

---

**BOARD OF COMMISSIONERS OF**  
**THE PORT OF NEW ORLEANS**  
**LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

---

**BOARD OF COMMISSIONERS OF**  
**THE PORT OF NEW ORLEANS**  
**LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

## TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 12
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	13 – 14
Statements of Revenue, Expenses and Changes in Net Position	15 – 16
Statements of Cash Flows	17 – 18
Notes to Financial Statements	19 – 59
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Total OPEB Liability and Related Ratios	60
Postemployment Benefits Other Than Pension Benefits Schedule of Funding Progress	61
Schedule of Proportionate Share of the Net Pension Liability Louisiana State Employees' Retirement System	62
Schedule of Contributions Louisiana State Employees' Retirement System	63
OTHER SUPPLEMENTARY INFORMATION	
Consolidating Statement of Net Position	64 – 65
Consolidating Statement of Revenues, Expense and Change in Net Position	66 – 67
Schedule of Compensation, Benefits, and Other Payments to the Agency Head	68
Revenue Bonds Debt Coverage Schedule	69

## **INDEPENDENT AUDITORS' REPORT**

The Board of Commissioners of the  
Port of New Orleans:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Board of Commissioners of the Port of New Orleans (the Board) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment 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 basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2018 and 2017, 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.

## **Government Acquisition**

As discussed in Note 16, during the year ended June 30, 2018, the Board acquired assets and liabilities from Public Belt Railroad Commission for City of New Orleans through Board-owned New Orleans Public Belt Railroad Corporation. The financial statements include the accounts of the Board of Commissioners of the Port of New Orleans and its wholly-owned subsidiary, New Orleans Public Belt Railroad Corporation. Our opinion is not modified with respect to this matter.

## **Change in Accounting Principle**

As discussed in Note 17 to the financial statements, for the year ended June 30, 2018, the Board adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This new standard requires the Board to recognize and report its total other post-employment benefit liability, measured according to actuarial methods and approaches prescribed within the standard along with certain disclosures. Our opinion is not modified with respect to this matter.

## **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 4 through 12, the Schedules of Changes in Total OPEB Liability and Related Ratios on page 60, Schedule of Funding Progress on page 61, the Schedule of Proportionate Share of the Net Pension Liability on page 62, and the Schedule of Contributions on page 63 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 opinions on the financial statements that collectively comprise the Board's basic financial statements. The Consolidating Statement of Net Position on page 64 and 65, Consolidating Statement of Revenues, Expense and Change in Net Position on page 66 and 67, Schedule of Compensation, Benefits, and Other Payments to the Agency Head on page 68, and Revenue Bonds Debt Coverage Schedule on page 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Prior-Year Comparative Information*

As discussed in Note 11, the financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United State of America. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended June 30, 2017, from which such partial information was derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Board's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Metairie, Louisiana  
November 30, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Board of Commissioners of the Port of New Orleans (Board) annual financial report presents a discussion and analysis of the Board's financial performance for the Fiscal Year ended June 30, 2018. The Board is a political subdivision of the State of Louisiana formed in 1896 which operates the Port of New Orleans (Port). The Board is considered a special purpose entity and as such reports transactions related to its activities similar to those found in the private sector. Please read it in conjunction with the Board's financial statements, which follow this section.

**GOVERNMENT ACQUISITION**

As discussed in Note 16, the Board acquired the assets and liabilities of the New Orleans Public Belt Railroad Commission in a noncash transaction with the City of New Orleans on February 1, 2018. The wholly owned New Orleans Public Belt Railroad Corporation (PBRC) was formed to hold and operate these assets for the shortline railroad. For operating comparison discussions this section will compare Port operations and highlight the incremental effect on the consolidated entity of the PBRC.

**CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note 17 to the financial statements, for the year ended June 30, 2018, the Board adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This new standard requires the Board to recognize and report its total other post-employment benefit liability, measured according to actuarial methods and approaches prescribed within the standard along with certain disclosures in the notes to financial statements.

**FINANCIAL HIGHLIGHTS**

The Port's financial performance for Fiscal Year 2018 continued with its ninth year of strong growth since the Great Recession and a record year in operating revenue. Operating revenues for Fiscal Year 2018 were \$65.4 million with increases in both cruise operations and real estate rentals. Operating expenses decreased in Fiscal Year 2018 due to reductions in payroll and benefits; this combination produced net operating income of \$17.4 million before depreciation compared to \$16.9 million in Fiscal Year 2017. There were increases in container revenues, cruise passenger revenue, and real estate rentals offset by lower breakbulk revenues due to tariff issues. The Fiscal Year 2017 increase in operating revenues was due to increases in break bulk volumes, container revenues, and cruise passenger revenue. Real estate revenues increased to \$6.9 million for Fiscal Year 2018 compared to \$6.6 million in Fiscal Years 2017. For Fiscal Year 2018, the PBRC contributed an additional \$12.9 million in operating revenues and \$1.2 million in operating income before depreciation. On a consolidated basis for Fiscal Year 2018, the Board's operating revenues were \$78.3 million and operating income before depreciation was \$18.6 million.

The Board's net position for Fiscal 2018 increased by \$149.4 million due mainly to the accounting for the acquisition of the PBRC totaling approximately \$172.0 million, net of related liabilities acquired. In comparison, the Board's net position in Fiscal 2017 decreased \$11.8 million due to an increase in pension expense from the Government Accounting Standards Board (GASB) pronouncement 68 amortization (non-cash) of deferred amounts related to net pension liability of \$4.4 million and the reduction in capital contributions from federal and state grants of \$9.1 million.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting and federal programs.

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units and implements applicable GASB pronouncements. 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, Expenses, and Changes in Net Position. The statement of net position presents financial information on all of the Board's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 Board is improving or deteriorating. The statement of activities presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private sector business. The financial statements provide both long and short-term information about the Board'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.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS**

**Net Position**

The Board's total assets and deferred outflows of resources at June 30, 2018 are \$925.4 million. This represents an increase of \$199.4 million from the prior year. Total liabilities and deferred inflows are \$257.4 million for an increase of \$50.0 million. Total net position is \$667.9 million, an increase of \$149.4 million from Fiscal Year 2017. The comparison of Fiscal Year 2017 to 2016 indicated an increase for 2017 of \$234.0 million in total assets and deferred outflows and a decrease of approximately \$21.1 million in net position. (See Table 1).

	<u>2018</u>	<u>2017*</u>	<u>Change</u>	<u>2016</u>
Current assets	\$ 95,821	\$ 79,024	21.3%	\$ 86,853
Restricted assets	36,776	10,537	249.0%	10,524
Capital assets (net)	783,940	617,917	26.9%	616,617
Other assets	209	241	-13.3%	274
Deferred outflows of resources	8,604	18,177	-52.7%	11,394
Total assets and deferred outflows	<u>\$ 925,350</u>	<u>\$ 725,896</u>	27.5%	<u>\$ 725,662</u>
Current liabilities	\$ 28,647	\$ 25,749	11.3%	\$ 21,745
Net pension liability	51,493	61,530	-16.3%	49,601
Other post employment benefit liability	11,203	11,614	-3.5%	-
Revenue bonds payable	146,921	93,874	56.5%	97,437
Other non-current liabilities	17,058	13,847	23.2%	16,402
Deferred inflows of resources	2,097	801	0.0%	940
Total liabilities and deferred inflows	<u>257,419</u>	<u>207,415</u>	24.1%	<u>186,125</u>
Net position:				
Net investment in capital assets	481,237	521,522	-7.7%	516,946
Restricted	36,776	10,537	249.0%	10,524
Unrestricted	149,918	(13,578)	-1204.1%	12,067
Total net position	<u>667,931</u>	<u>518,481</u>	28.8%	<u>539,537</u>
Total liabilities and net position	<u>\$ 925,350</u>	<u>\$ 725,896</u>	27.5%	<u>\$ 725,662</u>
* 2017 Restated due to implementation of GASB 75 (See note 11 and 17)				

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The item, "Net investment in capital assets," consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness (offset by the debt related to unspent bond proceeds) attributable to the acquisition, construction, or improvement of those assets.

Fiscal Year 2018 current assets increased by \$16.8 million or 21.3 percent due to the \$24.7 million of PBRC current assets offset by lower Port cash and trade receivables. Non-current assets increased by \$192.2 million mainly from the \$172.0 million investment in PBRC and increased Port capital assets offset by decreased outflows of resources related to deferred amounts due to pension liabilities.

Fiscal Year 2017 current assets decreased by \$7.8 million or 9.0 percent as increases in trade receivables, inventory and prepaid items was offset by decreases in cash and investments. Non-current assets decreased by \$8.0 million mainly from changes in deferred outflows of resources related to deferred amounts due to pension liabilities and increases in capital assets.

Fiscal Year 2018 current liabilities increased \$2.9 million or 11.3 percent when compared to Fiscal Year 2017. Non-current liabilities increased by \$ 45.8 million mainly due 53.0 million increase in revenue bonds offset by a \$10.0 million reduction net pension liability.

Fiscal Year 2017 current liabilities increased \$3.8 million or 17.4 percent when compared to Fiscal Year 2016. The Port's current liabilities decreased by \$2.9 million due to lower accounts payable; the PBRC added \$5.8 million in current liabilities. Non-current liabilities increased by \$8.0 million mainly due 11.9 million increase in net pension liability and \$9.2 million in OPEB restatement due to GASB 75 offset by \$3.6 million in payments on the Board bond obligations; the PBRC added \$386,000 in non-current liabilities.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Changes in Net Position**

The changes in net position for the year ended June 30, 2018, when compared to June 30, 2017, is an increase of \$149.4 million or 28.8 percent due mainly to the acquisition of the PBRC offset by operating loss and non-operating expenses.

Fiscal Year 2018 non-operating revenue and expense increased \$161.1 million compared to Fiscal Year 2017. This was mainly due to the \$167.7 million appreciation in value related to the acquisition of the PBRC offset by \$2.7 million of cancelled capital projects and \$3.8 million in environmental remediation expenses as noted in Note 7. Interest income was \$336,000 higher due to higher interest rates and investment balances. Other non-operating expenses were \$245,000 lower.

Capital contributions increased by \$136,000 in Fiscal Year 2018 versus Fiscal Year 2017 as reimbursements from other governmental units remained essentially the same.

In Fiscal Year 2017 versus Fiscal Year 2016 the changes in net position is a decrease of \$21.1 million or 3.9 percent due to increases in net pension liability and OPEB liability. Operating revenue increased \$4.4 million and operating expenses increased \$2.3 million.

In the area of non-operating revenue and expense, Fiscal Year 2017 net expenses were \$1.0 million lower than Fiscal Year 2016. This was mainly due to lower nonrecurring expenses related to noncash expenses of various studies and non-capital projects offset by higher cash expense for onetime costs.

Capital contributions decreased by \$9.1 million in Fiscal Year 2017 versus Fiscal Year 2016 due to lower reimbursements from other governments for capital projects.

