

CADDO-BOSSIER PORT COMMISSION

SHREVEPORT, LOUISIANA

DECEMBER 31, 2019 AND 2018

CADDO-BOSSIER PORT COMMISSION

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (PART I)

	<u>Page</u>
Management's Discussion and Analysis	i-iv

AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report on Financial Statements	1-2
Financial Statements:	
Statements of Net Position	3
Statements of Revenues and Expenses	4
Statements of Changes in Net Position	5
Statements of Cash Flows	6
Notes to Financial Statements	7-20

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

Schedule of Employer's Share of Net Pension Liability	21
Schedule of Employer Contributions	22

SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits, and Other Payments to Agency Head	23
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OTHER REPORTS

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 <i>Government Auditing Standards</i>	24-25
Schedule of Findings and Questioned Costs	26
Schedule of Prior Year Findings	27

CADDO-BOSSIER PORT COMMISSION

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS (CONTINUED)

OTHER INFORMATION

	<u>Page</u>
Board of Commissioners	28
Schedule of Insurance	29-30

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, 2019

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, 2019. Please read it in conjunction with the Port's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Port's equity increased \$2.3 million resulting primarily from the construction of additional Port projects and receipt of capital funding from other governmental entities. 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 a decrease in net position of \$0.2 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, 2019 increased to \$235.3 million. This represents an increase of \$21.6 million or 10.1% from the prior year. Total liabilities and deferred inflows increased \$19.2 million to \$59.3 million and total net position is \$176.0 million, for an increase of \$2.3 million or 1.3% (See Table 1).

Table 1 – Net Position

	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Current assets	33,897,130	30,495,091	11.2%
Restricted assets	23,529,155	5,135,664	358.2%
Property-net	174,852,660	175,055,123	-0.1%
Other non-current assets	1,779,285	2,064,594	-13.8%
Deferred outflow of resources	1,250,816	995,393	25.7%
Total assets and deferred outflows	<u>235,309,046</u>	<u>213,745,865</u>	<u>10.1%</u>

**Table 1 (Continued)
Net Position**

	2019	2018	Percentage Change
Current liabilities	11,130,102	8,141,412	36.7%
Non-current liabilities	48,123,692	31,413,730	53.2%
Deferred inflow of resources	68,515	533,491	-87.2%
Total liabilities and deferred inflows	<u>59,322,309</u>	<u>40,088,633</u>	<u>48.0%</u>
Net position:			
Invested in capital assets, net of debt	125,063,980	121,265,046	3.1%
Restricted	23,529,155	27,496,902	-14.4%
Unrestricted	27,393,602	24,895,284	10.0%
Total net position	<u>175,986,737</u>	<u>173,657,232</u>	<u>1.3%</u>
Total liabilities, deferred inflows and net position	<u><u>235,309,046</u></u>	<u><u>213,745,865</u></u>	<u><u>10.1%</u></u>

Changes in Net Position

The change in total net position for 2019 was an increase of \$2.3 million or 1.3%. The Port's total operating revenues decreased \$2.9 million or 16.3%. Total operating expenses decreased \$0.1 million or 0.3%. 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

	2019	2018	Percentage Change
Operating revenues:			
Ad valorem taxes	6,650,717	6,567,190	1.3%
Lease rentals	4,689,319	4,158,044	12.8%
Port operations	1,715,363	3,258,084	-47.4%
Water and sewer	1,088,044	3,781,130	-71.2%
Miscellaneous	562,478	112,699	399.1%
Total operating revenues	<u>14,705,921</u>	<u>17,877,147</u>	<u>-17.7%</u>
Operating expenses:			
Operating expenses	6,805,170	7,155,156	-4.9%
Depreciation and amortization	7,076,291	7,531,047	-6.0%
Total operating expenses	<u>13,881,461</u>	<u>14,686,203</u>	<u>-5.5%</u>
Operating income	<u>824,460</u>	<u>3,190,944</u>	<u>-74.2%</u>
Non-operating revenues (expenses)	<u>(517,162)</u>	<u>(421,214)</u>	<u>22.8%</u>
Net income (loss)	<u><u>307,298</u></u>	<u><u>2,769,730</u></u>	<u><u>-88.9%</u></u>

Operating revenues decreased by \$2.9 million or 16.3%. Port operations revenue decreased from the prior year as a result of outsourcing rail activities and decrease in water and sewer revenue due to reduction in related debt service in accordance with City of Shreveport agreement.

