	<u>5,718,966</u>
<u>Operating income before depreciation and amortization</u>	10,414,649	9,109,027
<u>Depreciation and amortization expense</u>	<u>6,701,495</u>	<u>6,509,185</u>
<u>Operating income</u>	3,713,154	2,599,842
<u>Nonoperating revenues (expenses):</u>		
Interest and dividend income	659,385	380,011
Interest expense	(2,011,886)	(1,754,721)
Total nonoperating revenues (expenses)	<u>(1,352,501)</u>	<u>(1,374,710)</u>
<u>Net income</u>	<u><u>2,360,653</u></u>	<u><u>1,225,132</u></u>

The accompanying notes are an integral part of these financial statements.

CADDO-BOSSIER PORT COMMISSION
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

<u>Ending balance-December 31, 2015</u>	154,052,465
Net income	1,225,132
Contributed capital-Note 4	<u>5,978,070</u>
<u>Ending balance-December 31, 2016</u>	161,255,667
Net income	2,360,653
Contributed capital-Note 4	<u>2,047,363</u>
<u>Ending balance-December 31, 2017</u>	<u>165,663,683</u>

The accompanying notes are an integral part of these financial statements.

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities:</u>		
Net income	2,360,653	1,225,132
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,701,495	6,509,185
Loss on investments	531,518	95,856
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	(1,587,632)	(135,904)
Prepaid expenses	81,675	66,934
Debt issuance costs	(470,780)	-
Deferred outflow of resources	221,742	(570,148)
Accounts payable and accrued liabilities	1,562,531	831,920
Unearned revenue	(6,138)	256,094
Deferred inflow of resources	(9,046)	55,042
Net pension liability	<u>(97,917)</u>	<u>555,508</u>
Net cash provided by operating activities	9,288,101	8,889,619
<u>Cash flows from capital and related financing activities:</u>		
Contributed capital	2,047,363	5,978,070
Expenditures for acquisition and construction of capital assets	(3,944,345)	(8,362,653)
Sales (purchases) of investments	(25,179,689)	(47,801)
Proceeds from issuance of debt	25,866,000	2,260,000
Repayments of principal borrowed to finance acquisition and construction of capital assets	<u>(5,506,790)</u>	<u>(5,236,225)</u>
Net cash (used for) capital and related financing activities	<u>(6,717,461)</u>	<u>(5,408,609)</u>
<u>Net increase in cash and cash equivalents</u>	2,570,640	3,481,010
<u>Cash and cash equivalents, beginning of year</u>	<u>10,610,981</u>	<u>7,129,971</u>
<u>Cash and cash equivalents, end of year</u>	<u>13,181,621</u>	<u>10,610,981</u>
<u>Interest paid</u>	<u>1,848,711</u>	<u>1,790,969</u>
<u>Unrestricted cash and cash equivalents, end of year</u>	7,283,815	4,428,823
<u>Restricted cash and cash equivalents, end of year</u>	<u>5,897,806</u>	<u>6,182,158</u>
<u>Total cash and cash equivalents, end of year</u>	<u>13,181,621</u>	<u>10,610,981</u>

The accompanying notes are an integral part of these financial statements.

CADDO-BOSSIER PORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

1. Organization and Significant Accounting Policies

Organization

The Caddo-Bossier Parishes Port Commission (“Port”) is a political subdivision of the State of Louisiana created by Acts 1962, No. 504 as Article VI, Section 32, an amendment to the Louisiana Constitution of 1921 approved November 6, 1962 and carried forward as R.S. 34:3158-3165 pursuant to Article 14, Section 16(A)(3) of the Louisiana Constitution of 1974 and Acts 1975, No. 66. The Port 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 facilities and to regulate the commerce and traffic within the Caddo-Bossier Port area.

The Port is governed by a Board of nine Commissioners; one is appointed by the Bossier Parish Police Jury, two by the Caddo Parish Commission, four are appointed by the governing authority of the City of Shreveport, and two are appointed by the City of Bossier City. The Commissioners are not compensated for their services. They are, however, reimbursed in full for travel expenditures.

Title to all property and improvements operated by the Port is held for the public and vests in the Port for public administration, subject to the right of the Port to lease, sell or otherwise dispose of the property with proper public notice.

Significant Accounting Policies

The accounting and reporting policies of the Port conform to generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(a) 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 statement of net position. Fund equity is segregated into contributed capital and retained earnings. The operating statement presents increases (revenues) and decreases (expenses) in net total position.

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.

1. **Organization and Significant Accounting Policies** (Continued)

The content and certain titles of the financial statements were changed upon the adoption by the Port in 2012 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the financial statements, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Port had deferred outflows and inflows of resources at December 31, 2017 and 2016, related to pensions as shown on the statement of net position.

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

(b) **Property, Plant and Equipment**

Prior to January 1, 2000, fixed assets used in governmental fund type operations were accounted for in the general fixed assets account group. All fixed assets were valued at historical cost or estimated historical cost if actual historical cost was not available. No depreciation was provided on general fixed assets through December 31, 1999. Effective January 1, 2000, the fixed assets recorded in the General Fixed Assets Group of Accounts were transferred to the Enterprise Fund. These assets are in service and the majority of resources generated by them are obtained from fees charged to those entities that utilize these fixed assets.

Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water and Sewer Facility	50 years
Port Facility	40 years
Intermodal Container Facility	30 years
Access Roads	25 years
Railroads	20 years
Intermodal Equipment	10 years
Furniture and Fixtures	7 years

(c) **Statement of Cash Flows**

For the purposes of the Statement of Cash Flows, the Port considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) **Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingencies and litigation arising in the ordinary course of business. It is possible that management's estimates will change in the near term.

(e) **Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation.

2. Cash and Interest-Bearing Deposits

Deposits of the Port are held at various financial institutions. At December 31, 2017 and 2016, the carrying amounts of the Port cash demand deposits were \$13,181,621 and \$10,610,981 and the bank balance was \$13,241,781 and \$10,635,840, respectively. This difference is due to deposits in transit and outstanding checks. At year end, all deposits were entirely covered by federal depository insurance, U. S. Government Securities, and/or collateralized with securities, as required by state law.

Included in cash and interest-bearing deposits is \$15,598,796 and \$1,583,417 at December 31, 2017 and 2016, respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section I50.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a nonprofit 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, 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. LAMP is rated AAAM by Standard & Poor’s.

3. Investments

At December 31, 2017 and 2016, investments consisted of the following:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Bonds:				
U.S. Government and agency securities	<u>43,177,698</u>	<u>42,674,838</u>	<u>18,216,978</u>	<u>18,106,675</u>

Fair values for long-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

4. **Contributed Capital**

State grants are made available to the Port for the acquisition, improvement or construction of property and equipment and planning studies. Unrestricted operating grants and grants restricted as to purpose, but not contingent on the actual expenditures of funds, are recognized at that point in time when the right to the funds becomes irrevocable. Where the expenditure of funds is the prime factor for determining the eligibility for the grant proceeds, the grant is recognized at the time when the expense is incurred. Operating grants are credited to income, and capital grants are credited to contributed capital.

The following governmental entities provided funding for the Port during the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Louisiana Economic Development	-	5,923,130
Red River Waterway Commission	2,047,363	22,466
Federal Emergency Management Agency	-	32,474
	<u>2,047,363</u>	<u>5,978,070</u>

These funds were provided specifically for capital projects and are shown as a direct contribution to net position.

5. **Property, Plant and Equipment**

Effective January 1, 2000, the general fixed asset account group assets were transferred to the Enterprise Fund as these assets were substantially complete and in operation. These fixed assets consist of Port facilities including land, buildings, wharfs, docks, rail, switchyard, access roads, tank and storage facilities, water and sewer facilities, and a fire station.

During the year ended December 31, 2017, capital expenditures consisted mainly of additions to redundant water facilities project and warehouse expansion. During the year ended December 31, 2016, capital expenditures consisted mainly of additions to the Benteler Steel Project, redundant water facilities project and warehouse expansion. Depreciation expense totaled \$6,621,486 and \$6,443,932 for the years ended December 31, 2017 and 2016, respectively. Commitments for construction projects started but not yet complete total approximately \$11,072,331 at December 31, 2017. These projects will primarily be funded through various state agencies, as well as Port operations.

The following is a summary of Port fixed assets at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land, including acquisition costs	12,436,646	12,436,646
Buildings and operating facilities	227,662,682	223,718,337
Equipment, furniture and fixtures	<u>4,335,418</u>	<u>4,335,418</u>
	244,434,746	240,490,401
<u>Less-accumulated depreciation</u>	<u>(73,607,480)</u>	<u>(66,985,994)</u>
Net property, plant and equipment	<u>170,827,266</u>	<u>173,504,407</u>

6. **Compensated Absences**

The Port has the following policy relating to personal time off (vacation and sick leave):

Personal Time Off (PTO) – Full time employees, after a ninety day introductory period, will accrue PTO at the following rates:

6. **Compensated Absences** (Continued)

1) 1 - 3 years of employment	Twelve hours per month
2) 4 - 5 years of employment	Fourteen hours per month
3) 6 - 10 years of employment	Sixteen hours per month
4) 11 - 20 years of employment	Eighteen hours per month
5) 21+ years of employment	Twenty hours per month

Part time employees accrue vacation (PTO) on a pro rata basis. As of December 31, 2017 employees are allowed to retain a maximum of five hundred seventy-six (576) PTO hours. Employee accrued PTO will be paid upon termination.

The balance of compensated absences as of December 31, 2017 and 2016 amounted to \$378,945 and \$177,510, respectively.

