

***Public Belt Railroad Commission for the
City of New Orleans***

*Financial Statements as of and for the
Thirteen Months Ended January 31, 2018,
Additional Information for the Thirteen Months
Ended January 31, 2018 and the Year ended
December 31, 2016, and
Independent Auditors' Report*

PUBLIC BELT RAILROAD COMMISSION FOR THE CITY OF NEW ORLEANS

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To the President and Members of
Public Belt Railroad Commission for the City of New Orleans
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying basic financial statements of the individual funds of the Public Belt Railroad Commission for the City of New Orleans (the “Commission”) as of and for the thirteen months ended January 31, 2018, and the related notes to financial statements, which collectively comprise the Commission’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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Commission’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 opinions on the effectiveness of the Commission’s internal control. Accordingly, we express no such opinions. 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 financial statement presentation.

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

Opinions

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of the individual funds of the Commission at January 31, 2018, and the results of their operations and their cash flows for the thirteen months then ended in conformity with accounting principles generally accepted in the United States of America.

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 - 10 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 Commission's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to the General Manager; Mississippi River Bridge – Schedule of Operating Statistics and the Schedule of Expenditures of Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to the General Manager and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the audit 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 addition procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments to the General Manager and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Mississippi River Bridge – Schedule of Operating Statistics has not been subjected the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June , 2018, on our consideration of the Commission’s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the Commission’s 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 Commission’s internal control over financial reporting and compliance.

Cau, Riggs & Ingram, L.L.C.

June 26, 2018

Management's Discussion and Analysis

This narrative discussion and analysis is intended to serve as an introduction to the basic financial statements as of and for the thirteen months ended January 31, 2018 of the individual funds of the Public Belt Railroad Commission for the City of New Orleans (the "Commission"). The information presented here should be read in conjunction with the basic financial statements, notes and additional information found in this report.

Overview of the Financial Statements

The Commission operates a railroad system in and around the City of New Orleans as well as a railroad bridge across the Mississippi River (the "Huey P. Long Bridge"). The financial statements in this report present the financial condition, results of operations and cash flows of the Commission, including its railroad system fund (the "Public Belt Railroad") and its bridge operations fund (the "Mississippi River Bridge"). See the notes to financial statements for a summary of the Commission's significant accounting policies.

The Commission's financial statements consist of three sections – Management's Discussion and Analysis (this section), the basic financial statements (including the notes to financial statements) and additional information. This information taken collectively is designed to provide readers with an understanding of the Commission's financial condition and its operations.

The *Statement of Net Position* present information on all of the Commission's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the Commission's financial position is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* present information showing how the Commission's net position changed as a result of current year operations. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will not affect cash until future fiscal periods.

The *Statement of Cash Flows* present information showing how the Commission's cash balance changed as a result of current year operations. The cash flow statements are prepared using the direct method and include a reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Governmental Accounting Standards Board Statement (GASB) Codification. This reconciliation is provided to assist in the understanding of the difference between cash flows from operating activities and net income (loss).

In addition to the basic financial statements and accompanying notes, this report also presents *Other Information* comprised of a Schedule of Compensation, Benefits and Other Payments to the General Manager for the thirteen months ended January 31, 2018 and Schedules of Operating Statistics for the Mississippi River Bridge for the thirteen months ended January 31, 2018 and for the year ended December 31, 2016.

This report presents the thirteen months ended January 31, 2018 in comparison with the twelve months ended December 31, 2016. This presentation will result in fluctuations due to the different reporting periods.

Financial Position

Summary of Net Assets

			\$	%
	January	December	Increase	Increase
	2018	2016	(Decrease)	(Decrease)
Assets:				
Cash & investments	\$ 13,638,087	\$ 14,512,146	\$ (874,059)	-6.0%
Current & other assets	9,535,952	10,463,343	(927,391)	-8.9%
Net capital assets	66,253,969	62,951,581	3,302,389	5.2%
Total assets	89,428,008	87,927,070	1,500,939	1.7%
Liabilities:				
Current liabilities excluding reserves	3,073,719	3,954,291	(880,572)	-22.3%
Long-term liabilities	385,816	455,086	(69,270)	-15.2%
Casualty and other reserves	1,471,506	1,001,066	470,440	47.0%
Total liabilities	4,931,041	5,410,443	(479,402)	-8.9%
Deferred Outflows:				
Deferred credits	421,673	466,131	(44,458)	-9.5%
Net Position:				
Net investment in capital assets	65,747,574	62,071,559	3,676,015	5.9%
Unrestricted	16,327,720	15,978,937	348,783	2.2%
Appropriated for insurance reserve	2,000,000	4,000,000	(2,000,000)	-50.0%
Total net position	\$ 84,075,294	\$ 82,050,496	\$ 2,024,798	2.5%

Total assets showed a net increase of approximately \$1,501,000 (1.7%) for the thirteen months ended January 31, 2018 due to an increase in capital assets of approximately \$3,302,000 (5.2%) which was partially offset by a decrease in cash and investments of approximately \$874,000 (6%) and a decrease in current and other assets of approximately \$927,000 (8.9%). The decrease in current and other assets was due to a decrease in Investments appropriated for Insurance Reserves of \$2,000,000 which was partially offset by an increase in accounts receivable of approximately \$685,000 and an increase in materials and supplies of approximately \$388,000. The increase in capital assets of approximately \$3,302,000 (5.2%) was due to improvements and additions to track structures of approximately \$3,521,000, equipment additions of approximately \$1,292,000 and other additions of approximately \$117,000, which were partially offset by depreciation of approximately \$1,628,000.