Operating expenses decreased by \$0.4 million or 4.9%, mainly due to decrease in Port maintenance, which offset increase in salaries and benefits.

Table 3
Operating Expenses

	2019	2018	Percentage Change
General and administrative expenses:			
Salaries and employee benefits	3,358,862	2,853,426	17.7%
Contract labor	31,319	173,607	-82.0%
Dues and subscriptions	41,891	42,207	-0.7%
Office maintenance, supplies and postage	228,174	176,931	29.0%
Fuel and lubes	20,389	63,030	-67.7%
Telephone	199,738	147,513	35.4%
Utilities	175,938	214,088	-17.8%
Insurance	661,999	578,691	14.4%
Rentals	15,822	118,762	-86.7%
Training and safety	498	17,097	-97.1%
Supplies and materials	34,554	49,908	-30.8%
Maintenance and repairs	74,946	117,783	-36.4%
Gear and equipment	9,509	21,122	-55.0%
Miscellaneous	41,087	63,783	-35.6%
Total general and administrative expenses	4,894,726	4,637,948	5.5%
Fire station operations	579,690	588,955	-1.6%
Port maintenance	549,450	1,414,626	-61.2%
Legal	144,802	137,428	5.4%
Travel, promotional and marketing	130,320	95,135	37.0%
Professional services	506,182	281,064	80.1%
	<u>6,805,170</u>	<u>7,155,156</u>	<u>-4.9%</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2019, the Port had invested \$174.9 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents a net decrease of \$0.2 million. Gross additions are primarily attributed to railway and warehouse expansions, security upgrades and various equipment purchases. Total additions amounted to \$6.4 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 limited tax revenue bonds of \$17,250,000 during the year for the purposes of providing funds to: construct and equip a warehouse/storage facility and related infrastructure within the Port area; and finance site acquisition with the Port area.

The Port has made its regularly scheduled payments on all of its long-term debt. During 2019, \$0.9 million in principal payments and \$1.3 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 18 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

333 TEXAS STREET, SUITE 1525

SHREVEPORT, LOUISIANA 71101

318-429-1525 PHONE • 318-429-2070 FAX

June 8, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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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hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

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 21, and Schedule of Employer Contributions on Page 22 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 audit was 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 24 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 8, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF NET POSITION

DECEMBER 31, 2019 AND 2018

<u>A S S E T S</u>	<u>2019</u>	<u>2018</u>
<u>Current assets:</u>		
Cash and interest-bearing deposits-Note 2	6,397,086	4,047,837
Investments-Note 3	20,565,979	19,641,905
Accounts receivable - ad valorem taxes, net of allowance for uncollectibles of \$393,177 and \$379,465, respectively-Note 7	6,159,773	5,944,944
Accounts receivable-other	560,463	592,377
Capital lease receivable	106,347	102,185
Prepaid expenses	<u>107,482</u>	<u>165,843</u>
Total current assets	33,897,130	30,495,091
<u>Non-current assets:</u>		
Cash - restricted-Notes 2 and 10	21,230,404	4,030,327
Investments-restricted-Notes 3 and 10	2,298,751	1,105,337
Capital lease receivable-noncurrent	1,779,285	1,885,632
Net pension asset	-	178,962
Land, buildings, and equipment (net of accumulated depreciation)-Note 5	<u>174,852,660</u>	<u>175,055,123</u>
Total non-current assets	200,161,100	182,255,381
<u>Deferred outflows of resources:</u>		
Deferral on bond refundings	301,181	602,361
Deferred pension outflow	<u>949,635</u>	<u>393,032</u>
Total deferred outflows of resources	<u>1,250,816</u>	<u>995,393</u>
Total assets and deferred outflows	<u>235,309,046</u>	<u>213,745,865</u>