7. **Property Taxes**

On April 3, 1993, the voters of Caddo and Bossier parishes approved a special tax of 2 ½ mills to be levied on the property subject to taxation in the port area consisting of Caddo and Bossier Parishes for a period of twenty-five years, commencing with the year 1993, for the purpose of site acquisition and for constructing, acquiring, improving and equipping docks and wharves, transfer and storage facilities, commercial and industrial facilities and other port, transportation and infrastructure facilities and improvements within the Port area, and for paying the commission's expenses of administering, maintaining, operating and marketing its facilities in the Port area. On April 9, 2016, the special tax of 2 ½ mills was renewed for an additional twenty-five years commencing with the year 2018. Anticipated revenues from the 2017 assessment have been recorded as unearned revenue at December 31, 2017 in the amount of \$5,836,389 as these taxes relate to 2018. Unearned revenue at December 31, 2016 amounted to \$5,812,274. See Note 11 for an explanation of other unearned revenue.

Property taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on January 1 of the following year. An allowance is established for delinquent taxes to the extent that their collectibility is estimated to be improbable.

8. **Leases**

The Port leased equipment during the year, under operating leases. Rental expense was \$57,588 in 2017 and 2016. Future minimum lease payments under these operating leases are as follows:

2018	11,088
2019	10,188
2020	<u>5,943</u>
	<u>27,219</u>

9. **Profit-Sharing Plan and Retirement System**

Beginning January 1, 2000, the Port adopted and initiated a Qualified 401(a) Retirement Program for all eligible employees who are 21 years of age, completed 12 months of service, and are credited with 1,000 hours of service. Beginning January 2007, no new employees were eligible to participate in this plan. Under this plan, the Board of Commissioners may determine a discretionary contribution percent of gross salary for each budget year. It is set at a contribution of 7.4% percent of gross salary for 2017 and 2016. Contributions to the Plan totaled \$33,175 and \$32,847 for the years ended December 31, 2017 and 2016, respectively.

9. Profit-Sharing Plan and Retirement System (Continued)

The Port also adopted a plan under Code Section 457, Salary Deferral Plan, for employee contribution, effective January 1, 2000. The Port does not contribute to this plan.

Parochial Employees' Retirement System of Louisiana (System)

Plan Description

The Port contributes to the Parochial Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. All permanent employees working at least 28 hours per week are eligible to participate in the System. As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join PERS. Section 1901 through 2025 of Title II of the Louisiana Revised Statutes (La. R.S. 11:1901-2025) and other general laws of the State of Louisiana govern PERS.

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Port are members of Plan A.

Any member of Plan A who was hired prior to January 1, 2007, can retire providing he/she meets one of the following criteria:

1. Any age after 30 years of creditable service.
2. Age 55 after 25 years of creditable service.
3. Age 60 after 10 years of creditable service.
4. Age 65 after seven years creditable service.

Eligibility for retirement for Plan A members hired on or after January 1, 2007 is as follows:

1. Age 55 after 30 years of creditable service.
2. Age 62 after 10 years of creditable service.
3. Age 67 after seven years of creditable service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the employee's final compensation multiplied by his or her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

The System also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended December 31, 2017, the Port's total payroll for all employees was \$1,704,437. Total covered payroll was \$1,395,680. Covered payroll refers to all compensation paid by the Port to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Parochial Employees Retirement System of Louisiana, 7509 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 928-1361, or by visiting the System's website www.persla.org.

9. Profit-Sharing Plan and Retirement System (Continued)

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended December 31, 2017, the actual employer contribution rate was 12.50% for Plan A, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Port to the System monthly. The Port's contributions to the System under Plan A for the years ending December 31, 2017 and 2016 were \$174,460 and \$195,373.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2017 and 2016, the Employer reported a liability of \$523,298 and \$621,215 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2016 and 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Port's proportion of the Net Pension Liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016 and 2015, the Port's proportion was 0.254088% and 0.235998%.

The Port recognized pension expense of \$289,239 for the year ended December 31, 2017.

At December 31, 2017, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	91,572
Changes in assumption	99,351	-
Net difference between projected and actual earnings on pension plan investments	406,098	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,127	106
Employer contributions subsequent to the measurement date	<u>174,460</u>	<u>-</u>
Total	<u>681,036</u>	<u>91,678</u>

9. Profit-Sharing Plan and Retirement System (Continued)

The \$195,373 reported as deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended December 31,	
2018	154,141
2019	164,541
2020	107,188
2021	(10,972)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016, are as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00% per annum
Salary increases	5.25% (2.75% merit, 2.5% inflation)
Inflation rate	2.5%, per annum
Mortality rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants and beneficiaries RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected remaining service lives	4 years for Plan A
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and corrections are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	<u>2%</u>	<u>0.12%</u>
Totals	100%	5.66%
Inflation		2.00%
Expected arithmetic nominal return		7.66%

9. **Profit-Sharing Plan and Retirement System** (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Port's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	<u>1.0% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1.0% Increase</u> <u>(8.00%)</u>
Employer's proportionate share of net pension liability	1,565,393	523,298	(357,826)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Parochial Employees' Retirement System of Louisiana Audit Report at www.persla.org.