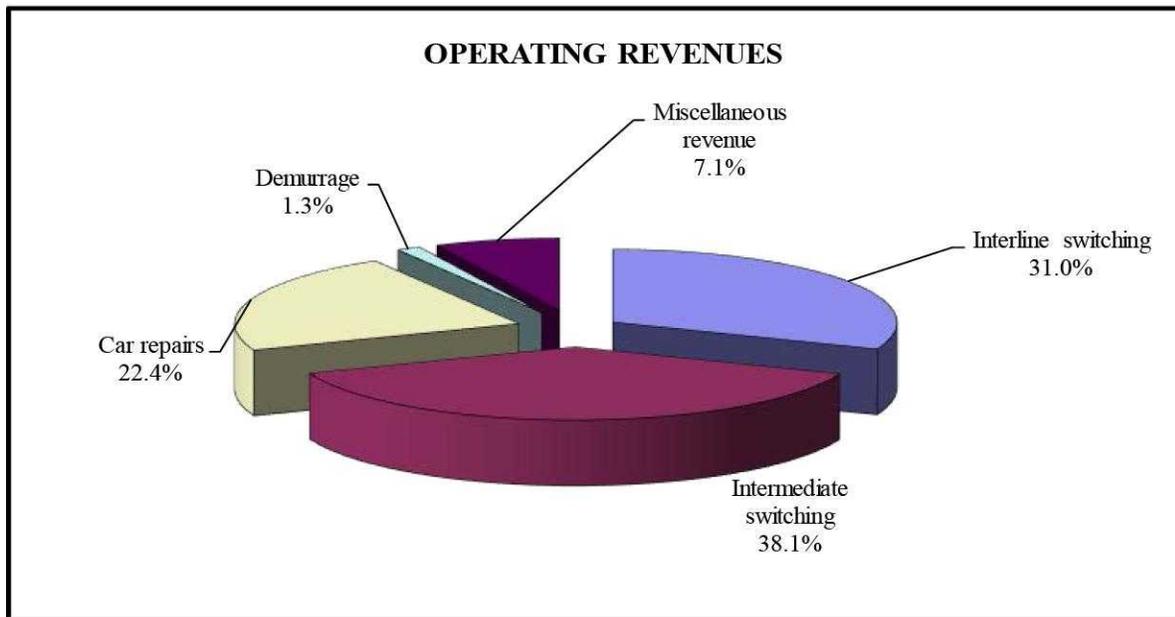
Total liabilities decreased by approximately \$479,000 (8.9%) due primarily to a decrease in accounts payable and accrued expenses of approximately \$576,000, a decrease in the current portion of long-term debt of approximately \$304,000 and a decrease in long-term debt of approximately \$69,000, which was partially offset by an increase in casualty reserves of approximately \$470,000. The Commission is the defendant in legal proceedings which seek compensation for personal injury and/or property damage. The Commission has established a casualty reserve which represents an estimate of its liability under these actions. Further details may be found in Note 5 to the accompanying financial statements.

The largest portion of the Commission's net position (78% in 2018 and 77% in 2016) represents its net investment in capital assets (e.g., land, buildings, bridges, railroad tracks, locomotives and other rolling

stock, and equipment) less any related outstanding debt used to acquire those assets. The Commission uses its capital assets to provide service to its Class One railroad partners and to its industry customers, primarily tenants of the Port of New Orleans; consequently, these assets are not available for future spending. The Commission's unrestricted net position of approximately \$18,503,000 as of January 31, 2018 may be used to meet the Commission's ongoing obligations.

Operating Revenues

The following chart shows major sources and the percentage of operating revenues for the thirteen months ended January 31, 2018.



Operating Revenues by Major Source

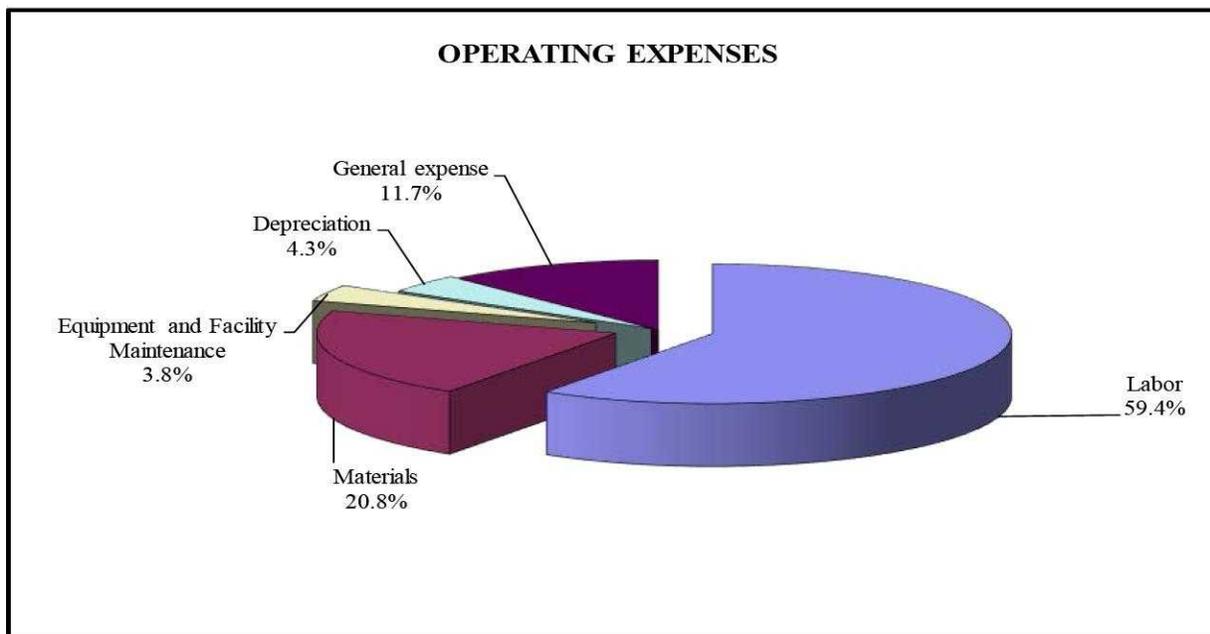
	13 months ended 1/31/18	12 months ended 12/31/16	\$ Increase (Decrease)	% Increase (Decrease)
Interline switching	\$ 9,662,513	\$ 8,845,779	\$ 816,734	9.2%
Intermediate switching	11,854,616	10,089,809	1,764,807	17.5%
Car repairs	6,989,840	8,625,643	(1,635,803)	-19.0%
Demurrage	419,046	243,159	175,887	72.3%
Miscellaneous revenue	2,216,154	1,644,507	571,647	34.8%
Total operating revenues	<u>\$ 31,142,169</u>	<u>\$ 29,448,897</u>	<u>\$ 1,693,272</u>	<u>5.7%</u>