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

<u>LIABILITIES</u>	<u>2019</u>	<u>2018</u>
<u>Current liabilities:</u>		
Accounts payable	2,404,694	332,660
Accrued liabilities payable	773,171	709,911
Unearned revenues-Notes 7 and 11	6,393,151	6,178,322
Current portion-long-term debt-Note 10	1,559,086	920,519
Total current liabilities	<u>11,130,102</u>	<u>8,141,412</u>
<u>Non-current liabilities:</u>		
Unearned revenues-Notes 7 and 11	872,500	902,753
Long-term debt, net of current portion-Note 10	46,201,014	30,510,977
Net pension liability	1,050,178	-
Total non-current liabilities	<u>48,123,692</u>	<u>31,413,730</u>
<u>Deferred inflow of resources:</u>		
Deferred pension inflow	<u>68,515</u>	<u>533,491</u>
 Total liabilities and deferred outflows	 <u>59,322,309</u>	 <u>40,088,633</u>
<u>NET POSITION</u>		
<u>Net position:</u>		
Invested in capital assets, net of related debt	125,063,980	121,265,046
Restricted	23,529,155	27,496,902
Unrestricted	27,393,602	24,895,284
Total net position	<u>175,986,737</u>	<u>173,657,232</u>
 Total liabilities and net position	 <u>235,309,046</u>	 <u>213,745,865</u>

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF REVENUE AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Operating revenues:</u>		
Ad valorem taxes-Note 7	6,650,717	6,567,190
Lease rentals and oil and gas royalty income-Note 13	4,689,319	4,158,044
Safety tariff revenue-Note 15	306,827	305,931
Water and sewer revenue-Note 14	1,088,044	3,781,130
Port operations revenue	1,715,363	3,258,084
Gain/(loss) on investments	149,276	(225,687)
Miscellaneous income	106,375	32,455
Total operating revenues	<u>14,705,921</u>	<u>17,877,147</u>
<u>Operating expenses:</u>		
General and administrative	4,894,726	4,637,948
Port maintenance	549,450	1,414,626
Fire station operations	579,690	588,955
Legal and accounting	144,802	137,428
Travel, promotional, and marketing	130,320	95,135
Professional services	506,182	281,064
Total operating expenses before depreciation and amortization	<u>6,805,170</u>	<u>7,155,156</u>
<u>Operating income before depreciation and amortization</u>	7,900,751	10,721,991
<u>Depreciation and amortization expense</u>	<u>7,076,291</u>	<u>7,531,047</u>
<u>Operating income</u>	824,460	3,190,944
<u>Nonoperating revenues (expenses):</u>		
Interest and dividend income	962,711	653,948
Interest expense	(1,479,873)	(1,075,162)
Total nonoperating revenues (expenses)	<u>(517,162)</u>	<u>(421,214)</u>
<u>Net income (loss)</u>	<u>307,298</u>	<u>2,769,730</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, 2019 AND 2018