10. **Long-Term Debt**

Following is a summary of bonds payable:

<u>Description</u>	<u>Amount of</u> <u>Original Issue</u> <u>(Bonds Only)</u>	<u>Balance</u> <u>January</u> <u>1, 2017</u>	<u>2017</u>		<u>Balance</u> <u>December</u> <u>31, 2017</u>
			<u>Principal</u> <u>Payments</u>	<u>Issued</u> <u>2017</u>	
Water Revenue Bonds Series 2003, principal payments begin July 2005, interest payments begin June 2005, interest rate 4.375% for 40 years.	3,200,000	2,715,909	53,512	-	2,662,397
Limited Tax Revenue and Refunding Bonds, Series 2005A, principal payments begin March 1, 2006; interest paid March 1 and September 1; secured and payable from the proceeds of 2.5 mil ad valorem tax; interest rate 3.2% to 4.0%; final maturity March 1, 2017.	3,530,000	230,000	230,000	-	-

10. Long-Term Debt (Continued)

<u>Description</u>	2017				
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2017</u>	<u>Principal Payments</u>	<u>Issued 2017</u>	<u>Balance December 31, 2017</u>
Limited Tax Revenue and Refunding Bonds, Series 2005B, principal payments begin March 1, 2006; interest paid March 1 and September 1; secured and payable from the proceeds of 2.5 mil ad valorem tax; interest rate 3.25% to 4.125%; final maturity March 1, 2017.	4,745,000	345,000	345,000	-	-
Limited Tax Revenue Series 2008, principal and interest payments begin March 1, 2009; interest paid March 1 and September 1; interest rate 4.0%; final maturity March 1, 2018. Unearned bond discount balance of \$2,610 at December 31, 2017.	15,000,000	5,071,738	2,174,348	-	2,897,390
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Series 2009, principal payments begin April 1, 2010, interest rate 2-4%, final maturity April 1, 2018. Bond premium balance of \$5,124 at December 31, 2017.	6,025,000	1,375,495	695,371	-	680,124
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds Series 2010, principal payments begin April 1, 2011, interest rate 2-4.625%, final maturity April 1, 2038. Bond premium balance of \$18,386 at December 31, 2017.	24,970,000	16,844,294	1,520,908	-	15,323,386
Utility Revenue Refunding Bonds, Series 2011, principal and interest payments begin April 2012, interest rate 2-5%, final maturity April 1, 2037. Bond discount balance of \$141,465 at December 31, 2017.	10,800,000	9,281,186	292,651	-	8,988,535

10. Long-Term Debt (Continued)

<u>Description</u>	2017				<u>Balance December 31, 2017</u>
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2017</u>	<u>Principal Payments</u>	<u>Issued 2017</u>	
Utility Revenue Bonds, Series 2015, principal and interest payments begin October 2015, interest rate 3.75%; final maturity April 1, 2035.	3,100,000	3,000,000	105,000	-	2,895,000
Utility Revenue Bonds, Series 2016, principal and interest payments begin October 2016, interest rate 3.95%; final maturity April 1, 2035.	2,260,000	2,260,000	90,000	-	2,170,000
Utility Systems Revenue Refunding Bonds, Series 2017, principal and interest payments begin October 2017, interest rate 3.15%; final maturity April 1, 2037.	8,949,000	-	-	8,949,000	8,949,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bond, principal and interest payments begin October 2017, interest rate 3.02%; final maturity April 1, 2037.	16,917,000	-	-	16,917,000	16,917,000
Total general long-term debt		<u>41,123,622</u>	<u>5,506,790</u>	<u>25,866,000</u>	<u>61,482,832</u>
					<u>(912,192)</u>
					<u>60,570,640</u>

<u>Description</u>	2016				<u>Balance December 31, 2016</u>
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2016</u>	<u>Principal Payments</u>	<u>Issued 2017</u>	
Sewer Limited Tax Bonds, Series 1995, principal payments began March 1, 1997, interest payments began September 1, 1995, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rate 2.45%, .5% annual administration fee, final maturity March 1, 2016 (Refinanced in 2005).	6,250,329	410,000	410,000	-	-

10. Long-Term Debt (Continued)

<u>Description</u>	2016				<u>Balance December 31, 2016</u>
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2016</u>	<u>Principal Payments</u>	<u>Issued 2017</u>	
Water Revenue Bonds Series 2003, principal payments begin July 2005, interest payments begin June 2005, interest rate 4.375% for 40 years.	3,200,000	2,767,134	51,225	-	2,715,909
Limited Tax Revenue and Refunding Bonds, Series 2005A, principal payments begin March 1, 2006; interest paid March 1 and September 1; secured and payable from the proceeds of 2.5 mil ad valorem tax; interest rate 3.2% to 4.0%; final maturity March 1, 2017.	3,530,000	530,000	300,000	-	230,000
Limited Tax Revenue and Refunding Bonds, Series 2005B, principal payments begin March 1, 2006; interest paid March 1 and September 1; secured and payable from the proceeds of 2.5 mil ad valorem tax; interest rate 3.25% to 4.125%; final maturity March 1, 2017.	4,745,000	745,000	400,000	-	345,000
Limited Tax Revenue Series 2008, principal and interest payments begin March 1, 2009; interest paid March 1 and September 1; interest rate 4.0%; final maturity March 1, 2018. Unearned bond discount balance of \$18,262 at December 31, 2016.	15,000,000	6,591,086	1,519,348	-	5,071,738
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Series 2009, principal payments begin April 1, 2010, interest rate 2-4%, final maturity April 1, 2018. Bond premium balance of \$20,495 at December 31, 2016.	6,025,000	2,075,866	700,371	-	1,375,495