The changes in net position are detailed in Table 2 and operating expenses are detailed in Table 3.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

<b>Table 2</b>				
<b>Changes in Net Position</b>				
<b>(in thousands of dollars)</b>				
	<b>2018</b>	<b>2017*</b>	<b>Percentage</b>	<b>2016</b>
	<b>Change</b>			
Operating revenues:				
Terminal operations	\$ 43,429	\$ 43,643	-0.5%	\$ 41,701
Rail operations	12,379	-	n/a	-
Cruise and tourism	15,005	14,984	0.1%	12,623
Real estate	7,491	6,639	12.8%	6,628
Total operating revenues	<u>78,304</u>	<u>65,266</u>	20.0%	<u>60,952</u>
Operating expenses:				
Operating expenses	59,718	48,437	23.3%	46,149
Depreciation	27,832	26,446	5.2%	27,121
Total operating expenses	<u>87,550</u>	<u>74,883</u>	16.9%	<u>73,270</u>
Operating loss	(9,246)	(9,617)	3.9%	(12,318)
Non-operating revenues/(expenses), net				
Investment income	684	348	96.6%	812
Interest expense	(5,371)	(4,652)	15.5%	(4,769)
Hurricane loss	(30)	(42)	-28.6%	(45)
Gain on sale of assets	40	641	-93.8%	-
Canceled capital projects	(2,723)	-	n/a	(1,615)
Demolition costs	-	(401)	-100.0%	(188)
Appreciation in value related to PBRC	167,714	-	n/a	-
Environmental remediation expense	(3,750)	-	n/a	-
Miscellaneous - net	(929)	(1,027)	-9.5%	(247)
Income (loss) before contributions	<u>146,389</u>	<u>(14,750)</u>	-1092.5%	<u>(18,370)</u>
Capital contributions from state and federal programs	<u>3,060</u>	<u>2,924</u>	4.7%	<u>12,043</u>
Change in net position	149,449	(11,826)	-1363.7%	(6,326)
Total net position, beginning of the year	518,482	539,536	-3.9%	545,862
Prior period adjustment	-	(9,228)		-
Total net position, end of year	<u>\$ 667,931</u>	<u>\$ 518,482</u>	28.8%	<u>\$ 539,536</u>

\* 2017 Restated due to implementation of GASB 75 (See note 11 and 17)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

	<b>Port with Blended Component Unit 2018</b>	<b>Port without Blended Component Unit 2018</b>	<b>Port 2017</b>	<b>Percentage Change</b>	<b>Port 2016</b>
Payroll expense	\$ 23,775	\$ 18,171	\$ 18,898	-3.8%	\$ 19,503
Pension expense	7,875	7,875	10,384	-24.2%	5,491
Other benefits expense	<u>8,187</u>	<u>5,640</u>	<u>5,460</u>	3.3%	<u>5,586</u>
Labor and fringe benefits	39,837	31,686	34,742	-8.8%	30,580
Travel, promotion and advertising	1,172	1,136	1,232	-7.8%	1,288
Professional fees	1,358	1,262	1,317	-4.2%	1,338
Fuel and utilities	3,148	3,040	2,997	1.4%	2,908
Maintenance agreements	1,825	1,482	747	98.4%	735
Maintenance	8,436	4,503	2,318	94.3%	2,415
Other	2,520	2,214	2,282	-3.0%	2,483
Reimbursable costs	(2,126)	-	-	N/A	-
Capital allocations	(1,390)	(1,272)	(1,446)	-12.0%	(1,892)
Security fee reimbursement	(864)	(864)	(743)	16.3%	(939)
Insurance	4,279	4,012	4,230	-5.2%	4,525
Workers' compensation	<u>1,524</u>	<u>769</u>	<u>761</u>	1.1%	<u>2,708</u>
Total other expenses	19,882	16,282	13,695	18.9%	15,569
Depreciation	<u>27,832</u>	<u>26,626</u>	<u>26,446</u>	0.7%	<u>27,121</u>
Total operating expenses	\$ <u><u>87,551</u></u>	\$ <u><u>74,594</u></u>	\$ <u><u>74,883</u></u>	-0.4%	\$ <u><u>73,270</u></u>

The total decrease in Port operating expense, when comparing Fiscal Year 2018 to Fiscal Year 2017, is approximately \$289,000 or 0.4 percent. The major categories of decrease was pension, payroll, insurance, and workers compensation expense. Major areas of increase were other benefits expense, maintenance expenses due to dredging cost insurance, maintenance agreements and other expenses. There were also reductions in capitalized labor due to reduced engineering staffing.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Port Labor and fringe benefits decreased in Fiscal Year 2018 by \$3.1 million or 8.8 percent. Salaries were lower by \$0.7 million due mainly to open positions. Pension expense was up down by \$2.5 million due to the effects of GASB 68 entries in Fiscal 2018 for changes in the Port's proportion in the state pension plan (LASERS) and LASERS lower than expected performance in is Fiscal Plan Year 2017. Other benefits were up 3.3 percent due to increased healthcare cost. Labor and fringe benefits increased in Fiscal Year 2017 by \$4.1 million due to adjustments in pension expenses. Salaries were lower by \$0.6 million due mainly to effects of organizational restructuring, retirements and unfilled positions. Fringe benefits for Fiscal Year 2017 were down \$126,000 due to lower staffing levels.

Most other operating expenses were not materially different from prior year except:

- Maintenance agreements increased 735,000 as the Port moved most of its software to software as a service verses owned.
- Maintenance increased \$2.2 million as the use of outside dredging frequency increased due to deeper draft ships calling on the container terminal along with other noncapital maintenance projects increased.

The acquisition of the PBRC increased labor and fringe benefits by \$8.1 million and other operating expenses by \$3.6 million and \$1.2 million of depreciation.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2018, the Board had invested \$783.9 million in capital assets net of accumulated depreciation; \$630.3 million in Port capital assets and \$153.6 million in PBRC capital assets. As compared to the prior year, this amount represents an increase (including additions and disposals) of \$12.4 million in Port capital assets. Fiscal Year 2017 there was a net increase of \$1.3 million in Port capital assets over Fiscal Year 2016.

### **Debt Administration**

The Board made its regularly scheduled payments on its Port Facility Revenue Bonds, Series 2008, Series 2010, Series 2011, Series 2012, Series 2013A&B, Series 2017 A, and Series 2018 A&B. Total bond debt payments, principle and interest for the Fiscal Year 2018 were \$7.4 million. The Board refunded the Series 2011 to obtain interest savings in December 2017 with \$9.0 million Series 2017 and issued \$76.7 million Series 2018 A&B to fund capital improvements and to refund Series 2008 and Series 2010 for interest savings.

All bond debt and lease covenants have been met.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Board commenced payments in Fiscal Year 2013 on the \$14.4 million of debt assistance provided by the State of Louisiana under the Gulf Opportunity Zone Act of 2005 (GO Zone). Payments of \$1.3 million of principal and interest during Fiscal Year 2018 continued as provided for under the GO Zone agreement. This debt balance as of June 30, 2018 was \$9.8 million.

Additional detailed information relating to capital assets and debt administration is presented in the financial statements and notes number 4, "Capital Assets, Net" and 5, "Non-Current Liabilities".

**ECONOMIC FACTORS**

General Cargo volumes have been generally increasing for over nine fiscal years. Specifically, related to cargo volumes, Port container volumes increase 51,000 units or 10.1 percent when comparing to Fiscal Year 2017. However breakbulk volumes decreased 864,000 tons or 26.4 percent in Fiscal Year 2017 due to the effects of tariffs. In comparison, Port containers increased by 4,313 units or 0.8 percent in Fiscal Year 2016 versus Fiscal Year 2015. Breakbulk decreased 769,000 tons or 21.6 percent.

The cruise sector increased passenger volumes 0.5 percent in Fiscal Year 2018 which maintained its 1.1 million passengers. The cruise sector increased passenger volumes in Fiscal Year 2017 to 1.1 million passengers a 15.7 percent increase over Fiscal Year 2016.

Port real estate revenues for Fiscal 2018 increased by \$311,000 or 4.7 percent with higher occupancies, volumes and effects planned increases. The PBRC added \$540,000 in real estate revenues of Fiscal Year 2018. Fiscal Year 2017 were increased by \$11,000 or 0.2 percent.

**CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our bondholders, the public, patrons, and other interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the funds received. If you have any questions about this report or need additional financial information, contact the Board at (504) 528-3559.

**FINANCIAL STATEMENTS**

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

Page 1 of 2

**STATEMENTS OF NET POSITION**  
**JUNE 30, 2018 AND 2017**

	2018	(RESTATED) 2017
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 15,883,325	\$ 24,948,590
Investments	56,696,023	35,783,427
Accounts receivable, less allowance for doubtful accounts of \$507,990 and \$278,373 at June 30, 2018 and 2017	10,741,709	8,607,688
Due from other governments	583,314	125,336
Stores inventory	7,036,743	5,530,099
Prepaid items	4,879,682	4,029,304
Total current assets	95,820,796	79,024,444
<b><u>NON-CURRENT ASSETS</u></b>		
Restricted cash, cash equivalents, and investments:		
Revenue bond covenant accounts	36,776,154	6,605,255
Deep draft lock escrow	-	3,931,714
Total restricted assets	36,776,154	10,536,969
Capital assets - net	783,939,781	617,917,142
Other assets	209,378	241,778
Total non-current assets	820,925,313	628,695,889
<b>TOTAL ASSETS</b>	<b>916,746,109</b>	<b>707,720,333</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred loss on bond refunding	1,143,234	1,003,437
Deferred amounts related to total OPEB	97,619	-
Deferred amounts related to net pension liability	7,363,337	17,173,488
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>8,604,190</b>	<b>18,176,925</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 925,350,299</b>	<b>\$ 725,897,258</b>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 9,236,945	\$ 11,901,416
Revenue bonds payable - current	3,255,000	3,450,000
Debt service assistance program loan payable - current	897,861	858,048
Capital leases payable - current	186,020	62,875
Accrued interest payable	1,703,500	1,122,577
Unearned income	5,662,784	5,536,951
Workers compensation and casualty reserve	3,210,601	1,270,422
Other liabilities	4,494,285	1,546,979
Total current liabilities	28,646,996	25,749,268

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

Page 2 of 2

**STATEMENTS OF NET POSITION - CONTINUED**  
**JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>(RESTATED)</u> <u>2017</u>
<b><u>LIABILITIES (continued)</u></b>		
<b><u>NON-CURRENT LIABILITIES</u></b>		
Revenue bonds payable	\$ 146,921,221	\$ 93,874,438
Debt service assistance program loan payable	8,856,894	9,754,755
Capital leases payable	385,865	10,593
Net pension liability	51,492,859	61,530,625
Total other post employment benefit liability	11,203,662	11,614,179
Compensated absences payable	1,603,620	1,589,138
Workers compensation and casualty reserve	2,461,151	2,490,905
Environmental remediation liability	3,750,000	-
Total non-current liabilities	<u>226,675,272</u>	<u>180,864,633</u>
<b>TOTAL LIABILITIES</b>	<u>255,322,268</u>	<u>206,613,901</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred amounts related to net pension liability	<u>2,096,872</u>	<u>801,479</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,096,872</u>	<u>801,479</u>
<b><u>NET POSITION</u></b>		
<b><u>NET POSITION</u></b>		
Net investment in capital assets	481,236,984	521,522,673
Restricted for revenue bond debt service	36,776,154	6,605,255
Restricted for deep draft lock	-	3,931,714
Unrestricted (deficit)	<u>149,918,021</u>	<u>(13,577,764)</u>
<b>TOTAL NET POSITION</b>	<u>667,931,159</u>	<u>518,481,878</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 925,350,299</u>	<u>\$ 725,897,258</u>

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

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 1 of 2**

**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	(RESTATED) <u>2017</u>
<b><u>OPERATING REVENUES</u></b>		
Terminal operations	\$ 43,429,414	\$ 43,643,374
Cruise and tourism	15,004,992	14,983,507
Switching	9,105,765	-
Real estate rentals	7,491,067	6,639,107
Railcar Repair	2,624,239	-
Railcar Storage	602,627	-
Miscellaneous	46,286	-
Total operating revenues	78,304,390	65,265,988
<b><u>OPERATING EXPENSES</u></b>		
Payroll and benefits:		
Payroll expense	23,775,297	18,898,320
Pension expense	7,875,338	10,383,403
Other benefits expense	8,186,327	5,460,445
Total payroll and benefits	39,836,962	34,742,168
Other operating expenses:		
Travel, promotion and advertising	1,172,819	1,231,699
Professional fees	1,357,532	1,316,647
Utilities	3,147,805	2,997,558
Maintenance agreements	1,824,965	746,833
Maintenance expenses	8,435,864	2,317,801
Other costs	2,520,450	2,282,090
Reimbursable costs	(2,126,187)	-
Capital allocations	(1,389,688)	(1,445,651)
Security fees	(864,497)	(743,267)
Insurance	4,278,897	4,229,598
Workers' compensation and casualty losses	1,524,034	761,813
Total other operating expenses	19,881,994	13,695,121
Depreciation	27,831,754	26,445,832
Total operating expenses	87,550,710	74,883,121
<b><u>OPERATING LOSS</u></b>	(9,246,320)	(9,617,133)

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 2 of 2**

**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - CONTINUED**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>(RESTATED)</u> <u>2017</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Investment income	\$ 684,267	\$ 347,640
Interest expense	(5,371,355)	(4,651,553)
Hurricane loss	(30,431)	(42,453)
Gain on disposal of assets	39,807	640,650
Demolition costs	-	(401,366)
Appreciation in value related to government acquisition (Note 16)	167,714,538	-
Canceled capital projects	(2,722,612)	-
Miscellaneous - net	(929,091)	(1,026,326)
Environmental remediation expenses	(3,750,000)	-
Total non-operating expenses	<u>155,635,123</u>	<u>(5,133,408)</u>
<b><u>INCOME (LOSS) BEFORE CONTRIBUTIONS</u></b>	146,388,803	(14,750,541)
<b><u>CAPITAL CONTRIBUTIONS</u></b>	<u>3,060,478</u>	<u>2,924,157</u>
<b><u>CHANGE IN NET POSITION</u></b>	<u>149,449,281</u>	<u>(11,826,384)</u>
<b><u>NET POSITION, BEGINNING OF YEAR</u></b>	<u>518,481,878</u>	<u>539,536,390</u>
<b><u>RESTATEMENT (Note 17)</u></b>	<u>-</u>	<u>(9,228,128)</u>
<b><u>NET POSITION, END OF YEAR</u></b>	<u>\$ 667,931,159</u>	<u>\$ 518,481,878</u>