<u>Ending balance-December 31, 2017</u>	165,663,683
Net income	2,769,730
Contributed capital-Note 4	<u>5,223,819</u>
<u>Ending balance-December 31, 2018</u>	173,657,232
Net income (loss)	307,298
Contributed capital-Note 4	<u>2,022,207</u>
<u>Ending balance-December 31, 2019</u>	<u>175,986,737</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities:</u>		
Net income (loss)	307,298	2,769,730
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,076,291	7,531,047
(Gain) loss on investments	(149,276)	225,687
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	(80,730)	1,679,970
Prepaid expenses	58,361	(165,843)
Accounts payable and accrued liabilities	2,134,294	(2,675,225)
Unearned revenue	184,576	78,302
Deferred outflow of resources	(255,423)	(314,357)
Deferred inflow of resources	(464,976)	441,813
Net pension liability / asset	1,229,140	(702,260)
Net cash provided by operating activities	<u>10,039,555</u>	<u>8,868,864</u>
<u>Cash flows from capital and related financing activities:</u>		
Contributed capital from other governments	2,022,207	5,223,819
Expenditures for acquisition and construction of capital assets	(6,383,326)	(10,932,979)
Proceeds from issuance of bonds	17,250,000	-
Repayments of principal borrowed for finance acquisition and construction of capital assets	(921,396)	(5,736,901)
Sales (purchases) of investments - net	<u>(2,457,714)</u>	<u>(2,526,260)</u>
Net cash provided by (used for) capital and related financing activities	9,509,771	(13,972,321)
<u>Net increase (decrease) in cash and cash equivalents</u>	19,549,326	(5,103,457)
<u>Cash and cash equivalents at beginning of year</u>	<u>8,078,164</u>	<u>13,181,621</u>
<u>Cash and cash equivalents at end of year</u>	<u>27,627,490</u>	<u>8,078,164</u>
<u>Interest paid</u>	<u>1,289,528</u>	<u>1,136,871</u>
<u>Unrestricted cash and cash equivalents, end of year</u>	6,397,086	4,047,837
<u>Restricted cash and cash equivalents, end of year</u>	<u>21,230,404</u>	<u>4,030,327</u>
<u>Total cash and cash equivalents, end of year</u>	<u>27,627,490</u>	<u>8,078,164</u>

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

CADDO-BOSSIER PORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, the carrying amounts of the Port cash demand deposits were \$27,627,490 and \$8,078,164 and the bank balance was \$27,765,944 and \$8,204,537, 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 \$623,816 and \$609,986 at December 31, 2019 and 2018, 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, 2019 and 2018, investments consisted of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Bonds:				
U.S. Government and agency securities	<u>22,879,555</u>	<u>22,864,731</u>	<u>21,060,819</u>	<u>20,747,242</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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Louisiana DOTD	3,937,119	-
Red River Waterway Commission reimbursement	(3,937,119)	-
Red River Waterway Commission	<u>2,022,207</u>	<u>5,223,819</u>
	<u>2,022,207</u>	<u>5,223,819</u>

These funds were provided specifically for capital projects and are shown as a direct contribution to net position. Reimbursement of monies to Red River Waterway Commission were made in relation to advancements received in prior year per Cooperative Endeavor Agreement between the entities. The reimbursements were contingent upon receipt of certain funds from the Louisiana DOTD.

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, 2019, capital expenditures consisted mainly of additions related to railway expansion and storage, warehouse expansions, security upgrades, and various equipment purchases. During the year ended December 31, 2018, capital expenditures consisted mainly of additions related to railway expansion and storage, warehouse expansions, and cargo dock refurbishment. Depreciation expense totaled \$6,585,787 and \$6,705,122 for the years ended December 31, 2019 and 2018, respectively. Commitments for construction projects started but not yet complete total approximately \$16,386,665 at December 31, 2019. 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land, including acquisition costs	16,392,965	16,392,965
Buildings and operating facilities	238,646,256	234,459,014
Equipment, furniture and fixtures	<u>6,602,230</u>	<u>4,515,746</u>
	261,641,451	255,367,725
<u>Less-accumulated depreciation</u>	<u>(86,788,791)</u>	<u>(80,312,602)</u>
Net property, plant and equipment	<u>174,852,660</u>	<u>175,055,123</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:

- | | |
|--------------------------------|--------------------------|
| 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. Employee accrued PTO will be paid upon termination. Commencing in fiscal year 2016, employees were allowed to retain a maximum of six hundred (600) PTO hours. During the succeeding five years, the maximum amount of PTO hours an employee will be authorized to retain are delineated as follows:

- | | |
|------|---|
| 2017 | Five hundred seventy-six (576) PTO hours |
| 2018 | Five hundred fifty-two (552) PTO hours |
| 2019 | Five hundred twenty-eight (528) PTO hours |
| 2020 | Five hundred four (504) PTO hours |
| 2021 | Four hundred eighty (480) PTO hours |