10. Long-Term Debt (Continued)

<u>Description</u>	2016				<u>Balance December 31, 2016</u>
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2016</u>	<u>Principal Payments</u>	<u>Issued 2017</u>	
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds Series 2010, principal payments begin April 1, 2011, interest rate 2-4.625%, final maturity April 1, 2038. Bond premium balance of \$19,294 at December 31, 2016.	24,970,000	18,310,202	1,465,908	-	16,844,294
Utility Revenue Refunding Bonds, Series 2011, principal and interest payments begin April 2012, interest rate 2-5%, final maturity April 1, 2037. Bond discount balance of \$148,814 at December 31, 2016.	10,800,000	9,563,837	282,651	-	9,281,186
Utility Revenue Bonds, Series 2015, principal and interest payments begin October 2015, interest rate 3.75%; final maturity April 1, 2035.	3,100,000	3,100,000	100,000	-	3,000,000
Utility Revenue Bonds, Series 2016, principal and interest payments begin October 2016, interest rate 3.95%; final maturity April 1, 2035.	2,260,000	-	-	2,260,000	2,260,000
Total general long-term debt		<u>44,093,125</u>	<u>5,229,503</u>	<u>2,260,000</u>	<u>41,123,622</u>
					Less unamortized debt issuance costs (441,412)
					Long term debt less unamortized debt issuance costs <u>40,682,210</u>

The annual debt service requirements to maturity, including principal, interest, and bond amortization for long-term debt as of December 31, 2017 are as follows:

<u>Year Ending December 31</u>	<u>Long-Term Debt</u>	<u>Interest</u>	<u>Total</u>
2018	7,642,135	2,186,119	9,828,254
2019	1,699,078	2,013,660	3,712,738
2020	1,757,645	1,951,342	3,708,987
2021	1,827,328	1,886,657	3,713,985

10. Long-Term Debt (Continued)

<u>Year Ending December 31</u>	<u>Long-Term Debt</u>	<u>Interest</u>	<u>Total</u>
2022	2,261,129	1,813,581	4,074,710
2023-2027	12,687,251	7,770,773	20,458,024
2028-2032	15,377,628	5,190,040	20,567,668
2033-2037	16,914,044	1,957,293	18,871,337
2038-2042	1,095,926	144,065	1,239,991
2043-2046	<u>220,668</u>	<u>8,892</u>	<u>229,560</u>
Total	<u>61,482,832</u>	<u>24,922,422</u>	<u>86,405,254</u>

There are a number of limitations and restrictions contained in the bond indentures. The Port is in compliance with all significant limitations and restrictions.

Certain cash and investments are restricted for the repayment of bond principal and interest as well as future capital expenditures and investments. Restricted funds related to debt totaled \$33,595,022 and \$9,166,922 at December 31, 2017 and 2016, respectively.

11. Unearned Revenue

During 1998, the Port entered into a lease agreement with Oakley Louisiana, Inc. for a term of forty years. Total rent of \$200,000 was prepaid. Rental income of \$5,000 was recognized in 2017 and 2016. Unearned revenue for the Oakley agreement totaled \$99,039 and \$104,039 as of December 31, 2017 and 2016.

During 2006, the Port entered into a lease agreement with JW Gathering Company for the lease of a compressor station for twenty-five years, and the total rent of \$67,875 was prepaid. Rental income of \$2,715 was recognized in 2017 and 2016 for this lease, and unearned revenue amounted to \$36,373 and \$39,088 as of December 31, 2017 and 2016, respectively.

The Port entered into another long-term lease agreement in 2005 with Steelscape for a term of ninety-nine years for the lease of acreage at the Port site. Steelscape paid \$337,500 during 2006 with the remaining balance of \$337,500 paid in 2007. Rental income of \$6,818 was recognized in 2017 and 2016, and unearned revenue amounted to \$592,047 and \$598,865 as of December 31, 2017 and 2016, respectively.

The Port entered into a long-term lease agreement in 2006 with Sports South for a term of twenty-six years. During 2012, Sports South made a pre-payment for the remaining twenty years. Rental income of \$15,720 was recognized in 2017 and 2016, and unearned revenue related to Sports South totaled \$235,800 and \$251,520 as of December 31, 2017 and 2016, respectively.

12. Litigation

The Port has been named as a defendant in lawsuits in regard to a sub-contractor's claim and mineral rights. The Port will vigorously defend its positions; however, the ultimate outcomes are unknown and no liability can be estimated at this time.

There remains one claim against the Port which has not risen to the level of a lawsuit, involving an alleged third party discharge onto private property from a pipeline owned by the Port and operated by the City of Shreveport. The matter remains under investigation by the Louisiana Department of Environmental Quality and the Port. Due to the stage of the investigation, it is not possible to estimate with any degree of certainty the amount of investigative or remedial costs that may be required or whether LDEQ will assess penalties against persons determined to be responsible parties.