The Public Belt Railroad performs interline switching service for customers located along the wharves and industries of the Port of New Orleans and for storage customers who pay for railcar storage space on the Railroad's tracks. The Public Belt also performs intermediate switching service for the six Class One railroads that interchange in the New Orleans area, taking railcars from one railroad and delivering them to another. In addition to providing switching service, the Public Belt Railroad operates a railcar repair shop that adheres to the Association of American Railroads' standards for inspection and repair of railcars.

There was an approximate \$1,693,000 (5.7%) net increase in operating revenues for the thirteen months ended January 31, 2018. This is due to the interline and intermediate switching service revenue increase of approximately \$2,582,000, the storage revenue increase of approximately \$434,000, the demurrage increase of approximately \$176,000, the increase in miscellaneous revenue of approximately \$137,000, which was partially offset by car repairs revenue decrease of approximately \$1,636,000.

Operating Expenses

The following chart shows major expense categories and the percentage of operating expenses for the thirteen months ended January 31, 2018.



Operating Expenses by Major Category

	13 months ended 1/31/18	12 months ended 12/31/16	\$ Increase (Decrease)	% Increase (Decrease)
Labor	\$ 22,295,553	\$ 20,386,260	\$ 1,909,294	9.4%
Materials	7,828,316	7,149,722	678,594	9.5%
Equipment and Facility Maintenance	1,453,957	1,298,366	155,591	12.0%
Depreciation	1,628,411	1,523,548	104,863	6.9%
General expense	4,395,385	3,717,923	677,462	18.2%
Total operating expenses	\$ 37,601,622	\$ 34,075,819	\$ 3,525,804	10.3%

There was an approximate 3,526,000 (10.3%) net increase in operating expenses for the thirteen months ended January 31, 2018. This was due to an increase in labor of approximately \$1,909,000, an increase in general expense of approximately \$677,000 and an increase in materials cost of approximately \$679,000. The increase in labor was due to the increased cost in providing switching services and the increase in labor benefit costs. The increase in general expense is due to an increase in casualty losses of approximately \$644,000, an increase in professional fees of approximately \$333,000, and an increase in information system costs of approximately \$106,000, which was offset by an increase in

amounts billed to Joint Tenant Lines and the State of Louisiana of approximately \$316,000. The decrease in materials cost is due primarily to the corresponding decrease in car repair volume.

Non-Operating Revenue

	13 months ended 1/31/18	12 months ended 12/31/16	\$ Increase (Decrease)	% Increase (Decrease)
Joint facility rent income	\$ 328,373	\$ 274,316	\$ 54,057	19.7%
FEMA and other grant income	1,313,649	56,332	1,257,317	2232.0%
Reimbursement of track additions	1,273,372	-	1,273,372	
Fixed asset retirements	(1,500,823)	(124,725)	(1,376,098)	1103.3%
Income from non-operating property	952,899	834,176	118,723	14.2%
Income from investments	317,637	241,272	76,365	31.7%
Miscellaneous income (expense)	408,390	(74,026)	482,416	-651.7%
Total non-operating revenue	<u>\$ 3,093,497</u>	<u>\$ 1,207,345</u>	<u>\$ 1,886,152</u>	<u>156.2%</u>

The net increase of approximately \$1,886,000 in non-operating revenue resulted from an increase in FEMA grant income and reimbursement of track additions net of fixed asset retirements of approximately \$1,155,000, an increase in lease income of approximately \$119,000, an increase in income from investments of approximately \$76,000 and an increase in net miscellaneous income of approximately \$482,000.

Non-Operating Expense

	13 months ended 1/31/18	12 months ended 12/31/16	\$ Increase (Decrease)	% Increase (Decrease)
Hire of freight cars - per diem	\$ 543,914	\$ 253,730	\$ 290,184	114.4%
Interest expense	191,964	166,887	25,077	15.0%
Total non-operating expense	<u>\$ 735,878</u>	<u>\$ 420,617</u>	<u>\$ 315,261</u>	<u>75.0%</u>

The net increase of approximately \$315,000 (75.0%) in non-operating expense is due primarily to an increase in the hire of freight cars of approximately \$290,000. Car hire is paid to railcar owners for the time the railcars spend on the Public Belt Railroad's line. The more time spent in active transportation, the more profitable the railcar is to its owner. Car hire represents compensation to railcar owners for time the cars are kept from active transportation and is standard throughout the railroad industry.

Summary of Changes in Net Position

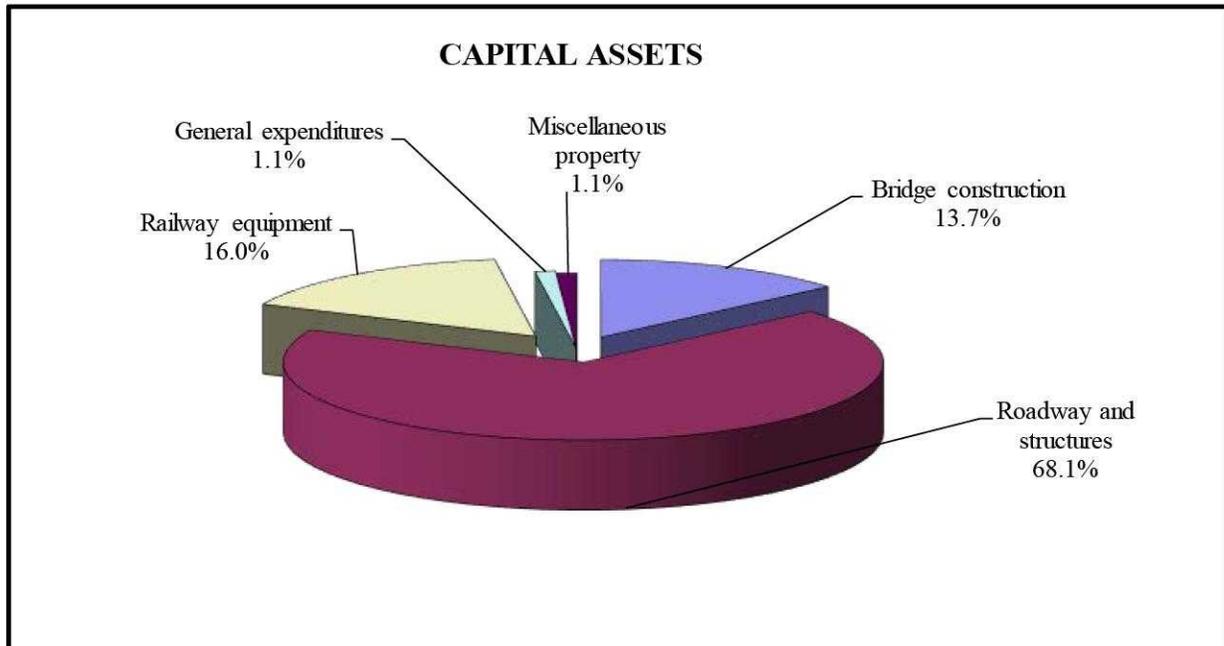
	13 months ended 1/31/18	12 months ended 12/31/16	\$ Increase (Decrease)	% Increase (Decrease)
Operating revenue	\$ 31,142,169	\$ 29,448,897	\$ 1,693,272	5.7%
Operating expense	37,601,622	34,075,819	3,525,803	10.3%
Loss before Reimbursement from joint tenant lines and State of Louisiana	(6,459,453)	(4,626,922)	(1,832,531)	39.6%
Reimbursement from joint tenant lines and State of Louisiana	6,126,632	4,886,047	1,240,585	25.4%
Railway operating income (loss)	(332,821)	259,125	(591,946)	-228.4%
Railway rental income (loss)	(215,541)	20,586	(236,127)	-1147.0%
Other income	2,573,160	766,142	1,807,018	235.9%
Net income	\$ 2,024,798	\$ 1,045,853	\$ 978,945	93.6%

The Public Belt Railroad had an operating loss of approximately \$(333,000) for the thirteen months ended January 31, 2018 as compared to an operating income of approximately \$259,000 in calendar year 2016. The is due to the increase in labor of approximately \$1,909,000, the increase in general expense of approximately \$732,000, the increase in materials costs of approximately \$679,000 and the decrease in car repair revenue of approximately \$1,636,000 which was partially offset by the increase in the interline and intermediate switching revenue increase of approximately \$2,582,000. The increase in labor was due to the increased cost in servicing the switching services increase and the increase in labor benefit costs associated with union agreements.

Railway rental income decreased by approximately \$236,000 which was due to an increase in hire of freight cars of approximately \$290,000.

Other income increased approximately \$1,807,000 due to an increase in FEMA grant income and reimbursements of track additions, net of fixed asset retirements of approximately \$1,166,000 and an increase in lease income of approximately \$119,000, an increase in other income of approximately \$281,000 and a decrease in professional fees of approximately \$189,000.

Capital Asset Activity



Capital Assets at Cost

	1/31/2018	12/31/2016	\$ Increase (Decrease)	% Increase (Decrease)
Bridge construction	\$ 12,719,525	\$ 12,719,525	\$ -	0.0%
Roadway and structures	63,031,360	59,509,937	3,521,423	5.9%
Railway equipment	14,869,013	13,577,268	1,291,745	9.5%
General expenditures	1,006,557	897,551	109,006	12.1%
Miscellaneous property	1,016,571	1,007,946	8,625	0.9%
Total capital assets at cost	92,643,026	87,712,227	4,930,799	5.6%
Less accumulated depreciation	(26,389,057)	(24,760,646)	(1,628,411)	6.6%
Net capital assets	\$ 66,253,969	\$ 62,951,581	\$ 3,302,388	5.2%

The Commission's investment in capital assets is summarized in the preceding table. The net increase in capital assets for the thirteen months ended January 31, 2018 was approximately \$3,302,000 (5.2%). More detailed information can be found in Note 4 to the accompanying financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances. Questions concerning any of the information should be addressed to the Chief Financial Officer, New Orleans Public Belt Railroad, 4822 Tchoupitoulas Street, New Orleans, Louisiana 70115.

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**STATEMENT OF NET POSITION
AS OF JANUARY 31, 2018**

	Public Belt Railroad	Mississippi River Bridge	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash	\$ 11,793,878	\$ -	\$ -	\$ 11,793,878
Investments	1,844,209	-	-	1,844,209
Accounts receivable - net	5,197,298	461,429	-	5,658,727
Advances to the Mississippi River Bridge				
Fund for maintenance requisitions	201,603	-	(201,603)	-
Materials and supplies	1,628,798	-	-	1,628,798
Accrued interest and other current assets	248,427	-	-	248,427
Total current assets	<u>20,914,213</u>	<u>461,429</u>	<u>(201,603)</u>	<u>21,174,039</u>
CAPITAL ASSETS - at cost:				
Bridge construction	-	12,719,525	-	12,719,525
Roadway and structures	56,476,174	6,555,186	-	63,031,360
Railway equipment	14,869,013	-	-	14,869,013
General expenditures	1,006,557	-	-	1,006,557
Miscellaneous property	246,647	769,924	-	1,016,571
Total capital assets	<u>72,598,391</u>	<u>20,044,635</u>	<u>-</u>	<u>92,643,026</u>
Less accumulated depreciation	<u>(16,702,311)</u>	<u>(9,686,746)</u>	<u>-</u>	<u>(26,389,057)</u>
Net capital assets	<u>55,896,080</u>	<u>10,357,889</u>	<u>-</u>	<u>66,253,969</u>
OTHER:				
Investments - appropriated for Insurance				
Reserve Fund	2,000,000	-	-	2,000,000
Advances to the Mississippi River Bridge				
Fund for additions and betterments	2,368,030	-	(2,368,030)	-
Advances to the Public Belt Railroad Fund	-	1,380,309	(1,380,309)	-
Total other	<u>4,368,030</u>	<u>1,380,309</u>	<u>(3,748,339)</u>	<u>2,000,000</u>
TOTAL	<u>\$ 81,178,323</u>	<u>\$ 12,199,627</u>	<u>\$ (3,949,942)</u>	<u>\$ 89,428,008</u>