The balance of compensated absences as of December 31, 2019 and 2018 amounted to \$352,211 and \$314,953, 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 2019 assessment have been recorded as unearned revenue at December 31, 2019 in the amount of \$6,159,773 as these taxes relate to 2020. Unearned revenue at December 31, 2018 amounted to \$5,944,944. 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 \$23,308 in 2019 and \$135,076 in 2018. Future minimum lease payments under these operating leases are as follows:

2020	12,063
2021	6,120
2022	6,120
	<u>24,303</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 2019 and 2018. Contributions to the Plan totaled \$23,028 and \$32,333 for the years ended December 31, 2019 and 2018, respectively.

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 participating 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 years ended December 31, 2019 and 2018, the Port's total payroll for all employees was \$2,281,499 and \$2,088,243, respectively. Total covered payroll was \$1,600,529 and \$1,447,539, respectively. Covered payroll refers to all compensation paid by the Port to active employees covered by the Plan.

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

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.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the years ended December 31, 2019 and 2018, the actual employer contribution rate was 11.50%, 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, 2019 and 2018 were \$184,081 and \$166,467.

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

At December 31, 2019 and 2018, the Port reported a liability (asset) of \$1,050,178 and (\$178,962) for its proportionate share of the Net Pension Liability (Asset). The Net Pension Liability (Asset) was measured as of December 31, 2018 and 2017 and the total pension liability (asset) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date. The Port’s proportion of the Net Pension Liability (Asset) 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, 2019 and 2018, the Port’s proportion was 0.236614% and 0.241108%.

The Port recognized plan pension expense of \$406,556 and \$223,215 for the years ended December 31, 2019 and 2018.

At December 31, 2019, 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	-	63,980
Changes in assumption	262,579	-
Net difference between projected and actual earnings on pension plan investments	502,724	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	251	4,535
Employer contributions subsequent to the measurement date	<u>184,081</u>	<u>-</u>
Total	<u>949,635</u>	<u>68,515</u>

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

The \$184,081 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 (Asset) in the year ended December 31, 2020. 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,	
2020	239,295
2021	129,245
2022	106,422
2023	222,077

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018, are as follows:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.50% per annum, net of investment expense, including inflation
Salary increases	4.75% (2.35% merit, 2.40% inflation)
Inflation rate	2.40%, 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, 2018 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%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	<u>2%</u>	<u>0.11%</u>
Totals	100%	5.43%
Inflation		<u>2.00%</u>
Expected arithmetic nominal return		7.43%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. 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 (Asset) 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 6.50%, 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 (5.50%) or one percentage-point higher (7.50%) than the current rate:

	<u>1.0% Decrease</u> <u>(5.50%)</u>	<u>Current Discount</u> <u>Rate (6.50%)</u>	<u>1.0% Increase</u> <u>(7.50%)</u>
Employer’s proportionate share of net pension liability (asset)	2,230,296	1,050,178	63,701

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>2019</u>				<u>Balance</u> <u>December</u> <u>31, 2019</u>
	<u>Amount of</u> <u>Original Issue</u> <u>(Bonds Only)</u>	<u>Balance</u> <u>January</u> <u>1, 2019</u>	<u>Principal</u> <u>Payments</u>	<u>Issued</u> <u>2019</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	2,606,496	58,396	-	2,548,100
Utility Revenue Bonds, Series 2015, principal and interest payments begin October 2015, interest rate 3.75%; final maturity April 1, 2035.	3,100,000	2,790,000	110,000	-	2,680,000