13. Rental Income under Operating Leases

The Port is a lessor of certain property which consists principally of acreage and marine terminal docks. Some leases contain option renewal periods. Following is a schedule by year of future rental income to be received under noncancellable operating leases in effect as of December 31, 2017:

<u>Year Ending December 31:</u>	
2018	2,597,578
2019	2,372,616
2020	2,372,616
2021	2,372,616
2022	2,372,616
Thereafter	<u>55,118,218</u>
	<u>67,206,260</u>

14. Water and Sewerage Revenue

The Port receives revenue from the City of Shreveport which it collects from water and sewerage customers who use the waterworks system which was constructed by proceeds received by the Port from the issuance of water revenue bonds. As of December 31, 2017, there were twenty-six commercial users and nine residential users of the waterworks system. Total revenue received in 2017 and 2016 was \$3,276,028 and \$2,740,536, respectively. Following is a schedule of water rates charged by the City of Shreveport:

Monthly customer service fee on sewerage		7.74
Sewer charges per 1,000 gallons		7.16
Water charges per 1,000 gallons:	Residential	5.40
	Commercial	5.40
	Industrial	5.40

Note: Port customers are charged double since the system is located outside the city limits.

15. Safety Tariff Revenue

The Port receives revenue related to Ordinance No. 1 enacted in 2000 to partially fund fire, emergency medical and security services provided by the Port. The Safety Tariff is equal 0.2% of the asset value of the Port's complex occupants (up to a maximum of \$25,000) and totaled \$269,858 and \$274,438 for the years ended December 31, 2017 and 2016, respectively.

16. Conduit Debt

From time to time, the Port has issued revenue bonds to provide assistance for private-sector entities for 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.

Revenue bonds in the amount of \$10,000,000 were issued by the Port on August 1, 2003, for the account of Morris & Dickson Co., L.L.C. (MD) for the purpose of financing leasehold improvements, equipment and machinery. During this same period, the Port entered into a lease with MD for the facilities in which it operates. The Port also agreed to complete certain improvements to the property (road/sewer) in the amount of \$1,000,000. The aggregate amount of bonds outstanding at December 31, 2017 and 2016, totaled \$500,000.

Revenue bonds in the amount of \$10,000,000 were issued by the Port on May 1, 2006 for the account of Sports South, L.L.C. for the purpose of financing the cost of acquiring, constructing, installing, and equipping a warehouse and distribution facility and related facilities within the jurisdiction of the Port. The aggregate

16. Conduit Debt (Continued)

amount of the bonds outstanding at December 31, 2017 and 2016 totaled \$500,000. The Port entered into a lease with Sports South, L.L.C. with payments beginning in 2007.

Taxable revenue bonds in the amount of \$11,000,000 were issued by the Port on August 31, 2009 for the account of Coca-Cola Bottling Company, LLC for the purpose of constructing a new warehouse distribution facility. The aggregate amount of bonds outstanding at December 31, 2017 and 2016 totaled \$10,584,272.

Bonds in the amount of \$12,573,835 were issued by the Port on June 1, 2011 for the account of Tire Rack, Inc. for the purpose of the acquisition, construction and installation of a distribution and warehouse facility. The aggregate amount of bonds outstanding at December 31, 2017 and 2016 was \$2,111,377 and \$2,262,190, respectively.

17. Construction Projects

The Port has plans for various projects in 2017, with a projected cost of approximately \$15.7 million. These include numerous projects such as: General cargo dock refurbishment, 24" redundant water line, warehouse expansion, additional rail storage, rail access road, crane upgrade, slack water harbor warehouse, and a truck parking lot.

18. Subsequent Events

The Port has evaluated subsequent events through June 11, 2018, the date which the financial statements were available to be issued. No significant subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED DECEMBER 31, 2017

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Port's proportion of the net pension liability	0.254088%	0.235998%	0.240326%
Port's proportion share of the net pension liability	523,298	621,215	65,707
Non-employer's proportion share of net pension liability	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>523,298</u>	<u>621,215</u>	<u>65,707</u>
Port's covered employee payroll	1,395,680	1,347,400	1,353,117
Port's proportion share of the net pension liability as a percentage of its covered employee payroll	37.49%	46.10%	4.86%
Plan fiduciary net position as a percentage of the total pension liability	94.15%	92.23%	99.15%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	174,460	195,373	196,202
Contributions in relation to the contractually required contribution	174,460	195,373	196,202
Contribution deficiency (excess)	-	-	-
Port's covered-employee payroll	1,395,680	1,347,400	1,353,117
Contributions as a percentage of covered-employee payroll	12.50%	14.50%	14.50%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

SUPPLEMENTARY INFORMATION

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED DECEMBER 31, 2017

Eric England, Executive Port Director

Salary	278,746
Benefits-insurance	33,716
Benefits-retirement	34,375
Car allowance	13,500
Cell phone	495
Travel, conference, promotion, marketing	3,900
Registration fees	2,425