(Continued)

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**STATEMENT OF NET POSITION
AS OF JANUARY 31, 2018**

	Public Belt Railroad	Mississippi River Bridge	Eliminations	Consolidate d
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION				
CURRENT LIABILITIES:				
Advances from the Public Belt Railroad Fund	\$ -	\$ 201,603	\$ (201,603)	\$ -
Accounts payable and accrued expenses	2,948,931	-	-	2,948,931
Casualty and other reserves	1,471,506	-	-	1,471,506
Current portion of long-term debt	120,579	-	-	120,579
Interest payable	4,209	-	-	4,209
Total current liabilities	<u>4,545,225</u>	<u>201,603</u>	<u>(201,603)</u>	<u>4,545,225</u>
OTHER LIABILITIES:				
Advances from the Mississippi River Bridge Fund	1,380,309	-	(1,380,309)	-
Advances from the Public Belt Railroad Fund for additions and betterments	-	2,368,030	(2,368,030)	-
Long-term debt less current maturities	385,816	-	-	385,816
Commitments and contingencies	-	-	-	-
Total other liabilities	<u>1,766,125</u>	<u>2,368,030</u>	<u>(3,748,339)</u>	<u>385,816</u>
TOTAL LIABILITIES	<u>6,311,350</u>	<u>2,569,633</u>	<u>(3,949,942)</u>	<u>4,931,041</u>
DEFERRED INFLOWS:				
Deferred income	<u>421,673</u>	<u>-</u>	<u>-</u>	<u>421,673</u>
NET POSITION:				
Net investment in capital assets	55,389,685	10,357,889	-	65,747,574
Unrestricted	<u>19,055,615</u>	<u>(727,895)</u>	<u>-</u>	<u>18,327,720</u>
Total net position	<u>74,445,300</u>	<u>9,629,994</u>	<u>-</u>	<u>84,075,294</u>
TOTAL	<u>\$ 81,178,323</u>	<u>\$ 12,199,627</u>	<u>\$ (3,949,942)</u>	<u>\$ 89,428,008</u>

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

(Concluded)

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2018**

	Public Belt Railroad	Mississippi River Bridge	Eliminations	Consolidated
OPERATING REVENUES:				
Switching:				
Interline	\$ 9,662,513	\$ -	\$ -	\$ 9,662,513
Intermediate	11,854,616	-	-	11,854,616
Total switching	<u>21,517,129</u>	<u>-</u>	<u>-</u>	<u>21,517,129</u>
Incidentals:				
Car repairs	6,989,840	-	-	6,989,840
Demurrage	419,046	-	-	419,046
Miscellaneous revenue	2,199,261	16,893	-	2,216,154
Total incidentals	<u>9,608,147</u>	<u>16,893</u>	<u>-</u>	<u>9,625,040</u>
Total operating revenues	31,125,276	16,893	-	31,142,169
OPERATING EXPENSES:				
Labor	20,618,309	1,677,244	-	22,295,553
Materials	4,869,368	2,958,948	-	7,828,316
Equipment and facility maintenance	1,198,093	255,864	-	1,453,957
Depreciation	1,281,551	346,860	-	1,628,411
General expense	3,327,384	1,068,001	-	4,395,385
Total operating expenses	<u>31,294,705</u>	<u>6,306,917</u>	<u>-</u>	<u>37,601,622</u>
INCOME (LOSS) BEFORE REIMBURSEMENT FROM JOINT TENANT LINES AND STATE OF LOUISIANA				
	(169,428)	(6,290,024)	-	(6,459,453)
REIMBURSEMENT FROM JOINT TENANT LINES AND STATE OF LOUISIANA				
	<u>-</u>	<u>6,126,632</u>	<u>-</u>	<u>6,126,632</u>
RAILWAY OPERATING INCOME (LOSS)				
	<u>(169,428)</u>	<u>(163,392)</u>	<u>-</u>	<u>(332,821)</u>

(Continued)

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2018**

	Public Belt Railroad	Mississippi River Bridge	Eliminations	Consolidated
RAILWAY RENTAL INCOME (EXPENSE):				
Hire of freight cars - per diem	(543,914)	-	-	(543,914)
Joint facility rent	328,373	-	-	328,373
Net railway rental expense	(215,541)	-	-	(215,541)
OTHER INCOME (EXPENSE):				
FEMA grants	1,313,649	-	-	1,313,649
Reimbursement of track additions	1,273,372	-	-	1,273,372
Fixed asset retirements	(1,500,823)	-	-	(1,500,823)
Interest expense	(25,390)	(166,574)	-	(191,964)
Income from nonoperating property	952,899	-	-	952,899
Income from investments	317,637	-	-	317,637
Miscellaneous income	408,390	-	-	408,390
Net other income (expense)	2,739,734	(166,574)	-	2,573,160
NET INCOME (LOSS)	2,354,764	(329,966)	-	2,024,798
NET POSITION - Beginning of year	72,090,536	9,959,960	-	82,050,496
NET POSITION - End of year	\$ 74,445,300	\$ 9,629,994	\$ -	\$ 84,075,294

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

(Concluded)

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**STATEMENT OF CASH FLOWS
FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2018**

	Public Belt Railroad	Mississippi River Bridge	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 31,125,276	\$ 6,548,538	\$ -	\$ 37,673,814
Cash received from other sources	5,115,284	-	-	5,115,284
Cash paid for materials and services	(34,026,591)	(6,649,777)	-	(40,676,368)
Net cash provided by (used in) operating activities	<u>2,213,969</u>	<u>(101,239)</u>	<u>-</u>	<u>2,112,730</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Property additions	(4,930,799)	-	-	(4,930,799)
Increase in long-term debt	-	-	-	-
Debt installment payment	(373,627)	-	-	(373,627)
Net cash used in capital and related financing activities	<u>(5,304,426)</u>	<u>-</u>	<u>-</u>	<u>(5,304,426)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease in investments	2,032,773	-	-	2,032,773
Income from investments	317,637	-	-	317,637
Net cash provided by investing activities	<u>2,350,410</u>	<u>-</u>	<u>-</u>	<u>2,350,410</u>
NET DECREASE IN CASH	(740,047)	(101,239)	-	(841,286)
CASH - Beginning of period	<u>12,533,925</u>	<u>101,239</u>	<u>-</u>	<u>12,635,164</u>
CASH - End of period	<u>\$ 11,793,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,793,878</u>

(Continued)

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**STATEMENT OF CASH FLOWS
FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2018**

	Public Belt Railroad	Mississippi River Bridge	Eliminations	Consolidated
RECONCILIATION OF NET INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Net income (loss)	\$ 2,354,764	\$ (329,966)	\$ -	\$ 2,024,798
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:				
Income from investments	(317,637)	-	-	(317,637)
Depreciation expense	1,281,551	346,860	-	1,628,411
Casualty loss expense	-	-	-	-
Bad debt expense	-	-	-	-
Fixed assets retirements	-	-	-	-
Decrease (increase) in trade accounts receivable	(574,977)	245,012	(363,145)	(693,110)
Decrease in advances for maintenance requisitions	-	(363,145)	363,145	-
Increase in materials and supplies	(387,614)	-	-	(387,614)
Decrease in accrued interest receivable and other current assets	8,114	-	-	8,114
Decrease in accounts payable and accrued expenses	(576,214)	-	-	(576,214)
Increase in deferred income	(44,458)	-	-	(44,458)
Casualty reserve payments	470,440	-	-	470,440
Cash provided by (used in) operating activities	<u>\$ 2,213,969</u>	<u>\$ (101,239)</u>	<u>\$ -</u>	<u>\$ 2,112,730</u>

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements in this report present the financial condition, results of operations and cash flows of the Public Belt Railroad Commission for the City of New Orleans (the “Commission”) including its railroad system fund (the “Public Belt Railroad”) and its bridge operations fund (the “Mississippi River Bridge”). The Commission operates a railroad system in and around the City of New Orleans as well as a railroad bridge across the Mississippi River (the “Huey P. Long Bridge”). The Commission is a stand-alone entity as defined by GASB Codification Section 2100 *Defining the Financial Reporting Entity*. The Commission is neither fiscally dependent on any other local government, nor does it provide specific financial benefits to or impose specific financial burdens on any other government.

The accompanying policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to proprietary component units of governmental entities. A summary of the Commission’s significant accounting policies follows:

Basis of Presentation—Fund Accounting—The proprietary funds are used to account for the Commission’s ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the balance sheets. The operating statements present increases (revenues) and decreases (expenses) in total net position. The Commission maintains two separate proprietary funds—the Public Belt Railroad and the Mississippi River Bridge.

Basis of Accounting—The Commission prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require 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 these estimates. Pursuant to Governmental Accounting Standards Board (“GASB”) Codification P80, *Proprietary Fund Accounting and Financial Reporting*, the Commission has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (“FASB”), excluding those issued after November 30, 1989.

Basis of Reporting—The Commission has adopted the GASB Codification which established standards for external financial reporting for all state and local governmental entities. It requires the classification of net position into three components—net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted—This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted—This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Net Position— The Commission has adopted GASB Codification that provided financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position. State and local governments enter into transactions that result in the consumption or acquisition of net position in one period that are applicable to future periods. The GASB Codification requires that deferred outflows of resources should be reported in a separate section following assets and deferred inflows of resources should be reported in a separate section following liabilities.

Investments—Investments consist of certificates of deposit that have original maturities greater than 90 days. Interest revenue is recorded in the statements of revenues, expenses and changes in net position and is reinvested until maturity of the certificate.

Accounts Receivable—Accounts receivable are carried in the financial statements net of an allowance for doubtful accounts, which has been determined based on an analysis of outstanding accounts at January 31, 2018.

Materials and Supplies—Materials and supplies are valued at the lower of cost or market on the first-in, first-out (“FIFO”) basis.

Capital Assets—Capital assets are recorded at cost. The current cost of repairs is charged to operating expense. Property additions are generally capitalized and depreciated on the straight-line basis over their estimated service lives; however, certain railroad track structures are not depreciated, but are accounted for under the Retirement-Replacement-Betterment accounting method. Annual depreciation rates range from 1.75% to 10%. When assets or equipment are retired or sold, the cost, net of accumulated depreciation, is removed from the respective capital asset accounts.

Income Tax Provisions—Income tax provisions for federal and state income taxes have not been provided as the Commission is a tax-exempt entity. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustment to or disclosure in the financial statements.

Revenues and Reimbursements—Revenues and reimbursements are recorded as services are performed. Customers of the Public Belt Railroad Fund providing over 10% of its revenues were as follows:

<u>Customer</u>	<u>Thirteen Months Ended 1/31/2018</u>	<u>Twelve Months Ended 12/31/2016</u>
A	37.6%	34.8%
B	17.1%	16.9%
C	13.5%	18.0%
D	12.9%	10.9%

All of the reimbursements are derived from the State of Louisiana and two other customers under long-term contracts.

Statements of Cash Flows—For purposes of the statements of cash flows, cash consists of demand deposit with banks, overnight repurchase agreements, and money market funds.

New Accounting Pronouncements—In June 2017, the GASB issued Statement No. 87 - Leases. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision -usefulness of t to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

Reclassifications—Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. These reclassifications had no effect on previously reported changes in net position.

2. INVESTMENTS

At January 31, 2018, investments consisted of the following:

Certificates of deposit	\$ 3,844,209
Less designated portion (Note 3)	<u>(2,000,000)</u>
Net investments	<u>\$ 1,844,209</u>

Investments

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

1. United States bonds, treasury notes, certificates, or any other federally insured investment.
2. 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.

3. Debt instruments issues 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.
4. Bonds, debentures, notes or other indebtedness issues by a state of the United States of America other than Louisiana or any such state's political subdivision with a minimum rating A- or higher by Standard and Poor and the final maturity can be no more than three years.
5. Top Tier A1/P1 rated Commercial Paper
6. Security Repurchase Agreements
7. 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 State government or its agencies.

The Commission invests monies with the Louisiana Asset Management Pool (LAMP). LAMP is considered to be an external investment pool administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local Louisiana 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 LA-R.S. 33.2955.

The following facts are relevant for LAMP:

- Credit risk: LAMP is rated AAA by Standard & Poor's.
- Custodial credit risk: LAMP participant's 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 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.
- Foreign currency risk: Not applicable.

LAMP values its investments at fair value based on quoted market values. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares which approximates net asset value (NAV).

LAMP, Inc is subject to the regulatory oversight of the state treasurer and board of directors. LAMP is not registered with the SEC as an investment company.

An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP.

LAMP issues financial reports which can be obtained in writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

Credit Risk

Statutes authorize the Commission to invest in the following types of investment securities:

1. Fully-collateralized certificates of deposit issued by qualified commercial banks, federal credit unions and savings and loan associations located within the State of Louisiana.
2. Direct obligations of the U.S. Government, including such instruments as treasury bills, treasury notes and treasury bonds, and obligations of U.S. Government agencies that are deliverable on the Federal Reserve System.
3. Repurchase agreements in government securities in (2) above made with the various primary dealers that report to and are regulated by the Federal Reserve Bank of New York.
4. Guaranteed Investment Contracts with companies with good credit ratings.

The Commission has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State of Louisiana. The Commission has no limit on the amount it may invest in any one issuer so long as the State's restrictions are followed.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At January 31, 2018, the Commission was not exposed to custodial credit risk with respect to its investments because all investments are either insured by federal depository insurance, registered in the name of the Commission, or collateralized by other investments pledged in the name of the Commission.

Cash and certificates of deposit are fully collateralized by securities held for the Commission's benefit at the Federal Reserve Bank in New Orleans, Louisiana. The book balances of securities held for the Commission's benefit approximated the bank balances at January 31, 2018.

3. INVESTMENTS—DESIGNATED

The Commission established an Insurance Cash Reserve Fund in a prior year and authorized increasing the fund as necessary. Disbursements from the Insurance Cash Reserve Fund can be made only for payment of personal injury and property damage claims upon approval by the Board of Commissioners. The balance of the Insurance Cash Reserve Fund was \$2,000,000 at January 31, 2018. The Insurance Cash Reserve Fund is considered a component of unrestricted net position since it represents an internally imposed designation rather than an externally imposed restriction.

4. CAPITAL ASSETS

A summary of changes in capital assets for the thirteen months ended January 31, 2018 is as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Cost:				
Bridge construction	\$ 12,719,525	\$ -	\$ -	\$ 12,719,525
Roadway and structures	59,509,937	5,022,246	(1,500,823)	63,031,360
Railway equipment	13,577,268	1,291,745	-	14,869,013
General expenditures	897,551	109,006	-	1,006,557
Miscellaneous property	1,007,946	8,625	-	1,016,571
Total capital assets at cost	87,712,227	6,431,622	(1,500,823)	92,643,026
Less accumulated depreciation	(24,760,646)	(1,628,411)	-	(26,389,057)
Net capital assets	<u>\$ 62,951,581</u>	<u>\$ 4,803,211</u>	<u>\$ (1,500,823)</u>	<u>\$ 66,253,969</u>

5. CASUALTY RESERVES

The Commission is the defendant in legal proceedings which seek compensation for personal injury and/or property damage. The Commission has established a reserve for personal injury and property damage claims that represents an estimate of its liability under these actions.

During the thirteen months ended January 31, 2018, the Commission added approximately \$1,262,000 to the reserve and paid out approximately \$791,000. In addition, the Commission incurred approximately \$244,000 in related legal fees during the thirteen months ended January 31, 2018.

6. LONG-TERM DEBT

On April 20, 2012, the Commission entered into an agreement for the private placement with a local bank of the Public Belt Railroad Commission's Taxable Indebtedness, Series 2012. The agreement calls for 11 semi-annual payments including interest at 2.95% through 2017. This debt relates to a Cooperative Endeavor Agreement entered into between the Public Belt Railroad Commission and its customer, Transportation Consultants, Inc., for construction of a rail extension project by adding a spur rail track connecting with Commission's main line track.

On November 30, 2016, the Commission 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. Amortization expense of approximately \$112,000 related to radio equipment is included in depreciation expense.

On August 22, 2017, the Commission 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. Amortization expense of approximately \$4,300 related to radio console equipment is included in depreciation expense.