10. Long-Term Debt (Continued)

<u>Description</u>	2019				
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2019</u>	<u>Principal Payments</u>	<u>Issued 2019</u>	<u>Balance December 31, 2019</u>
Utility Revenue Bonds, Series 2016, principal and interest payments begin October 2016, interest rate 3.95%; final maturity April 1, 2035.	2,260,000	2,085,000	90,000	-	1,995,000
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	8,876,000	75,000	-	8,801,000
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	15,074,000	588,000	-	14,486,000
Limited Tax Revenue Bonds, Series 2019, principal and interest payments begin September 2019, interest rate 3.43%, final maturity September 2039.	17,250,000	-	-	17,250,000	17,250,000
Total long-term debt		<u>31,431,496</u>	<u>921,396</u>	<u>17,250,000</u>	47,760,100
					<u>(1,559,086)</u>
					<u>46,201,014</u>

<u>Description</u>	2018				
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2018</u>	<u>Principal Payments</u>	<u>Issued 2018</u>	<u>Balance December 31, 2018</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	2,662,397	55,901	-	2,606,496
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 \$- at December 31, 2018.	15,000,000	2,897,390	2,897,390	-	-

10. Long-Term Debt (Continued)

Description	Amount of Original Issue (Bonds Only)	Balance January 1, 2018	2018		Balance December 31, 2018
			Principal Payments	Issued 2018	
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Series 2009, principal pay- ments begin April 1, 2010, interest rate 2-4%, final maturity April 1, 2018. Bond premium balance of \$-0- at December 31, 2018.	6,025,000	680,124	680,124	-	-
Utility Revenue Bonds, Series 2015, principal and interest payments begin October 2015, interest rate 3.75%; final maturity April 1, 2035.	3,100,000	2,895,000	105,000	-	2,790,000
Utility Revenue Bonds, Series 2016, principal and interest payments begin October 2016, interest rate 3.95%; final maturity April 1, 2035.	2,260,000	2,170,000	85,000	-	2,085,000
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	73,000	-	8,876,000
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	1,843,000	-	15,074,000
Total long-term debt		<u>37,170,911</u>	<u>5,739,415</u>	<u>-</u>	31,431,496
			Less current portion Long-term debt noncurrent		<u>(920,519)</u> 30,510,977

10. Long-Term Debt (Continued)

The annual debt service requirements to maturity, including principal, interest, and bond amortization for long-term debt as of December 31, 2019 are as follows:

<u>Year Ending December 31</u>	<u>Long-Term Debt</u>	<u>Interest</u>	<u>Total</u>
2020	1,559,086	1,568,173	3,127,259
2021	1,613,769	1,515,222	3,128,991
2022	2,037,570	1,454,608	3,492,178
2023	2,103,497	1,386,147	3,489,644
2024	2,179,554	1,315,321	3,494,875
2025-2029	12,115,633	5,421,280	17,536,913
2030-2034	14,373,349	3,233,803	17,607,152
2035-2039	11,107,401	912,660	12,020,061
2040-2044	670,241	70,587	740,828
Total	<u>47,760,100</u>	<u>16,877,801</u>	<u>64,637,901</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 \$22,460,716 and \$4,071,509 at December 31, 2019 and 2018, respectively.

Prior Year Defeasance of Long-Term Debt

In 2017, the Port defeased the Series 2010 LCDA Revenue Refunding Bonds by placing the balance of sinking fund account and proceeds of the Series 2017 LCDA Revenue Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the old obligation. In the same year, the Series 2011 Utility Revenue Refunding Bonds were defeased by placing the balance of related sinking fund account and proceeds of the Series 2017 Utility Revenue Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the old obligation. Accordingly, the escrow accounts assets and the liabilities for the defeased obligations are not included in the Port's financial statements. At December 31, 2019, \$21.7 million of bonds were legally defeased and remain outstanding. Future debt service requirements on the old obligations to early redemption are as follows: \$13.6 million - 2020, and \$8.1 million - 2021.

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 2019 and 2018. Unearned revenue for the Oakley agreement totaled \$89,039 and \$94,039 as of December 31, 2019 and 2018.

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 2019 and 2018 for this lease, and unearned revenue amounted to \$30,943 and \$33,658 as of December 31, 2019 and 2018, 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 2019 and 2018, and unearned revenue amounted to \$578,411 and \$585,229 as of December 31, 2019 and 2018, respectively.