OTHER REPORTS

HEARD, McELROY, & VESTAL

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June 11, 2018

The Board of Commissioners
Caddo-Bossier Port Commission
Shreveport, Louisiana

**Independent Auditor's 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**

We have audited, in accordance with the 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, the financial statements of the business-type activities and the major fund of Caddo-Bossier Port Commission as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Caddo-Bossier Port Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

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 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caddo-Bossier Port Commission's financial statements are free from 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*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

CADDO-BOSSIER PORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section A - Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Caddo-Bossier Port Commission.
2. No material weaknesses or significant deficiencies were noted, relating to the audit of the basic financial statements.
3. No instances of noncompliance relating to the basic financial statements of the Caddo-Bossier Port Commission were disclosed during the audit.
4. Caddo-Bossier Port Commission was not subject to a federal single audit for the year ended December 31, 2017.

Section B - Financial Statement Findings

No matters were reported.

CADDO-BOSSIER PORT COMMISSION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

No prior year findings were reported.

OTHER INFORMATION



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2017 Board of Commissioners

<u>Name, Address, Phone & Fax</u>	<u>Last Appointment/Term</u>
Sam N. Gregorio, President 7600 Fern Avenue, Building 700 Shreveport, LA 71105 Office telephone: (318) 865-4096	City of Shreveport 12/14 – 12/18
Rick C. Prescott, Vice President 6313 Bocage Circle Shreveport, LA 71119 Telephone: (318) 288-7024	City of Shreveport 7/27/15 – 7/27/21
Roy Griggs, Secretary-Treasurer 330 Marshall Street, Suite 711 Shreveport, LA 71101 Cell: 347-3306	City of Shreveport 8/25/15 – 6/30/19
Walter O. Bigby, Jr. P.O. Box 5880 Bossier City, LA 71171 Home telephone: (318) 742-5406	City of Bossier 11/08/17 - 3/29/18
Erica R. Bryant P.O. Box 1127 Shreveport, LA 71163-1127 Office telephone: (318) 226-6920; fax: (318) 429-7609	Caddo Parish 6/30/13 – 6/30/19
James D. Hall P.O. Box 5337 Bossier City, LA 71171-5337 Office telephone: (318) 741-8515; fax: (318) 741-8517	Bossier Parish 2/15/15 – 2/15/21
Capt. Thomas F. Murphy 164 Chelsea Drive Shreveport, LA 71105-4326 Home telephone: (318) 865-4096	Caddo Parish 3/31/13 – 3/31/19
James L. Pannell 3835 Eileen Lane Shreveport, LA 71109 Office telephone: (504) 236-0915; fax: (504) 309-8268	City of Shreveport 8/07/17 – 8/07/23
Steve Watkins 105 Oxford Circle Bossier City, LA 71111 Office telephone: (318) 584-7106; fax 584-7108	City of Bossier 2/16/13 – 2/16/19
Eric England, Executive Port Director Dannye Malone, Director of Legal Affairs Gloria Washington, Director of Finance & Human Resources	

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF INSURANCE

AS OF DECEMBER 31, 2017

	<u>Coverage</u>	<u>Expiration</u>
<u>Commercial Property:</u>		
Blanket property and equipment	74,975,184	12/31/18
Piers and docks	16,212,500	
Contractors equipment	5,956,247	
EDP	1,868,089	
Blanket earnings/extra expense	6,800,000	
<u>Boiler and Machinery Damage:</u>		
Machinery breakdown	74,975,184	12/31/18
<u>Commercial Crime:</u>		
Employee dishonesty	1,000,000	12/31/18
Forgery	1,000,000	
<u>Marine and General Liability:</u>		
Each occurrence	1,000,000	12/31/18
Products/Comp ops aggregate	2,000,000	
Personal/advertising injury	1,000,000	
<u>Bumbershoot Liability:</u>		
Each occurrence	10,000,000	12/31/18
Aggregate Products/Comp ops only	10,000,000	
<u>Hired and Nonowned Auto Liability:</u>		
Each accident	1,000,000	12/31/18
<u>Public Officials Liability:</u>		
Each loss	2,000,000	12/31/18
Aggregate	2,000,000	
<u>Worker's Compensation:</u>		
LA Worker's compensation	Statutory	12/31/18
Each accident/disease	1,000,000	
<u>Hull & P&I:</u>		
Hull	252,324	12/31/18
P&I	1,000,000	
<u>Rail Liability & FELA:</u>		
Each occurrence	15,000,000	12/31/18
Aggregate	30,000,000	

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF INSURANCE

AS OF DECEMBER 31, 2017

	<u>Coverage</u>	<u>Expiration</u>
<u>Rail Inland Marine:</u>		
Rail cars PD-TIV	10,000,000	12/31/18
BI/EE	1,000,000	
<u>Pollution Liability:</u>		
Each incident	5,000,000	12/31/20
Aggregate	5,000,000	
Business interruption	1,000,000	
<u>Cyber Liability:</u>		
Third party liability	2,000,000	12/31/18
First party insuring agreements	1,000,000	

CADDO-BOSSIER PORT COMMISSION

**STATEWIDE AGREED-UPON
PROCEDURES REPORT**

YEAR ENDED DECEMBER 31, 2017

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
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318-429-1525 PHONE • 318-429-2070 FAX

June 11, 2018

The Board of Commissioners
Caddo-Bossier Port Commission
Shreveport, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Caddo-Bossier Port Commission (Port) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Port's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

The entity has adequate written procedures covering budgeting.

b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The entity has adequate written procedures covering purchasing.