The following is a summary of changes in long-term debt for the thirteen months ended January 31, 2018:

	January 1, 2017	Additions	Reductions	January 31, 2018	Due within One year
Series 2012 Bonds	\$ 320,000	\$ -	\$ (320,000)	\$ -	
Radio Lease	\$ 560,022	\$ 64,700	\$ (118,327)	\$ 506,395	\$ 120,579

The annual debt service requirements of the Commission’s outstanding long-term debt over the four years ending January 31, 2022 is as follows:

	Principal	Interest	Total
2019	\$ 120,579	\$ 16,638	\$ 137,217
2020	124,538	12,679	137,217
2021	128,629	8,588	137,217
2022	132,853	4,364	137,217
	<u>\$ 506,599</u>	<u>\$ 42,269</u>	<u>\$ 548,868</u>

7. RETIREMENT PLAN

The Commission did not make contributions to the employer-funded 401(a) pension plan (the “Retirement Plan”) for nonunion employees for the thirteen months ended January 31, 2018. Contributions are allocated to participants based on the ratio of the eligible participants’ units to the total units of all eligible participants. One unit is allocated for each half-year of service to the Public Belt Railroad and one unit for each \$1,000 of salary in each eligible year. Participants vest in this allocation of contributions and earnings 20% per year of service. Payments to participants are made when participants leave the Commission based on the vested balance in their account. The Retirement Plan was terminated effective January 31, 2018 and distributions of plan assets to participants were made in March 2018.

8. INTERFUND TRANSACTIONS

The Public Belt Railroad provides funds for additions and betterments to the Mississippi River Bridge but is not reimbursed until retirement of the related asset occurs. Advances to the Mississippi River Bridge for additions and betterments were approximately \$2,368,000 at January 31, 2018. The Commission also provides material, labor and other miscellaneous expenditures related to maintenance of the Mississippi River Bridge to the Mississippi River Bridge Fund. This is billed monthly and generally collected from the Mississippi River Bridge Fund within a three-month period. The balance payable for maintenance requisitions was approximately \$362,000 as of January 31, 2018. The Public Belt Railroad Fund had a liability to the Mississippi River Bridge Fund of approximately \$1,380,000 at January 31, 2018. None of these inter-fund transactions are interest-bearing.

9. SUBSEQUENT EVENTS

On February 1, 2018, the assets and liabilities of the Public Belt, including the Mississippi River Bridge were transferred to the New Orleans Public Belt Railroad Corporation, a public not-for-profit corporation, which is a wholly-owned subsidiary of the Port of New Orleans. Accordingly, the Public Belt extended its reporting period to include the period ended January 31, 2018.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 26, 2018, and has determined that no other events, except as noted above and in Note 7, have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in the financial statements.

ADDITIONAL INFORMATION

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE GENERAL MANAGER
FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2018**

General Manager Douglas D. Campbell

Purpose	Thirteen Months ended 1/31/18
Salary	\$ 211,841
Benefits - insurance	25,968
Vehicle provided by Public Belt Railroad	3,549
Cell phone	1,634
Dues	75
Conference registration fees	439
Conference travel and meals	6,857
	<u>\$ 250,363</u>

See independent auditors' report.

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS
MISSISSIPPI RIVER BRIDGE**

SCHEDULES OF OPERATING STATISTICS

**FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2018 AND THE YEAR ENDED
DECEMBER 31, 2016**

	Thirteen months ended 1/31/18	Year ended 12/31/16
Number of railway cars crossing the Bridge during the period	505,886	459,219
Number of Bridge employees at year-end	15	20

See independent auditors' report.



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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

To the President and Members of the
Public Belt Railroad Commission for the City of New Orleans
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the individual funds of the Public Belt Railroad Commission for the City of New Orleans (the Commission) as of and for the thirteen months ended January 31, 2018, and the related notes to financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission'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 preceding 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 limitation, 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 Commission'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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

June 26 , 2018



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the President and Members of the
Public Belt Railroad Commission for the City of New Orleans
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Public Belt Railroad Commission for the City of New Orleans (the Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the thirteen months ended January 31, 2018. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs 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 Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Commission, 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 thirteen months ended January 31, 2018.

Report on Internal Control Over Compliance

Management of the Commission, 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 Commission'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 Commission'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 a 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.

Carly Riggs & Ingram, L.L.C.

June 26, 2018

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS
FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2018**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor/Program of Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures (\$)	Amount Passed through to Subrecipient	Total Federal Expenditures (\$)
Department of Homeland Security: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		\$ 1,204,500	\$ -	\$ 1,204,500
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,204,500	\$ -	\$ 1,204,500

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE THIRTEEN MONTHS ENDED JANUARY 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — This schedule includes the activity of the Commission and is presented on the accrual basis of accounting. 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). The Commission has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Payments to Sub recipients — There were no payments to sub recipients for the thirteen months ended January 31, 2018.

2. LOAN

The Commission did not expend federal awards related to loans or loan guarantees during the thirteen months ended January 31, 2018. The Commission had no loans outstanding at thirteen months ended January 31, 2018.

3. FEDERALLY FUNDED INSURANCE

The Commission has no federally funded insurance.

4. NONCASH ASSISTANCE

The Commission did not receive any federal noncash assistance for the thirteen months ended January 31, 2018.

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
THIRTEEN MONTHS ENDED JANUARY 31, 2018**

Part I – Summary of Auditors’ Results

1. The independent auditors’ report on the financial statements expressed an unmodified opinion.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No significant deficiencies in internal control over the major federal award program were reported during the audit.
5. There were no audit findings that are required to be reported in accordance with Uniform Guidance.
6. The Commission’s major program is:

Name of Federal Program or Cluster	Federal award
CFDA 97.036 Department of Homeland Security: Public Assistance (Presidentially Declared Disasters)	\$ 1,204,500

7. There is only one major program and it is classified as a Type A program as those terms are defined in Uniform Guidance.
8. Threshold used for determining Type A programs was \$750,000.
9. The Commission did qualify as a low-risk auditee as that term is defined in Uniform Guidance.

Part II – Financial Statement Findings

No matters are reportable.

Part III – Findings and Questionable Costs Related to Major Federal Award Programs

No matters are reportable.

**PUBLIC BELT RAILROAD COMMISSION
FOR THE CITY OF NEW ORLEANS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
THIRTEEN MONTHS ENDED JANUARY 31, 2018**

SECTION II – Findings related to the financial statements

None noted