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

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 1 of 2**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from customers and users	\$ 81,533,256	\$ 64,647,738
Payments to suppliers	(21,475,662)	(8,881,777)
Payments to employees	(24,845,930)	(19,832,318)
Payments to benefits on behalf of employees	(15,502,023)	(10,826,284)
Net cash provided by operating activities	19,709,641	25,107,359
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Expenditures for acquisition and construction of capital assets	(44,819,107)	(27,762,168)
Proceeds from sales of capital assets	65,912	712,625
Capital contributions from other governments	2,602,500	10,760,604
Proceeds from issuance and refinancing of bonds	95,335,555	-
Payment on refunded bonds and escrow accounts	(42,483,772)	(2,419,675)
Repayments of principal borrowed to finance acquisition and construction of capital assets	(866,026)	(819,999)
Interest paid on amounts to finance acquisition and construction of capital assets	(4,930,229)	(5,546,964)
Demolition costs and other	-	(1,427,688)
Cash and other assets acquired through government acquisition, net of related liabilities (Note 16)	7,500,722	-
Hurricane costs	(30,431)	(42,453)
Net cash provided by (used in) capital and related financing activities	12,375,124	(26,545,718)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of investments	(36,910,349)	(27,972,086)
Proceeds from sales and maturities of investments	21,315,237	31,575,178
Investment income received	684,267	347,640
Refund of deep draft lock escrow	3,931,714	-
Net cash (used in) provided by investing activities	(10,979,131)	3,950,732

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 2 of 2**

**STATEMENTS OF CASH FLOWS - CONTINUED**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	\$ 21,105,634	\$ 2,512,373
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u></b>	31,553,845	29,041,472
<b><u>CASH AND CASH EQUIVALENTS, END OF YEAR</u></b>	\$ 52,659,479	\$ 31,553,845
<b><u>RECONCILIATION OF LOSS FROM OPERATIONS TO</u></b>		
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>		
Operating loss	\$ (9,246,320)	\$ (9,617,133)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	27,831,754	26,445,832
Workers compensation reserve	438,919	56,327
Changes in assets, deferred outflows, liabilities, and deferred inflows relating to operating activities:		
Accounts and insurance receivable	3,524,706	(1,088,500)
Stores inventories	122,154	125,673
Prepaid items	(601,951)	(149,321)
Other assets	32,400	32,552
Deferred outflow of resources related to total OPEB	(97,619)	-
Deferred outflow of resources related to net pension liability	9,810,151	(6,852,437)
Accounts payable	(5,613,402)	4,836,992
Unearned income	(295,840)	437,698
Other liabilities	2,943,097	(730,009)
Net pension liability	(10,037,766)	11,929,579
Post-employment benefit obligation	(410,517)	22,648
Compensated absences payable	14,482	(203,989)
Deferred inflow of resources related to net pension liability	1,295,393	(138,553)
Net cash provided by operating activities	\$ 19,709,641	\$ 25,107,359
<b><u>RECONCILIATION TO STATEMENTS OF NET ASSETS:</u></b>		
Cash and cash equivalents for cash flow statements include:		
Cash and cash equivalents	\$ 15,883,325	\$ 24,948,590
Restricted assets:		
Restricted for revenue bond debt service	36,776,154	6,605,255
Total cash and cash equivalents	\$ 52,659,479	\$ 31,553,845
<b><u>SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:</u></b>		
Noncash items and fair value adjustments from government acquisition	\$ 161,679,397	\$ -
Noncash increase (decrease) in fair value of investments	\$ 334,215	\$ 97,863
Canceled capital projects	\$ (2,722,612)	\$ -
Accrual of environmental remediation expense	\$ 3,750,000	\$ -

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

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Board of Commissioners of the Port of New Orleans (the Board) is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:1-47. The Port is governed by a Board of Commissioners consisting of seven members appointed by the Governor. The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port of New Orleans (the Port).

The Board prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB).

The Board is considered a primary government entity based on satisfying the following criteria: (a) no entity appoints a voting majority of its governing body; (b) it is legally separate from other entities; and (c) it is fiscally independent of other state and local governments.

**Basis of Presentation**

As discussed in Note 16, Government Acquisition, the Board acquired the assets of the Public Belt Railroad Commission of the City of New Orleans and place them in the New Orleans Public Belt Railroad Corporation (PBRC), a public not-for-profit corporation. The financial statements include the accounts of the Board of Commissioners of the Port of New Orleans and its wholly-owned subsidiary, New Orleans Public Belt Railroad Corporation. All material intercompany transactions and balances have been eliminated.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounting policies of the Board conform to accounting principles generally accepted in the United States of America as applicable to governments. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Board's accounts are organized into a single proprietary fund. The Board'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. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Measurement Focus, Basis Accounting and Financial Statement Presentation (continued)**

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the provisions of GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Board applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Allowance for Doubtful Accounts**

An allowance for estimated uncollectible accounts receivable is established at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

**Investments**

Investments of the Board are recorded at fair value. Fair value is based on quoted market prices. All investment income, including changes in the fair value of the investments, is recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

**Stores Inventory**

The inventory of the Board consists of expendable materials, supplies and fuel and is valued at the lower of average cost or market.

**Prepaid Items**

Prepaid items consist of annual insurance premium paid for in advance and are amortized over the policy period.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Restricted Assets**

Under an agreement with the U.S. Army Corps of Engineers (Corps) the proceeds of land sales to the Corps in 2002 and 2003 have been put into an escrow fund to be used to pay the Board's share of a deep draft lock on the Inner Harbor Navigation Canal. Gains on the sales of land of approximately \$10,100,000 and \$5,600,000 were recognized for the years ended June 30, 2003 and 2002 respectively. Interest income related to these restricted assets was \$-0- for the years ended June 30, 2018 and 2017, respectively.

Including investment income, the balance in this restricted account as of May 31, 2014 was \$20,947,524. In June of 2014, the Corps agreed to release \$17,015,810 of the funds in exchange for the Port foregoing its request for a deeper draft for the lock. As of June 30, 2015, the entire amount of \$17,015,810 had been transferred leaving a cash balance of \$3,931,714. As of March 14, 2018, the Board's participation in the project has been terminated, the escrow account had been closed, and all excess funds were released to the Board. The balance is \$0 as of June 30, 2018.

Certain proceeds of the Board's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate investment accounts and their use is limited by applicable bond requirements.

**Capital Assets and Depreciation**

The Board capitalizes assets that have an individual cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets constructed or acquired by purchase are stated at cost. Donated capital assets are stated at the estimated fair value on the date received.

Depreciation of capital assets and amortization of capital lease assets is computed using the mid-year convention method over the following estimated useful lives:

Wharves and sheds	40 – 50 years
Roadways and drainage	20 years
Marshalling areas	15 years
Railroad track structures	10 – 70 years
Bridges	30 – 100 years
Buildings	15 – 40 years
Machinery and equipment	3 – 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital asset and improvements are capitalized as projects are constructed. For fiscal years ended prior to June 30, 2018, the Board's policy is to capitalize construction period interest, if any. For capital assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing and ends when the asset is put into service. When assets or equipment are retired or sold, the cost, net of accumulated depreciation, is removed from the respective capital asset accounts.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Capital Assets and Depreciation (continued)**

As discussed in Note 17, beginning July 1, 2017, the Board early adopted GASB Statement 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, interest cost incurred before the end of a construction period is recognized as an expenditure in the statement of revenues, expenses and change in net position.

**Debt and Amortization**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

**Unearned Income**

Operating revenues include rental income derived from leasing Board-owned properties. Amounts due from certain lease agreements are billed in advance and recognition of the related revenue is deferred and recognized over the appropriate lease term.

**Compensated Absences**

Employees accumulate vacation and sick leave at varying rates according to years of service. For the Port, upon termination, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes. For the PBRC, non-union employees are allowed to carry over up to 120 hours of unused vacation per year and are paid for any unused vacation upon termination.

**Pension Plans**

The Port is a participating employer in a defined benefit pension plan (the Plan) as described in Note 9. For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each of the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within each plan. The PBRC does not participate in this plan but rather the Federal Governments Rail Road Retirement plan.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Statements of Cash Flows**

For purposes of the statement of cash flows, cash and cash equivalents consist of demand deposits with banks, overnight repurchase agreements, and money market mutual funds.

**Deferred Inflows and Outflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding reported on the statements of net position results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Deferred Inflows and Outflows of Resources (continued)**

Deferred inflows and outflows have been recognized for the net difference between the project and actual investment earnings, this amount is deferred and amortized over a period of five years. In addition, deferred inflows and outflows have been recognized for the differences between the actuarial expectation and the actual economic experience and changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. See Note 9 for additional information on deferred inflows and outflows related to the pension plan.

Deferred inflows and outflows have been recognized for the differences between the actuarial expectation and the actual economic experience related to the other post-employment benefits plan. These amounts are deferred and amortized over the average of the expected service lives of the members of the plan. See Note 11 for additional information on deferred inflows and outflows related to the other post-employment benefits plan.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS**

The Board's cash and investments consist primarily of deposits with financial institutions and investments in direct obligations of the United States Treasury or agencies thereof.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Port's name. At June 30, 2018 and 2017, the carrying amount of the Board's deposits (demand deposits and certificates of deposit) was \$19,727,534 and \$14,034,732 and the related bank balances were \$17,137,860 and \$13,438,003, respectively. Of the bank balances, \$1,500,000 and \$750,000 were covered by federal depository insurance and \$18,014,274 and \$20,565,380 were covered by collateral held by the pledging banks' trust department or agent in the Board's name at June 30, 2018 and 2017, respectively.

**Investments**

The Board may invest idle funds as authorized by Louisiana Statutes and the Board's investment policy as follows:

- (a) United States bonds, treasury notes, certificates, or any other federally insured investment.
- (b) Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.
- (c) Debt instruments issued by the state of Louisiana or any of its political subdivisions with a rating of at least BBB- or higher by Standard and Poor and the final maturity can be no more than three years.
- (d) Bonds, debentures, notes or other indebtedness issued by a state of the United States of America other than Louisiana or any such state's political subdivisions with a minimum rating A- or higher by Standard and Poor and the final maturity can be no more than three years.
- (e) Top Tier A1/P1 rated Commercial Paper
- (f) Security Repurchase Agreements
- (g) Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (continued)**

**Investments (continued)**

The Board invests monies with the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 85 as of June 30, 2018.
- Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. 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 net asset 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 issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (continued)**

**Investments (continued)**

Cash and investments were included in the Statements of Net Position as of June 30 as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 15,883,325	\$ 24,948,590
Investments – current assets	56,696,023	35,783,427
Restricted assets	36,776,154	10,536,969
	<u>\$ 109,355,502</u>	<u>\$ 71,268,986</u>

Included in cash and investments at June 30, were the following:

	<u>2018</u>	<u>2017</u>
U.S. Treasury Notes	\$ 36,776,154	\$ 6,539,064
U.S. Government and State Agencies	24,195,000	20,703,218
Money market mutual funds	-	15,405,111
LAMP	28,656,814	14,722,421
Deposits:		
Certificates of deposit	3,844,209	500,000
Demand deposit with banks	15,883,325	13,478,461
Total cash and investments	<u>\$ 109,355,502</u>	<u>\$ 71,348,275</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Board has a formal investment policy that targets investment maturities equal to or less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, approximately 40% of the Board's portfolio shall be one year or less for liquidity reasons and interest rate volatility risk.

As of June 30, 2018, the Board had the following investments and maturities.

	<u>Fair Value</u>	<u>Remaining Maturity (in Years)</u>	
		<u>Less Than One</u>	<u>1 – 5</u>
U.S. Treasury Notes	\$ 36,776,154	\$ 36,776,154	\$ -
Certificates of Deposit	3,844,209	3,844,209	-
U.S. Government and State Agencies	24,195,000	11,479,728	12,715,272
Total	<u>\$ 64,815,363</u>	<u>\$ 52,100,091</u>	<u>\$ 12,715,272</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

2. **CASH AND INVESTMENTS (continued)**

**Interest Rate Risk (continued)**

As of June 30, 2017, the Board had the following investments and maturities.

	<u>Fair Value</u>	<u>Remaining Maturity (in Years)</u>	
		<u>Less Than One</u>	<u>1 – 5</u>
U.S. Treasury Notes	\$ 6,539,064	\$ 6,539,064	\$ -
Certificates of Deposit	500,000	500,000	-
U.S. Government and State Agencies	20,703,218	11,375,712	9,327,506
Total	<u>\$ 27,742,282</u>	<u>\$ 18,414,776</u>	<u>\$ 9,327,506</u>

**Credit Risk**

State law limits investments to instruments as described under “Investments” for the purpose of safety of principal. The Board’s investment policy does not further limit its investment choices. LAMP has been rated AAA by Standard & Poor’s Corporation. The Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank Consolidated Bonds and the Federal Farm Credit Banks are all rated AA+ by Standard & Poor’s Corporation. The money market mutual funds and the Brokerage Cash Account are unrated accounts.

*The remainder of this page is intentionally left blank*

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. FAIR VALUE MEASUREMENT**

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Certificates of deposit are valued at their carrying amounts, which approximate fair value because of the short-term maturity of these assets.

The Board has the following recurring fair value measurements as of June 30, 2018 and 2017:

	Fair Value Measurements – June 30, 2018		
	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ -	\$ 36,776,154	\$ -
U.S. Government and State Agencies	-	24,195,000	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 60,971,154</b>	<b>\$ -</b>
	Fair Value Measurements – June 30, 2017		
	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ -	\$ 6,539,064	\$ -
U.S. Government Agencies	-	20,703,215	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 27,242,279</b>	<b>\$ -</b>

**4. DUE FROM OTHER GOVERNMENTS**

Due from other governments consists of state funds from the Louisiana Department of Environmental Quality Office of Management and Finance for a clean truck replacement incentive program. At June 30, 2018 and 2017, amounts due are as follows:

	2018	2017
U.S. Department of Environmental Quality Office of Management and Finance	\$ 583,314	\$ 125,336
<b>Total</b>	<b>\$ 583,314</b>	<b>\$ 125,336</b>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS, NET**

A summary of changes in property is as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Property not being depreciated:				
Land and improvements	\$ 72,394,736	\$ 14,430,000	\$ -	\$ 86,824,736
Construction in progress	<u>83,132,414</u>	<u>43,731,082</u>	<u>(2,196,025)</u>	<u>124,667,471</u>
Total property not being depreciated	<u>155,527,150</u>	<u>58,161,082</u>	<u>(2,196,025)</u>	<u>211,492,207</u>
Property being depreciated:				
Property (wharves, buildings, etc.)	899,487,422	136,233,427	(9,680,679)	1,026,040,170
Furniture and fixtures	17,208,525	664,692	(232,085)	17,641,132
Equipment	<u>33,492,212</u>	<u>6,134,606</u>	<u>(1,169,681)</u>	<u>38,457,137</u>
Total property being depreciated	<u>950,188,159</u>	<u>143,032,725</u>	<u>(11,082,445)</u>	<u>1,082,138,439</u>
Less accumulated depreciation				
Property (wharves, buildings, etc.)	(460,295,933)	(24,843,489)	5,395,217	(479,744,203)
Furniture and fixtures	(13,240,296)	(1,835,516)	311,754	(14,764,058)
Equipment	<u>(14,261,938)</u>	<u>(1,152,749)</u>	<u>232,085</u>	<u>(15,182,603)</u>
Total accumulated depreciation	<u>(487,798,167)</u>	<u>(27,831,754)</u>	<u>5,939,056</u>	<u>(509,690,864)</u>
Total property being depreciated, net	<u>462,389,992</u>	<u>115,200,971</u>	<u>(5,143,389)</u>	<u>572,447,574</u>
Property, net	<u>\$ 617,917,142</u>	<u>\$ 173,362,053</u>	<u>\$ (7,339,414)</u>	<u>\$ 783,939,781</u>
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Property not being depreciated:				
Land and improvements	\$ 72,466,711	\$ -	\$ (71,975)	\$ 72,394,736
Construction in progress	<u>57,871,626</u>	<u>27,471,885</u>	<u>(2,211,098)</u>	<u>83,132,414</u>
Total property not being depreciated	<u>130,338,337</u>	<u>27,471,885</u>	<u>(2,283,073)</u>	<u>155,527,150</u>
Property being depreciated:				
Property (wharves, buildings, etc.)	898,843,528	643,894	-	899,487,422
Furniture and fixtures	16,735,629	482,894	(9,994)	17,208,525
Equipment	<u>32,078,692</u>	<u>1,431,597</u>	<u>(18,075)</u>	<u>33,492,212</u>
Total property being depreciated	<u>947,657,849</u>	<u>2,558,383</u>	<u>(28,069)</u>	<u>950,188,159</u>
Less accumulated depreciation				
Property (wharves, buildings, etc.)	(436,694,240)	(23,601,693)	-	(460,295,933)
Furniture and fixtures	(12,266,063)	(983,470)	9,234	(13,240,296)
Equipment	<u>(12,419,216)</u>	<u>(1,860,797)</u>	<u>18,075</u>	<u>(14,261,938)</u>
Total accumulated depreciation	<u>(461,379,519)</u>	<u>(27,866,788)</u>	<u>27,309</u>	<u>(487,798,167)</u>
Total property being depreciated, net	<u>486,278,330</u>	<u>(23,887,577)</u>	<u>(760)</u>	<u>462,389,992</u>
Property, net	<u>\$ 616,616,667</u>	<u>\$ 3,584,308</u>	<u>\$ (2,283,833)</u>	<u>\$ 617,917,142</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS, NET (continued)**

Construction in progress consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Hurricane Katrina Damages	\$ 703,151	\$ 703,151
Wharf, Shed, & Yard Rehabs	118,380,180	76,369,892
Reimbursable Damages	1,678,722	1,491,721
Hurricane Isaac Storm Damages	25,705	336,766
Roadways	234,505	107,108
Industrial Properties	813,491	913,818
Security	215,152	127,400
Drainage	661	661
Cranes	964,834	569,757
Cruise Terminal Improvements	429,461	432,881
Bridges	110,090	160,090
Utilities	9,717	9,717
Other	1,101,802	1,909,452
Total	<u>\$ 124,667,471</u>	<u>\$ 83,132,414</u>

Total interest incurred by the Board was \$5,364,425 and \$4,651,553 for the years ended June 30, 2018 and 2017, respectively. The earnings on investment proceeds of the debt during the years ended June 30, 2018 and 2017 were \$178,900 and \$0, respectively. The differences between interest incurred on debt for capital assets and interest earnings on invested proceeds of the debt totaled \$4,822,117 and \$4,651,553 for the years ended June 30, 2018 and 2017, respectively. No amounts were included as part of the cost of capital assets under construction in progress for either of the years ended June 30, 2018 and 2017.

As part of the Board's long-term capital construction program, commitments related to such capital construction projects were approximately \$54.0 million and \$51.7 million as of June 30, 2018 and 2017, respectively.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. NON-CURRENT LIABILITIES**

**Long-Term Debt**

Long-term debt consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Revenue bonds payable	\$ 139,660,000	\$ 95,630,000
Premium and discounts	10,516,221	1,694,438
	<u>150,176,221</u>	<u>97,324,438</u>
Less current portion	<u>(3,255,000)</u>	<u>(3,450,000)</u>
Long-term debt non-current	<u>\$ 146,921,221</u>	<u>\$ 93,874,438</u>

On May 29, 2008, the Board issued \$13,640,000 of Port Facility Refunding Revenue Bonds, Series 2008. The bonds mature in the year 2038. Proceeds were used to refund \$8,110,000, \$1,340,000 and \$1,775,000 of the Revenue Bonds Series 2001, 2002 and 2003, respectively. The bonds are limited obligations of the Board and are payable solely from and secured a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2008 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. The interest rate is fixed at 5.13 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture at par. The net proceeds from this issue were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded portions of Revenue Bonds Series 2001, 2002 and 2003 through April 1, 2014. The advance refunding met the requirements of an in-substance defeasance and the refunded bonds were removed from the Port's financial statements. This bond was fully refunded on March 1, 2018.

The reacquisition price exceeded the net carrying amount on the bonds refunded, resulting in a loss on refunding of \$844,578, which is being amortized over the life of the new issue using the effective interest method. This advance refunding was undertaken to reduce total debt service payments over 6 years by \$9,166,309 and resulted in an economic loss of \$1,257,288. At June 30, 2018, remaining principal on this defeased debt was \$0.

On September 1, 2010 the Board issued \$18,090,000 of Subordinate Lien Variable Rate Revenue Bonds, Series 2010. The purpose of the issue was to provide funds to refund the Board's Subordinate Lien Variable Rate Revenue Bonds, Series 2005, outstanding in the amount of \$18,095,000. The interest rate on the Series 2010 bonds varies with the Securities Industry and Financial Markets Association (SIFMA) index. The rate as of June 30, 2015 was 0.06 percent. These bonds are supported with a credit enhancement letter of credit by First NBC and a support letter of credit with the Federal Home Loan Bank of Dallas, Irving, Texas. Affirmative and negative covenants are outlined on pages twenty-two through twenty-six of the Reimbursement agreement between the Port and First NBC. The bond issue is subordinate to the 2013A&B, 2012, 2011 and 2008 Series Revenue Bonds. The Board advanced refunded the bonds to reduce the total gross debt service payments through April 1, 2021 by \$618,190 and to obtain an economic gain of \$511,031.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. NON-CURRENT LIABILITIES (continued)**

**Long-Term Debt (continued)**

In August 2017, the letter of credit by First NBC has been replaced by a new letter of credit issued by JP Morgan Chase Bank due to a recent takeover by Federal Deposit Insurance Corporation (FDIC). This bond was fully refunded on March 1, 2018.

On May 3, 2011 the Board issued \$15,585,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2011. The purpose of the issue was to provide sufficient funds to refund all of the Port's outstanding Port Facility Revenue Bonds, Series 2001 in the outstanding amount of \$15,290,000. The Series 2011 bonds were purchased by Regions Bank through the placement agent, Morgan Keegan & Company, Inc. The interest rate is fixed at 4.22 percent. Covenants with Regions bank are contained in the commitment letter dated March 13, 2011. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds to reduce total gross debt service payments through June 30, 2021 by \$759,904 and to obtain an economic gain of \$648,821. This bond was fully refunded on December 12, 2017.

On June 27, 2012 the Board issued \$15,495,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2012. The purpose of the issue was to provide sufficient funds for a partial refund of the Port's outstanding Port Facility Revenue Bonds, Series 2002 in the outstanding amount of \$14,980,000; the outstanding balance of the 2002 bonds was refunded on July 6, 2012. The Series 2012 bonds were purchased by Regions Bank through the placement agent, Morgan Keegan & Company, Inc. The interest rate is fixed at 3.53 percent. Covenants with Regions bank are contained in the commitment letter dated May 31, 2012. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds to reduce total gross debt service payments through June 30, 2027 by \$1,785,929 and to obtain an economic gain of \$1,631,307.

On January 1, 2013 the Board issued \$19,115,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2013A. The purpose of the issue was to provide sufficient funds to refund \$2,475,000 of the Port's Facility Revenue Bonds, Series 2002 and \$15,845,000 of Port's Facility Revenue Bonds, Series 2003. The refunding left an outstanding amount of \$11,190,000 in the Series 2002 and \$15,270,000 in Series 2003. The Series 2013A bonds were purchased by IBERIABANK through the placement agent, Raymond James & Associates. The interest rate is fixed at 3.25%. Covenants with IBERIABANK are contained in the commitment letter dated December 10, 2012. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds to reduce total gross debt service payments through June 30, 2028 by \$2,975,244 and to obtain an economic gain of \$2,317,088.

On February 21, 2013 the Board issued \$24,895,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2013B. The purpose of the issue was to provide sufficient funds to refund of the remaining Port's Facility Revenue Bonds, Series 2002 and Series 2003. The refunding was accomplished through a public offering. The interest rate is at an average of 4.25% with a maturity of April 1, 2033. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds to reduce total gross debt service payments through June 30, 2033 by \$3,597,309 and to obtain an economic gain of \$2,117,638.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. NON-CURRENT LIABILITIES (continued)**

**Long-Term Debt (continued)**

On December 12, 2017 the Board issued \$8,980,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2017A. The purpose of the issue was to provide sufficient funds to refund the remaining Board’s Facility Revenue Bonds, Series 2011. The interest rate is locked at a rate of 1.81% with a maturity of April 1, 2021. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds to reduce total gross debt service payments by \$310,337 and to obtain an economic gain of \$299,825.

On March 1, 2018, the Board issued \$20,630,000 and \$56,075,000 of Board of Commissioners of the Port of New Orleans Port Facility Revenue Bonds, Series 2018A, and Board of Commissioners of the Port of New Orleans Port Facility Revenue and Refunding Revenue Bonds, Series 2018B, respectively. The purpose of the issue was to provide sufficient funds to rehabilitate, construct, and install port infrastructures and to refund \$13,640,000 of the Board’s Port Facility Revenue Bonds, Series 2008, and \$15,635,000 of Board’s Subordinate Lien Variable Rate Bonds, Series 2010. The Series 2018A and 2018B bonds were purchased by Citigroup and J.P. Morgan through the placement agent. The interest rate is fixed at 5% for both Series 2018A and 2018B. Covenants with Citigroup are contained in the Official Statement dated February 21, 2018. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds, through deferral of principal payments through fiscal year 2038, to obtain an economic gain of \$1,185,877.

Operating revenues, net of operating expenses, are pledged as security for all revenue bond issues.

Debt service requirements relating to bonds outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2019	\$ 3,255,000	\$ 6,257,437	\$ 9,512,437
2020	3,320,000	6,182,677	9,502,677
2021	3,405,000	6,106,267	9,511,267
2022	3,635,000	6,027,600	9,662,600
2023	3,760,000	5,903,849	9,663,849
2024 - 2028	20,785,000	27,511,776	48,296,776
2029 – 2033	24,795,000	23,016,250	47,811,250
2034 – 2038	26,705,000	16,635,750	43,340,750
2039 – 2043	21,965,000	10,410,250	32,375,250
2044 – 2048	28,035,000	4,341,750	32,376,750
	<u>\$ 139,660,000</u>	<u>\$ 112,393,606</u>	<u>\$ 252,053,606</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. NON-CURRENT LIABILITIES (continued)**

**Long-Term Debt (continued)**

<u>Issued Bond Series</u>	<u>Series 2018A</u>	<u>Series 2018B</u>
Refunded Bond Series	Not applicable	2008 and 2010
Prior Net Cash Flow	Not applicable	\$ 48,169,089
Refunding Debt Service	Not applicable	\$ 50,980,771
Difference in Cash Flow	Not applicable	\$ (2,811,682)
Net Present Value Savings	Not applicable	\$ 1,185,877

**Debt Service Assistance Program Loan Payable**

In July 2006, the Board and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to \$14,365,679 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of revenue streams caused by Hurricanes Katrina and Rita. Loan payments in the amount of \$14,365,679 were made on behalf of the Port by the State as debt service became due. No principal or interest was payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan bears interest at a fixed rate of 4.64 percent. Principal payments on the bonds begin in July 2012 and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 which began in January 2012.

Debt service requirements relating to debt service assistance loan payable are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 897,861	\$ 431,812	\$ 1,329,673
2020	939,569	389,182	1,328,751
2021	983,165	344,575	1,327,740
2022	1,028,783	297,898	1,326,681
2023	1,076,519	249,055	1,325,574
2024 – 2027	4,828,858	460,856	5,289,714
	<u>\$ 9,754,755</u>	<u>\$ 2,173,378</u>	<u>\$ 11,928,133</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. NON-CURRENT LIABILITIES (continued)**

**Capital Lease**

Capital lease obligations consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Capital leases payable	\$ 571,885	\$ 73,468
Less current portion	(186,020)	(62,875)
Long-term portion	<u>\$ 385,865</u>	<u>\$ 10,593</u>

Lease payments relating to capital leases outstanding are as follows:

Years Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 186,020	\$ 16,638	\$ 202,658
2020	124,538	12,679	137,217
2021	128,629	8,588	137,217
2022	132,698	4,519	137,217
	<u>\$ 571,885</u>	<u>\$ 42,424</u>	<u>\$ 614,309</u>

During the year ended June 30, 2012, the Port entered into capital lease agreements for CSI and IBM computers at an aggregate cost of \$1,208,804 at interest rates ranging from 3.00 – 4.11%. The monthly lease payments for the IBM computers are \$8,215 for a thirty six month period ending August 1, 2014. The monthly lease payments for the CSI computers are \$7,934 for a sixty month period ending April 28, 2017.

During the year ended June 30, 2016, the Port entered into five capital lease agreements for Allfax copiers at an aggregate cost of \$51,010 at interest rates ranging from 0.52 – 3.95%. The monthly lease payments range from \$235 - \$314 for 36-month period ending through September 1, 2019.

During the year ended June 30, 2017, PBRC entered into a lease agreement which financed the purchase of radios. This lease is payable in 5 annual installments including interest at 3.26% beginning November 30, 2017. Annual lease payments including interest of \$123,193 are due for years 2019 through 2022.

During the year ended June 30, 2018, PBRC entered into a lease agreement which financed the purchase of radio console equipment. This lease is payable in 5 annual installments including interest at 3.26% beginning November 30, 2017. Annual lease payments including interest of \$14,024 are due for years 2019 through 2022.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. NON-CURRENT LIABILITIES (continued)**

**Changes in Non-Current Liabilities**

Non-current liabilities activity for the years ended June 30, 2018 and 2017 are as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Due within one year</u>
Bonds payable:					
Revenue bonds	\$ 95,630,001	\$ 85,685,000	\$ (41,655,001)	\$ 139,660,000	\$ 3,255,000
Bond premium and discounts	1,694,437	9,650,555	(828,771)	10,516,221	-
Total bonds payable	97,324,438	95,335,555	(42,483,772)	150,176,221	3,255,000
Debt service assistance program	10,612,803	-	(858,048)	9,754,755	897,861
Capital leases payable	73,468	506,395	(7,978)	571,885	186,020
LASERS pension liability	58,084,382	-	(7,804,826)	50,279,556	-
HPD pension liability	3,446,243	-	(2,232,940)	1,213,303	-
Total post-employment benefit obligation	11,614,179	636,878	(1,047,395)	11,203,662	-
Compensated absences	1,589,138	14,482	-	1,603,620	105,000
Environmental remediation liability	-	3,750,000	-	3,750,000	-
	<u>\$ 182,744,651</u>	<u>\$ 100,243,310</u>	<u>\$ (54,434,959)</u>	<u>\$ 228,553,002</u>	<u>\$ 4,443,881</u>
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due within one year</u>
Bonds payable:					
Revenue bonds	\$ 98,855,000	\$ -	\$ (3,224,999)	\$ 95,630,001	\$ 3,450,000
Bond premium and discounts	1,806,757	-	(112,320)	1,694,437	-
Total bonds payable	100,661,757	-	(3,337,319)	97,324,438	3,450,000
Debt service assistance program	11,432,802	-	(819,999)	10,612,803	858,048
Capital leases payable	82,379	-	(8,911)	73,468	62,875
LASERS pension liability	45,573,446	12,510,936	-	58,084,382	-
HPD pension liability	4,027,600	-	(581,357)	3,446,243	-
Total post-employment benefit obligation	2,028,207	9,585,972	-	11,614,179	-
Compensated absences	1,793,127	174,104	(378,093)	1,589,138	105,000
	<u>\$ 165,599,318</u>	<u>\$ 22,271,012</u>	<u>\$ (5,125,679)</u>	<u>\$ 182,744,651</u>	<u>\$ 4,475,923</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**7. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Board carries commercial liability and property insurance. The Port is self-insured for workers' compensation and general maritime claims ("Jones Act"). The Port continues to be liable for each Jones Act claim up to \$1,000,000, with judgments and settlements over the \$1,000,000 limit being covered by the Port's umbrella liability policy up to \$50,000,000 for each occurrence. The PBRC maintains \$50,000,000 of rail liability with a self-insured retention of \$1,000,000. There were no expenses related to police professional liability incurred during 2018 and 2017. For each of the past three years, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 2018, the Board has determined, through an analysis of historical experience, the adequacy of the liability recorded to cover all losses and claims, both incurred and reported and incurred but not reported, under its self-insurance programs. These amounts are not discounted.

A summary of activity in the liability for claims, which are included in other liabilities, is as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 3,761,327	\$ 3,705,000	\$ 1,781,420
Public Belt acquisition (Note 16)	1,471,506	-	-
Provision for claims	1,524,034	761,813	2,223,580
Benefit payments, net of recoveries	<u>(1,085,115)</u>	<u>(705,486)</u>	<u>(300,000)</u>
Balance, end of year	<u>\$ 5,671,752</u>	<u>\$ 3,761,327</u>	<u>\$ 3,705,000</u>

The Board is a party to various legal proceedings incidental to its business. There are several lawsuits pending in which the Board is named as a defendant by longshoremen claiming asbestos-related injuries because the Board at one time had asbestos materials cross its wharves. Certain other claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port.

The Board is also a party to various legal proceedings related to Hurricane Katrina. Six cases remain based on alleged Board liability arising from the flooding that occurred after Katrina. Five have been inactive for several years and are in effect all but abandoned. The Board has been dismissed from one other case that is proceeding without it, but the plaintiff's right to appeal the dismissal will remain until the entire case is litigated. Outside counsel appointed by the Board's general liability underwriters continue to monitor all cases. No amounts have been provided relating to these legal proceedings.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**7. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS (continued)**

The Port receives financial assistance directly from Federal agencies which are subject to audit and final acceptance by these agencies. In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on the Port's financial position.

**Environmental Remediation Liability**

In November 2017, the Louisiana Department of Environmental Quality informed the Board that the Board is the owner of the Former Bollinger Gulf Repair site. The Port may be a potentially responsible parties with respect to the remediation of this site pursuant to Chapter 12 of the Louisiana Environmental Quality Act, LSA-R.S. 30:2271 et seq. Suspect asbestos material was identified in 2001 during utility work and site investigations to define the area occurred in 2003 and 2005. The investigation identified an area of approximately 3.7 acres defined as the impacted area. For the year ended June 30, 2018, the Port accrued approximately \$3.7 million related to further remediation work related to the site based on information currently available to the management of the Port.

**8. REVENUES AND LEASES**

Revenues of the Board are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to accounts receivable were \$507,990 and \$278,369 at June 30, 2018 and 2017, respectively.

The Port leases to others substantially all of its land, property and equipment under various operating lease agreements. For the year ended June 30, 2018, three lessees accounted for approximately 22%, 14% and 11% of operating revenues, respectively. For the year ended June 30, 2017, three lessees accounted for 21%, 17%, and 12% of operating revenues, respectively. Operating lease rental income was \$7,491,067 and \$6,639,107 during the years ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, future minimum rental payments to be received under operating leases that have initial or remaining non-cancelable lease terms in excess of one year for each of the next five fiscal years are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 26,078,256
2020	25,894,446
2021	21,143,916
2022	11,816,288
2023	7,071,932

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM**

The Port is a participating employer in a cost-sharing defined benefit pension plan. The plan is administered by the Louisiana State Employees' Retirement System (LASERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. The system is administered by a board of trustees, and the system is a component unit of the State of Louisiana.

LASERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

LASERS  
8401 United Plaza Blvd.  
P.O. Box 44213  
Baton Rouge, Louisiana 70804-4213  
(225) 925-0185  
[www.lasersonline.org](http://www.lasersonline.org)

**Plan Descriptions**

The Louisiana State Employees' Retirement System (LASERS) is the administrator of a cost-sharing multiple employer defined benefit pension plan to provide retirement, disability, and survivor's benefits to eligible state employees and their beneficiaries as defined in LRS 11:411-414. The age and years of creditable service required in order for a member to receive retirement benefits are established by LRS 11:441 and vary depending on the member's hire date, employer and job classification. The substantial majority of members may retire with full benefits at any age upon completing 30 years of creditable service and at age 60 upon completing 10 years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The computation of retirement benefits are provided for in LRS 11:444. The basic annual retirement benefit for members is equal to a percentage (between 2.5% and 3.5%) of average compensation multiplied by the number of years of creditable service.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)**

**Plan Descriptions (continued)**

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors. Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

Eligibility requirements and benefit computations for disability benefits are provided for in LRS 11:461. All members with ten or more years of creditable service or members aged 60 or older regardless of date of hire who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age. Hazardous duty personnel who become disabled in the line of duty will receive a disability benefit equal to 75% of final average compensation.

Provisions for survivor's benefits are provided for in LRS 11:471-478. Under these statutes, the deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18 or age 23 if the child remains a full-time student. The minimum service requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)**

**Funding Policy**

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC).

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the years ended June 30, 2017 and 2016 for the Port and covered employees were as follows:

<u>2017</u>	<u>Port</u>	<u>Employees</u>
State Employees' Retirement System	37.90%	7.50% - 8.00%
<u>2016</u>	<u>Port</u>	<u>Employees</u>
State Employees' Retirement System	37.40%	7.50% - 8.00%

The contributions made to LASERS for the past three fiscal years, which equaled the required contributions for each of these years, were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
State Employees' Retirement System	\$ 5,386,459	\$ 5,645,469	\$ 6,132,717

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

The following schedule lists the Port's proportionate share of the Net Pension Liability allocated by each of the pension plans based on the June 30, 2017 measurement date. The Port uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2018 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2017 along with the change compared to the June 30, 2016 rate. 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.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)**

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

	<u>Net Pension Liability at June 30, 2017</u>	<u>Rate at June 30, 2017</u>	<u>Increase to June 30, 2016 Rate</u>
State Employees' Retirement System	\$ 50,279,557	0.714317%	0.02537%
	<u>Net Pension Liability at June 30, 2016</u>	<u>Rate at June 30, 2016</u>	<u>Decrease to June 30, 2015 Rate</u>
State Employees' Retirement System	\$ 58,084,383	0.739690%	(0.069639%)

The following schedule lists the pension plan's recognized pension expense plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions by the Port for the years ended June 30, 2017 and 2016:

<u>2017</u>	<u>Pension Expense</u>	<u>Amortization</u>	<u>Total</u>
State Employees' Retirement System	\$ 4,600,802	\$ (587,151)	\$ 4,013,651
<u>2016</u>	<u>Pension Expense</u>	<u>Amortization</u>	<u>Total</u>
State Employees' Retirement System	\$ 5,970,134	\$ 1,328,314	\$ 7,298,448

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)**

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

At June 30, 2017 and 2016, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2017</u>		
Differences between expected and actual experience	\$ -	\$ 922,569
Changes of assumptions	198,636	-
Net difference between projected and actual earnings on pension plan investments	1,634,996	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,409,946	1,174,303
Employer contributions subsequent to the measurement date	5,386,459	-
Total	<u>\$ 9,630,037</u>	<u>\$ 2,096,872</u>
<u>2016</u>		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	10,468,623	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	642,845	801,479
Employer contributions subsequent to the measurement date	5,645,469	-
Total	<u>\$ 16,756,937</u>	<u>\$ 801,479</u>

The Port reported a total of \$5,386,459 as deferred outflow of resources related to pension contributions made to the LASERS subsequent to the measurement period of June 30, 2017 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2018.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)**

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

		<u>LASERS</u>
2018	\$	1,347,700
2019		1,156,957
2020		654,295
2021		<u>(1,012,246)</u>
	\$	<u>2,146,706</u>

The "Net Pension Liability" (NPL) is the difference between the "Total Pension Liability" (TPL) and the plan's "Fiduciary Net Position" (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The FNP is determined on the same basis used by the pension plans. The Port's net pension liability was measured as of June 30, 2017 and 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

<u>Measurement Date</u>	<u>Net Pension Liability</u>	
	June 30, 2017	June 30, 2016
Total Pension Liability	\$ 134,235,205	\$ 137,406,787
Fiduciary Net Position	<u>(83,955,648)</u>	<u>(79,322,405)</u>
Net Pension Liability	<u>\$ 50,279,557</u>	<u>\$ 58,084,382</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)**

**Actuarial Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability for the pension plan as of June 30, 2017 and 2016 are as follows:

	LASERS																		
<b>Valuation Date</b>	June 30, 2017																		
<b>Actuarial Cost Method</b>	Entry Age Normal																		
<b>Actuarial Assumptions:</b>																			
<b>Expected Remaining Service Live</b>	3 years																		
<b>Investment Rate of Return</b>	7.70% per annum																		
<b>Inflation Rate</b>	2.75% per annum																		
<b>Mortality</b>	<p><b>Non-disabled members</b> - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.</p> <p><b>Disabled members</b> – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>																		
<b>Termination, Disability, and Retirement</b>	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.																		
<b>Salary Increases</b>	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:																		
	<table style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Member Type</th> <th style="text-align: center; border-bottom: 1px solid black;">Lower Range</th> <th style="text-align: center; border-bottom: 1px solid black;">Upper Range</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Regular</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">12.8%</td> </tr> <tr> <td style="text-align: left;">Judges</td> <td style="text-align: center;">2.8%</td> <td style="text-align: center;">5.3%</td> </tr> <tr> <td style="text-align: left;">Corrections</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td style="text-align: left;">Hazardous Duty</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td style="text-align: left;">Wildlife</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> </tbody> </table>	Member Type	Lower Range	Upper Range	Regular	3.8%	12.8%	Judges	2.8%	5.3%	Corrections	3.4%	14.3%	Hazardous Duty	3.4%	14.3%	Wildlife	3.4%	14.3%
Member Type	Lower Range	Upper Range																	
Regular	3.8%	12.8%																	
Judges	2.8%	5.3%																	
Corrections	3.4%	14.3%																	
Hazardous Duty	3.4%	14.3%																	
Wildlife	3.4%	14.3%																	
<b>Cost of Living Adjustments</b>	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 projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																		

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)**

**Actuarial Assumptions (continued)**

	LASERS																		
<b>Valuation Date</b>	June 30, 2016																		
<b>Actuarial Cost Method</b>	Entry Age Normal																		
<b>Actuarial Assumptions:</b>																			
<b>Expected Remaining Service Live</b>	2 years																		
<b>Investment Rate of Return</b>	7.75% per annum																		
<b>Inflation Rate</b>	3.0% per annum																		
<b>Mortality</b>	<p><b>Non-disabled members</b> - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.</p> <p><b>Disabled members</b> – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>																		
<b>Termination, Disability, and Retirement</b>	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.																		
<b>Salary Increases</b>	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:																		
	<table style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="border-bottom: 1px solid black; text-align: left;">Member Type</th> <th style="border-bottom: 1px solid black; text-align: center;">Lower Range</th> <th style="border-bottom: 1px solid black; text-align: center;">Upper Range</th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td style="text-align: center;">4.00%</td> <td style="text-align: center;">13.00%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">3.00%</td> <td style="text-align: center;">5.50%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.60%</td> <td style="text-align: center;">14.50%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.60%</td> <td style="text-align: center;">14.50%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.60%</td> <td style="text-align: center;">14.50%</td> </tr> </tbody> </table>	Member Type	Lower Range	Upper Range	Regular	4.00%	13.00%	Judges	3.00%	5.50%	Corrections	3.60%	14.50%	Hazardous Duty	3.60%	14.50%	Wildlife	3.60%	14.50%
Member Type	Lower Range	Upper Range																	
Regular	4.00%	13.00%																	
Judges	3.00%	5.50%																	
Corrections	3.60%	14.50%																	
Hazardous Duty	3.60%	14.50%																	
Wildlife	3.60%	14.50%																	
<b>Cost of Living Adjustments</b>	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 projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																		

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)**

**Actuarial Assumptions (continued)**

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

LASERS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges 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 following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2017 and 2016:

Asset Class	2017	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	-	-0.24%
Domestic equity	25.0%	4.31%
International equity	32.0%	5.35%
Domestic fixed income	8.0%	1.73%
International fixed income	6.0%	2.49%
Alternatives	22.0%	7.41%
Global asset allocation	7.0%	2.84%
Total	<u>100.0%</u>	<u>5.26%</u>

  

Asset Class	2016	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	-	0.24%
Domestic equity	25.0%	4.31%
International equity	32.0%	5.48%
Domestic fixed income	8.0%	1.63%
International fixed income	6.0%	2.47%
Alternatives	22.0%	7.42%
Global asset allocation	7.0%	2.92%
Total	<u>100.0%</u>	<u>5.30%</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)**

**Discount Rate**

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for LASERS was 7.70% and 7.75% for the years ended June 30, 2017 and 2016, respectively.

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

The following table presents the Port's proportionate share of the Net Pension Liability (NPL) using the discount rate of the Retirement System as well as what the Port's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by the Retirement Systems:

	June 30, 2017		
		Current	
	1.0% Decrease	Discount Rate	1.0% Increase
LASERS			
Rates	6.70%	7.70%	8.70%
Port Share of NPL	\$ 63,120,282	\$ 50,279,557	\$ 39,361,898
	June 30, 2016		
		Current	
	1.0% Decrease	Discount Rate	1.0% Increase
LASERS			
Rates	6.75%	7.75%	8.75%
Port Share of NPL	\$ 71,362,041	\$ 58,084,382	\$ 46,802,537

**Payables to the Pension Plan**

The Port recorded accrued liabilities to LASERS for the year ended June 30, 2018 and 2017 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries and other payables. The balance due to the retirement systems at June 30 is as follows:

	2018	2017
LASERS	\$ -	\$ 466,546

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM**

Effective July 1, 2015, the Harbor Police Employees' Retirement System (HPERS) was completely dissolved and merged into LASERS, and all assets of HPERS were transferred to LASERS during July 2015. All current employees of the Harbor Police Department of the Port are enrolled in LASERS, and the retirement benefits for existing retirees are administered by LASERS for the year ended June 30, 2017. The remaining balance payable to LASERS at June 30, 2018 and 2017 related to HPERS was \$1,213,303 and \$3,446,243, respectively.

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

At June 30, 2018 and 2017, the remaining Deferred Outflows of Resources and Deferred Inflows of Resources related to HPERS are as follow:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 208,275	\$ -
Total	\$ 208,275	\$ -
	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 416,551	\$ -
Total	\$ 416,551	\$ -

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

	HPERS	
2019	\$ 208,275	
	\$ 208,275	

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**11. OTHER POST-EMPLOYMENT BENEFITS**

The basic financial statements include certain prior-year comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Board's financial statement for the year ended June 30, 2017, from which the information was derived.

*Plan description* – The Port provides certain continuing health care and life insurance benefits for its retired employees. The OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Port. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Port. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 75.

*Benefits Provided* – Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service. For employees hired on or after July 1, 2006, the retirement eligibility is age 60 and 5 years of service. For employees hired on or after July 1, 2015, the retirement eligibility is age 62 and 5 years of service.

There is a closed group of retirees for whom the employer currently pays approximately 80% of the premium; there will not be any additions to this group in the future. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

*Employees covered by benefit terms* – At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	170
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>229</u>
	<u>399</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**11. OTHER POST-EMPLOYMENT BENEFITS (continued)**

*Total OPEB Liability*

The Port's total OPEB liability of \$11,203,662 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

*Actuarial Assumptions and other inputs* – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	3.62%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Graded 8% down to 5% over ten years

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index over the 52 weeks immediately preceding the applicable measurement dates.

Mortality rates were based on the 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of ongoing evaluations of the assumptions from July 1, 2007 to June 30, 2018.

*Changes in the Total OPEB Liability*

Balance at June 30, 2017	<u>\$ 11,614,179</u>
Changes for the year:	
Service cost	104,206
Interest	424,206
Differences between expected and actual experience	108,466
Benefits Payments	<u>(1,047,395)</u>
Net changes	<u>(410,517)</u>
Balance at June 30, 2018	<u><u>\$ 11,203,662</u></u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**11. OTHER POST-EMPLOYMENT BENEFITS (continued)**

*Sensitivity of the total OPEB liability to changes in the discount rate* – The following presents the total OPEB liability of the Port, as well as what the Port’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current discount rate:

	1.0% Decrease (2.62%)	Current Discount Rate (3.62%)	1.0% Increase (4.62%)
Total OPEB liability	\$ 13,690,874	\$ 11,203,662	\$ 9,305,537

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates* – The following presents the total OPEB liability of the Port, as well as what the Port’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (7.00%)	Current Discount Rate (8.00%)	1.0% Increase (9.00%)
Total OPEB liability	\$ 9,181,065	\$ 11,203,662	\$ 13,930,633

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the Port recognized OPEB expense of \$515,699. At June 30, 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,619	\$ -
Total	\$ 97,619	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	\$	10,847
2020		10,847
2021		10,847
2022		10,847
2023		10,847
Thereafter		43,384
		\$ 97,619

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**11. OTHER POST-EMPLOYMENT BENEFITS (continued)**

**Port of New Orleans**  
**Schedule of Changes in Net OPEB Liability and Related Ratios for the**  
**For the Year Ended June 30, 2018**

<b>Total OPEB Liability</b>		
Service cost	\$	104,206
Interest		424,206
Changes of benefit terms		-
Differences between expected and actual experience		108,466
Changes of assumptions		-
Benefit payments		(1,047,395)
<b>Net change in total OPEB liability</b>		<u>(410,517)</u>
<b>Total OPEB liability - beginning</b>		<u>11,614,179</u>
<b>Total OPEB liability - ending (a)</b>	\$	<u><u>11,203,662</u></u>
Covered-employee payroll	\$	13,594,343
Net OPEB liability as a percentage of covered payroll		82.41%

**Notes to Schedule:**

*Benefit Changes.* There were no changes of benefit terms for the year ended June 30, 2018.

*Changes of Assumptions.* There were no changes of assumptions for the year ended June 30, 2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**12. DEFERRED COMPENSATION PLAN**

The Board participates in the Louisiana Public Employees Deferred Compensation Plan (the 457 Plan) for the purpose of providing supplemental retirement income to employees by permitting them to defer a portion of compensation to be invested and distributed in accordance with the terms of the 457 Plan. All compensation deferred under the 457 Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights, shall be held for the exclusive benefit of participants and their beneficiaries. The Board makes contributions to the 457 Plan on behalf of each non-union employee based on 3% of base pay up to a maximum of \$2,400 per calendar year for Port employees and no maximum for PBRC non-union employees. Contributions to the 457 Plan by the Board totaled \$279,748 and \$ 314,635 for the years ended June 30, 2018 and 2017, respectively.

The Port established a Non-ERISA 401(a) Governmental Port of New Orleans Money Purchase Pension Plan (the MPP Plan); a defined contribution plan, for executives in the President / CEO, Vice President, and Executive Counsel positions of the Port in Fiscal 2018 for the purpose of providing supplemental retirement income to certain specific employees as noted; the funds are invested and distributed in accordance with the terms of the MPP Plan. The Port contributes \$40,000 for the President / CEO and \$12,500 for Vice Presidents and Executive Counsel; the employee has a mandatory employee contribution of 3.125% of base pay. Port contributions are cliff vested after three (3) years of service and employee contributions are 100% vested at the time of contribution. All vested compensation deferred under the MPP Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights, shall be held for the exclusive benefit of participants and their beneficiaries. Contributions to the MPP Plan by the Port totaled \$45,140 and \$0 for the years ended June 30, 2018 and 2017, respectively.