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- c) Disbursements, including processing, reviewing, and approving.
The entity has adequate written procedures covering disbursements.
- d) Receipts, including receiving, recording, and preparing deposits.
The entity has adequate written procedures covering receipts.
- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
The entity has adequate written procedures covering payroll and personnel.
- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
The entity has adequate written procedures covering contracting.
- g) Credit Cards (and debit cards, fuel cards, and P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
The entity has adequate written procedures covering credit cards.
- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
The entity has adequate written procedures covering traveling and expense reimbursements.
- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
The entity has adequate written policies or procedures concerning ethics.
- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
The entity has adequate written policies or procedures concerning debt service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document
The Port Board of Commissioners met monthly with a quorum.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

At least once per month, the entities Board minutes referenced financials presented by the Director of Finance. The budget-to-actual comparisons were formally presented during this time. No budget-to-actual comparisons showed any significant deficits at any point during the year.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

At least one meeting's minutes referenced non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

A list of bank accounts was obtained from management.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations are prepared for accounts for each month in the fiscal year.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Bank reconciliations are documented as reviewed monthly by the Executive Director.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No accounts had reconciling items greater than 6 months old as of the end of the fiscal period.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

A listing of cash collection locations was obtained.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

The Port has an umbrella bond covering all employees. The individual collecting cash is not responsible for deposits or recording the transaction, but is responsible for reconciling the bank accounts. However, there are compensating controls that the entity has implemented to mitigate.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The entity has a formal process to reconcile cash collections as evidenced by amounts deposited to postings to the general ledger by revenue source.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

No exceptions were noted.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Cash collections selected for testing were completely supported by documentation without exception.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

There are written procedures to determine completeness of collections, including electronic transfers for each revenue source.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

A listing of disbursements made during the year was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The entity does not use a formal requisition/purchase order system. However, the entity has other compensating controls/processes in lieu of said system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

The entity does not use a formal requisition/purchase order system. However, the entity has other compensating controls/processes in lieu of said system.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

The entity does not use a formal requisition/purchase order system. However, the entity has other compensating controls/processes in lieu of said system. Payments for purchases were supported by a receiving report, and an attached invoice, when applicable.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Exception: The same individual responsible for processing payments also has the ability to add vendors to the entity's disbursement system.

Management's Response: The entity has other mitigating controls, including the use of a "Positive Pay" system with our financial institution.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Exception: An individual with signatory authority has the ability to initiate purchases.

Management's Response: The entity has other mitigating controls, including the use of a "Positive Pay" system with our financial institution.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Exception: The supply of check stock is kept locked in a cabinet inside of a locked closet, under the custody of individuals with check signing authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The entity has a signature stamp for two authorized signers. The stamps are under the control of a separate individual and locked in a cabinet. They are used only in the absence of the authorized signers with their prior consent.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

A listing of all credit cards active within the entity was obtained.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Review and approval is evidenced on the statements of all cards tested.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

There were no finance charges on any of the credit card statements observed.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

For applicable cards selected, the entity produced original, itemized receipts with documentation of the purpose of the transaction.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Not applicable.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Entity maintained proper documentation of purpose of each transaction tested under the requirements of Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

A listing of all travel and related expense reimbursements, by person, during the fiscal year was obtained from the client.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Per the entity's policy, per diem rates should not exceed federal rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exceptions were noted.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

No exceptions were noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were noted.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

A listing of all contracts in effect during the year was obtained. Management represented to us that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

A formal written contract supports the service arrangement and amount paid for each vendor selected.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Not applicable.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

The invoice and related payment of each selected contract complied with its terms.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

A listing of all employees and their related compensation was obtained.

Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Compensation paid to each selected employee was made in accordance with the terms and conditions of his contract or pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Pay rate or salary changes applicable to each selected employee were approved in writing and in accordance with written policy.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All applicable employees documented their leave and daily attendance.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Timesheets, including attendance and leave records, are documented and approved by supervisors.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

The entity did maintain written leave records on all applicable employees tested.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

A listing of individuals terminated during the fiscal year was obtained. Termination payouts for the selected individuals were made in strict accordance with policy and approved by management.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

All employee and employer portions for payroll taxes and contributions, and related required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

All five selected employees have documentation of required ethics training on file.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management represented that no alleged ethics violations were reported to the entity during the fiscal year.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Management provided supporting documentation for new debt issued in the current fiscal period. Proper approval from the State Bond Commission was obtained.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The entity provided supporting documentation evidencing that the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants, without exception.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management represented to us that there were no misappropriation of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice is posted on its premises and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Any exceptions will be detailed above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana