

**ABBEVILLE HARBOR
AND
TERMINAL DISTRICT
Abbeville, Louisiana**

Financial Report

Years Ended December 31, 2018 and 2017

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10-24
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Proportionate Share of Net Pension Liability	26
Schedule of Contributions	27
	26
ADDITIONAL INFORMATION	
Schedule of Compensation, Benefits and Other Payments to Agency Head	29
INTERNAL CONTROL, COMPLIANCE AND OTHER GRANT INFORMATION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Schedule of Findings and Responses	33-34
Summary Schedule of Prior Audit Findings	35
Management's Corrective Action Plan	36



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Abbeville Harbor and Terminal District
P. O. Box 507
Abbeville, Louisiana 70510

Report on the Financial Statements

We have audited the accompanying financial statements of Abbeville Harbor and Terminal District (the District), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District'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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance 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 the management's discussion and analysis on pages 3-5 and the schedule of proportionate share of net pension liability and schedule of contributions on pages 26-27 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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2019 on our consideration of the Abbeville Harbor and Terminal District's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Abbeville, Louisiana
May 16, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the Abbeville Harbor and Terminal District (District), we offer readers this narrative overview and analysis of the financial statements of the Abbeville Harbor and Terminal District for the year ended December 31, 2018. Please read it in conjunction with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

The assets of the Abbeville Harbor and Terminal District exceeded its liabilities as of December 31, 2018 by approximately \$6.8 million (net position).

2018 saw the completion and utilization of the Port of Vermilion limited access emergency road. This allowed LA DOTD to complete, upgrade and replace the highway bridge on Highway 690 and the tenants at the Port of Vermilion to remain in business during the period the road was shut down. Without this improvement the impact of their businesses would have been too hard for them to survive.

In 2018 the energy sector markets for our businesses at the Port remain soft and unpredictable due to fluctuation in the oil price. These fluctuations cause continued cut backs in capital expenditures through most of 2018. The Abbeville Harbor and Terminal District, as other energy ports along the Gulf Coast is working with its client base to aid in weathering these temporary market conditions for the long term stability of the client base at The Port of Vermilion.

With the inclusion of the Acadiana Gulf of Mexico Access Channel (AGMAC Channel) in the current Federal Water Resource Development Act we will be again looking for the inclusion of some bend way improvements on the lower Vermilion River to enable industries from the area of Port of Vermilion to Intracoastal City to be able to fully utilize that projects dimensions.

The Abbeville Harbor & Terminal District continues to try to develop and enhance the economy of the District and will continue to do so in cooperation with Local, State and Federal Government. The Abbeville Harbor & Terminal District will continue to seek out available State and Federal grants and available local funding for future improvements. Availability of local cost share participation is an increasingly important consideration in the award of these grants in the future.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Abbeville Harbor and Terminal District's basic financial statements. The District is a special-purpose government engaged only in business-type activities.

The basic financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows.

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

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the 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.

The statement of cash flows presents changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of the earnings event, when obligations arise, or depreciation of capital assets.

The basic financial statements can be found on pages 7-9 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 10-24 of this report. You should read the notes before making assumptions or drawing conclusions about the District's financial condition.

FINANCIAL ANALYSIS OF THE DISTRICT

The following table presents the condensed statement of net position as of December 31:

	2018	2017
Current assets	\$ 1,963,137	\$ 1,851,558
Net pension asset	21,367	-
Capital assets	<u>9,354,856</u>	<u>9,556,386</u>
Total assets	<u>11,339,360</u>	<u>11,407,944</u>
Deferred outflows	<u>24,505</u>	<u>38,688</u>
Current liabilities	206,958	202,993
Net pension liability	-	22,198
Bonds payable	<u>4,306,817</u>	<u>4,522,868</u>
Total liabilities	<u>4,513,775</u>	<u>4,748,059</u>
Deferred inflows	<u>36,293</u>	<u>6,360</u>
Net position:		
Net investment in capital assets	4,843,039	4,833,518
Unrestricted	<u>1,970,758</u>	<u>1,858,695</u>
Total net position	<u>\$ 6,813,797</u>	<u>\$ 6,692,213</u>

As of December 31, 2018, the largest portion of the District's net position reflects its investment in capital assets net of depreciation (\$9.4 million) consisting of land, buildings, improvements and equipment. These assets are not available for future spending. At December 31, 2018, there was \$4,511,817 of outstanding debt related to the capital assets.

The following table shows condensed revenue and expense data for the years ended December 31:

	<u>2017</u>	<u>2017</u>
Operating revenues	\$ 520,614	\$ 497,655
Operating expenses	<u>1,163,587</u>	<u>1,347,552</u>
Operating loss	(642,973)	(849,897)
Net nonoperating revenues	<u>764,557</u>	<u>442,382</u>
Net income (loss)	121,584	(407,515)
Net position, beginning of year	<u>6,692,213</u>	<u>7,099,728</u>
Net position, end of year	<u>\$ 6,813,797</u>	<u>\$ 6,692,213</u>

The District generates the majority of its revenue through the leasing of various lots at the Port of Vermilion. Leasing income for the year ended December 31, 2018 was \$459,223 compared to leasing income for the year ended December 31, 2017 of \$425,293. The District also generates revenue through rental income earned by renting unused office space at the District's administrative office building. Rental income was \$45,888 for the year ended December 31, 2018 and \$61,147 for the year ended December 31, 2017.

The District's net position increased \$121,584 for the year ended December 31, 2018.

CAPITAL AND DEBT ADMINISTRATION

Capital assets. The Abbeville Harbor and Terminal District's capital assets as of December 31, 2018 were \$9.4 million (net of accumulated depreciation). These balances include land, buildings, improvements and equipment.

Major capital assets include the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 930,000	\$ 930,000
Land improvements	5,129,636	5,129,636
Bulkhead	11,549,524	11,549,524
Furniture and equipment	38,897	38,897
F. W. By Pass	253,486	253,486
Building and improvements	1,736,950	1,736,950
Boat Launch	704,016	704,016
Port improvements	819,226	98,859
Construction in progress	-	546,892
Accumulated depreciation	<u>(11,806,789)</u>	<u>(11,431,874)</u>
	<u>\$ 9,354,946</u>	<u>\$ 9,556,386</u>

Long-term debt. On October 7, 2015 Limited Tax bonds were issued with a principal amount of \$4,722,868 as discussed in Note 5.

REPORTS FOR INFORMATION

This financial report is designed to provide a general overview of the Abbeville Harbor and Terminal District's finances. Questions concerning this report or requests for additional information should be addressed to Mr. Jay Campbell, Executive Director, Abbeville Harbor and Terminal District, 124 North Street, Abbeville, LA 70510.

BASIC FINANCIAL STATEMENTS

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Statements of Net Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Cash	\$ 45,007	\$ 67,480
Interest-bearing deposits	1,536,176	1,403,219
Receivables:		
Ad valorem taxes receivable	304,617	305,250
State revenue sharing receivable	10,648	-
Rent receivable	41,104	42,768
Prepaid insurance	24,580	31,836
Other	1,005	1,005
Total Current Assets	1,963,137	1,851,558
Noncurrent Assets:		
Net pension asset	21,367	-
Capital Assets		
Property, plant and equipment	21,161,735	20,988,260
Less accumulated depreciation	(11,806,879)	(11,431,874)
Net capital assets	9,354,856	9,556,386
Total Noncurrent Assets	9,376,223	9,556,386
Total Assets	11,339,360	11,407,944
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	24,505	38,688
LIABILITIES		
Current Liabilities:		
Accounts payable	1,958	2,993
Bond payable, due currently	205,000	200,000
Total Current Liabilities	206,958	202,993
Noncurrent Liabilities:		
Net pension liability	-	22,198
Bonds payable net of premium	4,306,817	4,522,868
Total Noncurrent Liabilities	4,306,817	4,545,066
Total Liabilities	4,513,775	4,748,059
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	36,293	6,360
NET POSITION		
Net investment in capital assets	4,843,039	4,833,518
Unrestricted	1,970,758	1,858,695
Total Net Position	\$ 6,813,797	\$ 6,692,213