**13. CONDUIT DEBT**

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

Port facility revenue bonds in the amount of \$3,700,000 were issued on June 8, 2000 for the account of New Orleans Steamboat Company for the purpose of constructing a facility within the jurisdiction of the Port as part of the public port. At June 30, 2018, \$1,400,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by First Bank and Trust in New Orleans and a confirming letter of credit of the Federal Home Loan Bank in New Orleans for the account of New Orleans Steamboat Company.

Port facility revenue bonds in the amount of \$7,500,000 were issued on November 1, 2002 for the account of New Orleans Cold Storage and Warehouse Company Limited (NOCS) for the purpose of constructing a cold storage facility. On June 7, 2012, NOCS restructured and reissued the bonds in a private placement with JPMorgan Chase Bank, N.A. Previous to this date, the bonds were secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of NOCS. This security was cancelled with the reissuance. At June 30, 2018, \$6,041,667 remains outstanding. The bonds are limited obligations of the Port.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**14. NATURAL DISASTER**

On August 29, 2005, the New Orleans region suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The Port did not suffer the devastation that other public entities realized in the area, but did sustain damage to facilities and loss of revenue. The Port facilities along the river suffered moderate damage. Facilities along the Industrial Canal suffered severe damage. The Port had insurance in place to cover most of the property damage and business interruption insurance to offset some of the revenue loss. For losses above the insurance receipts the Port is pursuing reimbursement through FEMA.

On August 28, 2012, Hurricane Isaac made landfall on the Louisiana and Mississippi coast causing severe flooding and wind damage to coastal areas. The Port of New Orleans suffered minor damages from Isaac. Emergency preparation and repairs were approximately \$814,000 of which FEMA reimbursed \$338,000. Other damage to port property was approximately \$2.0 million. The Port is pursuing additional claims with FEMA. As of the financial statement date it is unknown whether these claims will be successful.

**15. RELATED PARTY TRANSACTIONS**

At June 30, 2017, the Kearney Companies, Inc., a related entity to a commissioner, had a total of 6 lease agreements with the Port for leasing warehouse space. The agreements expire at various dates through February 2019. During the year ended June 30, 2018 and 2017, the Port received lease payments totaling approximately \$997,000 and \$851,000, respectively, related to these lease agreements. At June 30, 2018 and 2017, the Kearney Companies, Inc. had outstanding receivables of approximately \$77,000 and \$52,000, respectively.

At June 30, 2017, Transportation Consultants, Inc., TCI Packaging, LLC, and the Jenson Companies, LLC, related entities to a commissioner, had lease agreements with the Port and 2 storage agreements with the PBRC. The agreements expire at various dates through August 2037. During the years ended June 30, 2018 and 2017, the Port received lease payments totaling approximately \$327,000 and \$845,000, respectively. The PBRC received approximately \$111,000 related to these agreements for five month ended June 30, 2018. At June 30, 2018 and 2017, these entities had outstanding receivables of approximately \$262,000 and \$111,000, respectively.

**16. GOVERNMENT ACQUISITION**

On June 9, 2017, the Board of Commissioners of the Port of New Orleans approved a resolution to begin negotiations for a Cooperative Endeavor Agreement with the City of New Orleans (the City) to transfer control of the Public Belt Railroad Commission for the City of New Orleans (the Commission) and all of its assets and property from the City to the Port in exchange for the Port's Governor Nicholls Street and Esplanade Avenue Wharves.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**16. GOVERNMENT ACQUISITION (continued)**

On February 1<sup>st</sup>, 2018, the City and the Commission duly authorized a Cooperative Endeavor Agreement with the Board. The parties have agreed to exchange the Governor Nicholls Street and Esplanade Avenue wharves (the Wharves) for the Commission. The Wharves were transferred from the Port to the City, and the City assumed the existing leases of the Wharves with the tenant in possession. The Commission's assets were transferred from a City-owned entity, the Commission, to a Board-owned entity, the New Orleans Public Belt Railroad Corporation (PBRC), and the liabilities of the Commission were assumed by PBRC.

The acquisition value of the net position acquired as of February 1, 2018 was determined to be approximately \$172 million.

**17. CHANGE IN ACCOUNTING PRINCIPLES**

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The Port implemented GASB 75 on the financial statements for the year ended June 30, 2018.

The Port implemented these statements effective June 30, 2017. The impact is as follows:

Previously reported net position as of June 30, 2017	\$ 527,710,006
Adjustment as a result of the implementation of GASB Statement No. 75	<u>(9,228,128)</u>
Net position as of June 30, 2017, as restated	<u>\$ 518,481,878</u>

The GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73* in March 2016. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of the requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Board implemented GASB 82 on the financial statements for the year ended June 30, 2018.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**17. CHANGE IN ACCOUNTING PRINCIPLES (continued)**

The GASB issued Statement 89, Accounting for Interest Costs Incurred before the End of a Construction Period in June 2018. The Statement objectives include (1) enhancing the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplifying accounting for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Board has elected to early adopt and implemented GASB 89 on the financial statements for the year ended June 30, 2018.

**18. RECENT ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Therefore, if applicable, the Board will implement this guidance in FY 2019.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This is a significant change in accounting principles and may impact the net position of the City. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Therefore, as applicable, the Board will implement this guidance in FY 2021.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**19. CONDENSED COMBINING INFORMATION**

As discussed in Note 16, during the year ended June 30, 2018, the Board acquired assets and liabilities from Public Belt Railroad Commission for City of New Orleans through Board-owned New Orleans Public Belt Railroad Corporation. Summary financial information for New Orleans Public Belt Railroad Corporation as of June 30, 2018 and for the period from February 1, 2018 through June 30, 2018 is as follows:

Condensed Statement of Net Position	
	2018
Assets:	
Current assets	\$ 24,701,515
Capital assets, net	153,604,320
Total assets	178,305,835
Deferred outflows of resources:	-
Total assets and deferred outflows of resources	\$ 178,305,835
Liabilities:	
Current liabilities	\$ 5,841,340
Non-current liabilities	385,865
Total liabilities	6,227,205
Deferred inflows of resources:	-
Net position:	
Unrestricted	172,078,630
Total liabilities, deferred inflows, and net position	\$ 178,2305,835

Condensed Statement of Revenues, Expenses, and Change in Net Position	
	2018
Operating revenues:	
Switching	\$ 9,105,765
Railcar repairs and storage	3,226,866
Other	586,617
Total revenues	12,919,248
Operating expenses:	
Payroll and benefits	(8,151,395)
Other	(3,598,433)
Depreciation	(1,206,372)
Total operating expenses	(12,956,200)
Non-operating revenues, net	115,582
Income before contributions	78,630
Capital contributions	172,000,000
Change in net position	172,078,630
Net position, beginning of year	-
Net position, end of year	\$ 172,078,630

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**19. CONDENSED COMBINING INFORMATION (continued)**

<u>Condensed Statement of Cash Flows</u>	
	<u>2018</u>
Net cash provided by (used in):	
Operating activities	\$ 2,137,049
Capital and related financing activities	(598,132)
Investing activities	<u>(871,395)</u>
Net increase in cash and cash equivalents	667,522
Cash and cash equivalents:	
Beginning of year	<u>10,320,603</u>
End of year	<u>\$ 10,988,125</u>

**20. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued and determined no events after this date have been evaluated for inclusion in these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

<u>Financial Statement Reporting Date</u>	<u>Measurement Date</u>	<u>Service Cost</u>	<u>Interest</u>	<u>Difference Between Expected and Actual Experience</u>	<u>Benefit Payments</u>	<u>Net Change in Total OPEB Liability</u>	<u>Total OPEB Liability - Beginning</u>	<u>Total OPEB Liability - Ending</u>	<u>Covered Payroll</u>	<u>Total OPEB Liability as a Percentage of Covered Payroll</u>
06/30/18	06/30/18	\$ 104,206	\$ 424,206	\$ 108,466	\$ (1,047,395)	\$ (410,517)	\$ 11,614,179	\$ 11,203,662	\$ 13,594,343	82.41%

**Notes to Schedule:**

1. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
2. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 for this OPEB plan.
3. *Benefit Changes.* There were no changes of benefit terms for the year ended June 30, 2018.
4. *Changes of Assumptions.* There were no changes of assumptions for the year ended June 30, 2018.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**SCHEDULE OF FUNDING PROGRESS**

**RETIREE HEALTH AND LIFE INSURANCE BENEFITS\***

Actuarial Valuation Date	Value of Assets (a)	# Accrued Liability (AAL) - Entry Age (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
06/30/2017	-	12,933,438	12,933,438	0.00%	16,443,640	78.7%
06/30/2016	-	14,201,642	14,201,642	0.00%	19,106,084	74.3%
06/30/2015	-	13,655,425	13,655,425	0.00%	15,614,451	87.5%
06/30/2014	-	15,469,191	15,469,191	0.00%	15,055,215	102.7%
06/30/2013	-	14,874,222	14,874,222	0.00%	14,240,698	104.4%
06/30/2012	-	16,684,601	16,684,601	0.00%	13,627,640	122.4%
06/30/2011	-	16,042,886	16,042,886	0.00%	13,100,142	122.5%

\* Information is available for the fiscal years ended June 30, 2011 through June 30, 2017.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Employer's proportion of the net pension liability	0.7143%	0.7397%	0.6701%	0.6811%
Employer's proportionate share of the net pension liability	\$ 50,279,557	\$ 58,084,383	\$ 45,573,447	\$ 42,586,318
Covered payroll	\$ 14,517,142	\$ 15,263,994	\$ 12,745,929	\$ 12,168,178
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	346.3461%	380.5320%	357.5530%	349.9811%
Plan fiduciary net position as a percentage of the total pension liability	62.5000%	57.7000%	62.7000%	65.0000%

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

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS**  
**LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$ 5,386,459	\$ 5,645,469	\$ 6,132,717	\$ 5,217,874
Contributions in relation to the actuarially determined contribution	<u>(5,386,459)</u>	<u>(5,645,469)</u>	<u>(6,132,717)</u>	<u>(5,217,874)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,665,450	\$ 15,263,994	\$ 12,745,929	\$ 12,745,929
Contributions as a percentage of covered payroll	36.73%	36.99%	48.12%	40.94%

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

**OTHER SUPPLEMENTARY INFORMATION**

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

Page 1 of 2

**CONSOLIDATING STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Port	PBRC	Elimination	Board Total
<b><u>ASSETS</u></b>				
<b><u>CURRENT ASSETS</u></b>				
Cash and cash equivalents	\$ 4,895,200	\$ 10,988,125	\$ -	\$ 15,883,325
Investments	50,414,309	6,281,714	-	56,696,023
Accounts receivable, less allowance for doubtful accounts of \$507,990 and \$278,373 at June 30, 2018 and 2017	5,544,913	5,196,796	-	10,741,709
Due from other governments	583,314	-	-	583,314
Stores inventory	5,445,020	1,591,723	-	7,036,743
Prepaid items	4,236,525	643,157	-	4,879,682
Total current assets	71,119,281	24,701,515	-	95,820,796
<b><u>NON-CURRENT ASSETS</u></b>				
Restricted cash, cash equivalents, and investments:				
Revenue bond covenant accounts	36,776,154	-	-	36,776,154
Total restricted assets	36,776,154	-	-	36,776,154
Capital assets - net	630,335,461	153,604,320		783,939,781
Investment in PBRC	172,078,630	-	(172,078,630)	-
Other assets	209,378	-	-	209,378
Total non-current assets	839,399,623	153,604,320	(172,078,630)	820,925,313
<b>TOTAL ASSETS</b>	<b>910,518,904</b>	<b>178,305,835</b>	<b>(172,078,630)</b>	<b>916,746,109</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred loss on bond refunding	1,143,234	-	-	1,143,234
Deferred amounts related to total OPEB	97,619	-	-	97,619
Deferred amounts related to net pension liability	7,363,337	-	-	7,363,337
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>8,604,190</b>	<b>-</b>	<b>-</b>	<b>8,604,190</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 919,123,094</b>	<b>\$ 178,305,835</b>	<b>\$ (172,078,630)</b>	<b>\$ 925,350,299</b>

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 2 of 2**

**CONSOLIDATING STATEMENT OF NET POSITION - CONTINUED**

**JUNE 30, 2018**

	Port	PBRC	Elimination	Board Total
<b><u>LIABILITIES</u></b>				
<b><u>CURRENT LIABILITIES</u></b>				
Accounts payable	\$ 8,650,304	\$ 586,641	\$ -	\$ 9,236,945
Revenue bonds payable - current	3,255,000	-	-	3,255,000
Debt service assistance program loan payable - current	897,861	-	-	897,861
Capital leases payable - current	65,490	120,530	-	186,020
Accrued interest payable	1,692,362	11,138	-	1,703,500
Unearned income	5,124,925	537,859	-	5,662,784
Workers compensation and casualty reserve	1,295,042	1,915,559	-	3,210,601
Other liabilities	1,824,672	2,669,613	-	4,494,285
Total current liabilities	22,805,656	5,841,340	-	28,646,996
<b><u>NON-CURRENT LIABILITIES</u></b>				
Revenue bonds payable	146,921,221	-	-	146,921,221
Debt service assistance program loan payable	8,856,894	-	-	8,856,894
Capital leases payable	-	385,865	-	385,865
Net pension liability	51,492,859	-	-	51,492,859
Total other post employment benefit liability	11,203,662	-	-	11,203,662
Compensated absences payable	1,603,620	-	-	1,603,620
Workers compensation and casualty reserve	2,461,151	-	-	2,461,151
Environmental remediation liability	3,750,000	-	-	3,750,000
Total non-current liabilities	226,289,407	385,865	-	226,675,272
<b>TOTAL LIABILITIES</b>	249,095,063	6,227,205	-	255,322,268
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred amounts related to net pension liability	2,096,872	-	-	2,096,872
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	2,096,872	-	-	2,096,872
<b><u>NET POSITION</u></b>				
<b><u>NET POSITION</u></b>				
Net investment in capital assets	481,236,984	-	-	481,236,984
Restricted for revenue bond debt service	36,776,154	-	-	36,776,154
Port contribution for PBRC	-	172,000,000	(172,000,000)	-
Unrestricted	149,918,021	78,630	(78,630)	149,918,021
<b>TOTAL NET POSITION</b>	667,931,159	172,078,630	(172,078,630)	667,931,159
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	\$ 919,123,094	\$ 178,305,835	\$ (172,078,630)	\$ 925,350,299

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

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 1 of 2**

**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2018**

	<u>Port</u>	<u>PBRC</u>	<u>Elimination</u>	<u>Board Total</u>
<b><u>OPERATING REVENUES</u></b>				
Terminal operations	\$ 43,429,414	\$ -	\$ -	\$ 43,429,414
Cruise and tourism	15,004,992	-	-	15,004,992
Switching	-	9,105,765	-	9,105,765
Real estate rentals	6,950,736	540,331	-	7,491,067
Railcar Repairs	-	2,624,239	-	2,624,239
Railcar Storage	-	602,627	-	602,627
Miscellaneous	-	46,286	-	46,286
Total operating revenues	<u>65,385,142</u>	<u>12,919,248</u>	<u>-</u>	<u>78,304,390</u>
<b><u>OPERATING EXPENSES</u></b>				
Payroll and benefits:				
Payroll expense	18,170,672	5,604,625	-	23,775,297
Pension expense	7,875,338	-	-	7,875,338
Other benefits expense	5,639,557	2,546,770	-	8,186,327
Total payroll and benefits	<u>31,685,567</u>	<u>8,151,395</u>	<u>-</u>	<u>39,836,962</u>
Other operating expenses:				
Travel, promotion and advertising	1,136,252	36,567	-	1,172,819
Professional fees	1,261,634	95,898	-	1,357,532
Utilities	3,040,967	106,838	-	3,147,805
Maintenance agreements	1,482,503	342,462	-	1,824,965
Maintenance expenses	4,503,133	3,932,731	-	8,435,864
Other costs	2,214,247	306,203	-	2,520,450
Reimbursable costs	-	(2,126,187)	-	(2,126,187)
Capital allocations	(1,271,618)	(118,070)	-	(1,389,688)
Security fees	(864,497)	-	-	(864,497)
Insurance	4,011,906	266,991	-	4,278,897
Workers' compensation and casualty losses	769,034	755,000	-	1,524,034
Total other operating expenses	<u>16,283,561</u>	<u>3,598,433</u>	<u>-</u>	<u>19,881,994</u>
Depreciation	26,625,382	1,206,372	-	27,831,754
Total operating expenses	<u>74,594,510</u>	<u>12,956,200</u>	<u>-</u>	<u>87,550,710</u>
<b><u>OPERATING LOSS</u></b>	<u>(9,209,368)</u>	<u>(36,952)</u>	<u>-</u>	<u>(9,246,320)</u>

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 2 of 2**

**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - CONTINUED**  
**YEAR ENDED JUNE 30, 2018**

	<u>Port</u>	<u>PBRC</u>	<u>Elimination</u>	<u>Board Total</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Investment income	\$ 591,432	\$ 92,835	\$ -	\$ 684,267
Intercompany investment income	78,630	-	(78,630)	-
Interest expense	(5,364,425)	(6,930)	-	(5,371,355)
Hurricane loss	(30,431)	-	-	(30,431)
Gain on disposal of assets	39,807	-	-	39,807
Appreciation in value related to government acquisition (Note 16)	167,714,538	-	-	167,714,538
Canceled capital projects	(2,722,612)	-	-	(2,722,612)
Miscellaneous - net	(958,768)	29,677	-	(929,091)
Environmental remediation expenses	(3,750,000)	-	-	(3,750,000)
Total non-operating revenue (expenses)	<u>155,598,171</u>	<u>115,582</u>	<u>(78,630)</u>	<u>155,635,123</u>
<b><u>INCOME BEFORE CONTRIBUTIONS</u></b>	146,388,803	78,630	(78,630)	146,388,803
<b><u>CAPITAL CONTRIBUTIONS</u></b>	<u>3,060,478</u>	<u>172,000,000</u>	<u>(172,000,000)</u>	<u>3,060,478</u>
<b><u>CHANGE IN NET POSITION</u></b>	149,449,281	172,078,630	(172,078,630)	149,449,281
<b><u>NET POSITION, BEGINNING OF YEAR (AS RESTATED)</u></b>	<u>518,481,878</u>	<u>-</u>	<u>-</u>	<u>518,481,878</u>
<b><u>NET POSITION, END OF YEAR</u></b>	<u>\$ 667,931,159</u>	<u>\$ 172,078,630</u>	<u>\$ (172,078,630)</u>	<u>\$ 667,931,159</u>

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

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**OTHER SUPPLEMENTARY INFORMATION**

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

Agency Head Name: Brandy Christian, CEO

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 299,941
Benefits - Insurance	27,666
Benefits - Retirement	118,226
Benefits - Board match - deferred compensation	2,400
Benefits - 401(A) plan	18,438
Car allowance	12,000
Reimbursements	2,270
Travel	40,389
Registration fees	2,275
Conference travel	6,030

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**REVENUE BONDS DEBT SERVICE COVERAGE**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

Fiscal Year	Operating Revenue	Direct Operating Expenses	Net Revenue Available for Debt Services	Debt Service Requirement (1)			Subordinated Coverage
				Principal	Interest	Total	
2017	66,254,278	43,572,030	22,682,248	3,225,000	4,126,101	7,351,101	3.09
2018	79,028,464	58,882,391	20,146,073	3,485,000	3,869,502	7,354,502	2.74
		-					
Fiscal Year	Operating Revenue	Direct Operating Expenses	Net Revenue Available for Debt Services	Debt Service Requirement (2)			Senior Coverage
				Principal	Interest	Total	
2017	66,254,278	43,572,030	22,682,248	2,855,000	4,011,139	6,866,139	3.30
2018	79,028,464	58,882,391	20,146,073	3,095,000	3,577,881	6,672,881	3.02

(1) Including series 2008, 2010, 2011, 2012, 2013A, 2013B, 2017A, 2018A, and 2018B bonds.

(2) Including series 2008, 2011, 2012, 2013A, 2013B, 2017A, 2018A, and 2018B bonds.

---

**BOARD OF COMMISSIONERS OF**  
**THE PORT OF NEW ORLEANS**

**SINGLE AUDIT REPORTS**

**JUNE 30, 2018**

---

**BOARD OF COMMISSIONERS OF  
THE PORT OF NEW ORLEANS**

**SINGLE AUDIT REPORTS**

**JUNE 30, 2018**

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS  
NEW ORLEANS, LOUISIANA**

Single Audit Reports

June 30, 2018

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditors' 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>	1-2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and the Schedule of Expenditures of Federal Awards	3-5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8

**INDEPENDENT AUDITORS' 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**

The Board of Commissioners of  
the Port of New Orleans:

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 Board of Commissioners of the Port of New Orleans (the Board), as of and for the year June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

*Postlethwaite & Netterville*

Metairie, Louisiana  
November 30, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Commissioners of the  
Port of New Orleans:

**Report on Compliance for Each Major Federal Program**

We have audited the Board of Commissioners of the Port of New Orleans' (the Board) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Board's major federal program for the year ended June 30, 2018. The Board's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Board's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Board as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated November 30, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Postlethwaite & Netterville*

Metairie, Louisiana  
November 30, 2018

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Program Title</u>	<u>CFDA No.</u>	<u>Federal Expenditures</u>
<u>United States Department of Homeland Security</u>		
Passed through the State of Louisiana Office of Homeland Security and Emergency Preparedness Disaster Grants - Public Assistance	97.036	\$ 962,873
Passed through the Office of State and Local Government Coordination and Preparedness Port Security Grant Program	97.056	<u>615,104</u>
Total United States Department of Homeland Security		<u>1,577,977</u>
<u>United States Environmental Protection Agency</u>		
Passed through the Louisiana Department of Transportation and Development National Clean Diesel Emissions Reduction Program	66.039	109,230
Passed through the Louisiana Department of Transportation and Development Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	<u>96,268</u>
Total United States Environmental Protecion Agency		<u>205,498</u>
Total Federal Awards Expended		<u>\$ 1,783,475</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

(1) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Board of Commissioners of the Port of New Orleans (the "Board") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Board.

(2) **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) **De Minimus Cost Rate**

During the year ended June 30, 2018, the Board did not elect to use the 10% de minimus cost rate as covered in §200.414 of the Uniform Guidance.

(4) **Relationship to Basic Financial Statements**

Federal awards are included in the statement of net position and the statement of revenues, expenses and changes in net position as follows:

Capital contributions	\$ <u>1,783,475</u>
-----------------------	---------------------

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Summary of Independent Auditors' Results**

- (a) The type of report issued on the basic financial statements: **Unmodified Opinion**
  - (b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: **None reported** ; Material weaknesses: **No**
  - (c) Noncompliance which is material to the basic financial statements: **No**
  - (d) Significant deficiencies in internal control over major program: **None reported**;  
Material weaknesses: **No**
  - (e) The type of report issued on compliance for major program: **Unmodified Opinion**
  - (f) Did the audit disclose any audit findings which the independent auditor is required to report in accordance with 2 CFR 200.516(a)? **No**
  - (g) Major program:  

CFDA No. 97.036 – Disaster Grants - Public Assistance
  - (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
  - (i) Auditee qualified as a low-risk auditee under the Uniform Guidance: Yes
- (2) **Findings relating to the basic financial statements reported in accordance with *Government Auditing Standards***
- None noted.
- (3) **Findings and questioned costs related to federal awards**
- None noted.

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the Port of New Orleans and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of the Port of New Orleans (the Entity) 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 July 1, 2017 through June 30, 2018. The Entity'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*. 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 performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, the results will read "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity."

***Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

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.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- c) **Disbursements**, including processing, reviewing, and approving

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- 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.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- 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.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

### ***Board or Finance Committee***

---

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

### ***Bank Reconciliations***

---

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

### ***Collections***

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

*A listing of collection locations for each deposit site selected in procedure #1 was provided and included a total of 1 collection locations. No exceptions were noted as a result of performing this procedure.*

Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*No exceptions noted.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*No exceptions noted.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*No exceptions noted.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*No exceptions noted.*

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*The Entity stated that all employees who have access to cash are covered under the Entity's insurance policy.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

*No exceptions noted.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*No exceptions noted.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions noted.*

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

*No exceptions noted.*

- e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions noted.*

***Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

---

- 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).

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- 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:

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

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

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

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

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- 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.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- 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.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- 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:

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

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

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

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

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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 cards was provided. No exceptions were noted as a result of performing this procedure.*

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

*From the listing provided, we randomly selected 5 credit cards used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.*

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain

public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

*No exceptions noted.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

*No exceptions noted.*

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*No exceptions noted.*

#### ***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

---

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

### **Contracts**

---

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

### ***Payroll and Personnel***

---

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- a) Observe that 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.).

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

19. Obtain management’s representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers’ compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

### ***Ethics***

---

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*No exceptions noted.*

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

*No exceptions noted.*

### ***Debt Service***

---

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

### ***Other***

---

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

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.

*Postlethwaite & Netterville*

Metairie, Louisiana  
November 30, 2018