11. Unearned Revenue (Continued)

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 2019 and 2018, and unearned revenue related to Sports South totaled \$204,360 and \$220,080 as of December 31, 2019 and 2018, 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, 2019:

<u>Year Ending December 31:</u>	
2020	3,253,236
2021	3,242,784
2022	3,099,684
2023	2,917,344
2024	2,917,344
Thereafter	<u>52,002,295</u>
	<u>67,432,687</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, 2019, there were nineteen commercial users and nine residential users of the waterworks system. Total revenue received in 2019 and 2018 was \$1,088,044 and \$3,781,130, 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 \$306,827 and \$305,931 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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 amount of the bonds outstanding at December 31, 2019 and 2018 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, 2019 and 2018 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, 2019 and 2018 was \$1,913,209 and \$2,058,462, respectively.

17. Construction Projects

The Port has plans for various projects in 2020, with a projected cost of approximately \$33.6 million. These include numerous projects such as: water lines, warehouse expansion, slack water harbor hardstand, general cargo dock additions, general storage expansion, Regional Commerce Center/dock/Port Complex security upgrade, portable fabric warehouse, dredging, rail/road repair, stevedoring equipment and various other smaller projects.

18. Subsequent Events

The Port has evaluated subsequent events through June 8, 2020, the date which the financial statements were available to be issued, and the following significant subsequent event was noted.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while this may negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY

FOR THE YEARS ENDED DECEMBER 31, 2016 THROUGH DECEMBER 31, 2019

(Unaudited)

<u>Fiscal Year</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
<u>PERS:</u>					
2019	0.236614%	1,050,178	1,600,529	65.61%	88.86%
2018	0.241108%	(178,962)	1,447,539	-12.36%	101.98%
2017	0.254088%	523,298	1,395,680	37.49%	94.15%
2016	0.235998%	621,215	1,347,400	46.10%	92.23%

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

See accompanying independent auditors' report.

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEARS ENDED DECEMBER 31, 2016 THROUGH DECEMBER 31, 2019

(Unaudited)

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Port's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
<u>PERS:</u>					
2019	184,081	184,081	-	1,600,529	11.50%
2018	166,467	166,467	-	1,447,539	11.50%
2017	174,460	174,460	-	1,395,680	12.50%
2016	195,373	195,373	-	1,347,400	14.50%

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

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

CADDO-BOSSIER PORT COMMISSION

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

FOR THE YEAR ENDED DECEMBER 31, 2019

Eric England, Executive Port Director

Salary	292,683
Benefits-insurance	33,519
Benefits-retirement	26,600
Cell phone	918
Travel, conference, promotion, marketing	4,635
Registration fees	1,645

OTHER REPORTS

June 8, 2020

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, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 8, 2020.

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*.

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, L.L.C.

Shreveport, Louisiana

CADDO-BOSSIER PORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019.

Section B - Financial Statement Findings

No matters were reported.

CADDO-BOSSIER PORT COMMISSION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

No prior year findings were reported.

OTHER INFORMATION



6000 Doug Atfaway Blvd. | Shreveport, LA 71115 | P (318)524-2272 | F (318)524-2273 | port@portsb.com | www.portcb.com

2019 Board of Commissioners

<u>Name, Address, Phone & Fax</u>	<u>Last Appointment/Term</u>
Rick C. Prescott, President 6313 Bocage Circle Shreveport, LA 71119 Telephone: (318) 288-7024	City of Shreveport 7/27/15 – 7/27/21
Roy Griggs, Vice President 330 Marshall Street, Suite 711 Shreveport, LA 71101 Cell: (318) 347-3306	City of Shreveport 8/25/15 – 6/30/21
Walter O. Bigby, Jr., Secretary-Treasurer P.O. Box 5880 Bossier City, LA 71171 Home Telephone: (318) 742-5406	City of Bossier 3/30/18 – 3/29/24
Bill Altimus P.O. Box 70 204 Burt Blvd. Benton, LA 71006 Office telephone: (318) 965-2329; Direct Line (318) 965-3706	Bossier Parish 2/17/19 – 2/16/25
Erica R. Bryant P.O. Box 1127 Shreveport, LA 71163-1127 Office telephone: (318) 226-6920; fax: (318) 429-7609	Caddo Parish 6/30/19 – 6/30/25
Sam N. Gregorio 7600 Fern Avenue, Building 700 Shreveport, LA 71105 Office telephone: (318) 865-8680	City of Shreveport 12/14 – 12/28/22
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 71105-4236 Home telephone: (318) 865-4096	Caddo Parish 3/31/2019 – 3/31/25
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, General Counsel/Chief Legal Officer Gloria Washington, Director of Finance & Human Resources	

This institution is an equal opportunity provider and employer.

MEMBERS: Rick C. Prescott, President; Roy Griggs, Vice President; Walter O. Bigby, Jr., Secretary-Treasurer; Erica R. Bryant; Sam N. Gregorio; James D. Hall; Capt. Thomas F. Murphy; James L. Pannell; Steve Watkins

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF INSURANCE

AS OF DECEMBER 31, 2019

	<u>Coverage</u>	<u>Expiration</u>
<u>Commercial Property:</u>		
Blanket property and equipment	80,475,184	12/31/20
Piers and docks	16,212,500	
Contractors equipment	7,609,972	
EDP	1,868,089	
Blanket earnings/extra expense	6,800,000	
<u>Boiler and Machinery Damage:</u>		
Machinery breakdown	80,475,184	12/31/20
<u>Commercial Crime:</u>		
Employee dishonesty	4,000,000	12/31/20
Forgery	4,000,000	
<u>Marine and General Liability:</u>		
Each occurrence	1,000,000	12/31/20
Products/Comp ops aggregate	2,000,000	
Personal/advertising injury	1,000,000	
<u>Bumbershoot Liability:</u>		
Each occurrence	10,000,000	12/31/20
Aggregate Products/Comp ops only	10,000,000	
<u>Hired and Non-owned Auto Liability:</u>		
Each accident	1,000,000	12/31/20
<u>Public Officials Liability:</u>		
Each loss	2,000,000	12/31/20
Aggregate	2,000,000	
<u>Worker's Compensation:</u>		
LA Worker's compensation	Statutory	12/31/20
Each accident/disease	1,000,000	
<u>Hull & P&I:</u>		
Hull	252,824	12/31/20
P&I	1,000,000	
<u>Rail Liability & FELA:</u>		
Each occurrence	15,000,000	12/31/20
Aggregate	30,000,000	

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF INSURANCE

AS OF DECEMBER 31, 2019

	<u>Coverage</u>	<u>Expiration</u>
<u>Rail Inland Marine:</u>		
Rail cars PD-TIV	10,000,000	12/31/20
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	12/31/20
First party insuring agreements	1,000,000	

CADDO-BOSSIER PORT COMMISSION

**STATEWIDE AGREED-UPON
PROCEDURES REPORT**

YEAR ENDED DECEMBER 31, 2019

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

June 8, 2020

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 01, 2019 through December 31, 2019. 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

Not applicable because of no exceptions in previous year.

Board (or Finance Committee, if applicable)

Not applicable because of no exceptions in previous year.

Bank Reconciliations

Not applicable because of no exceptions in previous year.

HMV

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www.hmvcpa.com WEB ADDRESS

Collections

Not applicable because of no exceptions in previous year.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

A listing of payment processing locations was obtained from management.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

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.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

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

Not applicable because of no exceptions in previous year.

Travel and Expense Reimbursement

Not applicable because of no exceptions in previous year.

Contracts

Not applicable because of no exceptions in previous year.

Payroll and Personnel

Not applicable because of no exceptions in previous year.

Ethics (excluding nonprofits)

Not applicable because of no exceptions in previous year.

Debt Service (excluding nonprofits)

Not applicable because of no exceptions in previous year.

Other

Not applicable because of no exceptions in previous year.

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, L.L.C.

Shreveport, Louisiana