The accompanying notes are an integral part of this statement.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Leases and fees	\$ 520,614	\$ 497,655
OPERATING EXPENSES:		
Board meetings	3,700	3,650
Depreciation	375,005	407,603
Dues and subscriptions	4,663	4,753
Interest	151,674	156,624
Insurance	84,185	76,812
Janitorial	7,732	7,712
Land lease	9,756	9,384
Miscellaneous	5,681	8,973
Office supplies	11,846	16,436
Payroll taxes	14,051	13,049
Pension	13,727	18,689
Postage	795	828
Professional fees	75,335	79,068
Rent	4,320	6,120
Repairs and maintenance	200,965	336,633
Salaries	178,362	174,865
Telephone	7,614	8,234
Utilities	14,176	18,119
Total operating expenses	1,163,587	1,347,552
Operating loss	(642,973)	(849,897)
NON-OPERATING REVENUES (EXPENSES):		
Ad valorem taxes	378,479	417,482
State revenue sharing	42,740	21,098
State grant	339,000	-
Interest income	4,338	3,801
Miscellaneous income	-	1
Total non-operating revenues	764,557	442,382
Change in net position	121,584	(407,515)
Total net position, beginning of year	6,692,213	7,099,728
Total net position, end of year	\$ 6,813,797	\$ 6,692,213

The accompanying notes are an integral part of this statement.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 522,278	\$ 483,831
Interest paid	(151,674)	(156,624)
Payments to suppliers	(424,546)	(585,284)
Payments to employees and related benefits	<u>(205,590)</u>	<u>(201,691)</u>
Net cash used by operating activities	<u>(259,532)</u>	<u>(459,768)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	379,112	424,480
State revenue sharing	32,092	21,098
Other income	<u>-</u>	<u>1</u>
Net cash provided by noncapital financing activities	<u>411,204</u>	<u>445,579</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(173,475)</u>	<u>(546,892)</u>
Net cash used by capital and related financing activities	<u>(173,475)</u>	<u>(546,892)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
State grant proceeds	339,000	-
Payments on bond	(211,051)	(206,051)
Interest received on interest bearing deposits	<u>4,338</u>	<u>3,800</u>
Net cash provided (used) by investing activities	<u>132,287</u>	<u>(202,251)</u>
 Net increase (decrease) in cash and cash equivalents	110,484	(763,332)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,470,699</u>	<u>2,234,031</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,581,183</u>	<u>\$ 1,470,699</u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	\$ (642,973)	\$ (849,897)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	375,005	407,603
(Increase) decrease in rent receivable	1,664	(13,824)
(Increase) decrease in prepaid expenses	7,256	-
Increase (decrease) in accrued liabilities	-	(7,524)
Increase (decrease) in accounts payable	(1,035)	(1,039)
Increase (decrease) in pension obligations	<u>551</u>	<u>4,913</u>
Net cash used by operating activities	<u>\$ (259,532)</u>	<u>\$ (459,768)</u>

The accompanying notes are an integral part of statement.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Abbeville Harbor and Terminal District (District) is a political subdivision of the State of Louisiana created under Louisiana Revised Statute 34:333. The District is governed by a Board of Commissioners which consists of six members who serve without compensation. Any vacancy shall be filled by the board of commissioners, for the term of five years, from a panel of names submitted to them with two names submitted by the governing authority of the Town of Abbeville and the Police Jury of Vermilion Parish. The Board is responsible for the regulation of commerce and traffic within the harbor and terminal district.

The operations of the District, which oversee the Port of Vermilion, are managed through an executive director who also services as port director. The Port is located along the Vermilion River in Vermilion Parish and contains 100 acres of land consisting of various sites available for leasing.

The accounting and reporting policies of the Abbeville Harbor and Terminal District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. Such accounting and reporting procedures also conform to the guides set forth in the industry audit guide, *Audits of State and Local Governmental Units* and the *Louisiana Governmental Audit Guide*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Abbeville Harbor and Terminal District. There are no component units of the Abbeville Harbor and Terminal District.

Fund Accounting

The Abbeville Harbor and Terminal District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis is to be financed or recovered primarily through user charges.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District has implemented GASB Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The accounting financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet.

Enterprise funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The District’s Enterprise fund uses the following practices in recording certain revenues and expenses:

Revenues: Lease rentals are recorded when earned. Ad valorem taxes and state revenue sharing are recorded in the year the taxes are due and payable. Interest income is recorded when earned. All other revenues are recorded when earned.

Expenses: Expenditures are recorded in the period that the liabilities are incurred.

Encumbrance Accounting

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not employed by the District.

Cash and Interest-Bearing Deposits

Cash represents non-interest-bearing demand deposits.

Interest-bearing deposits include interest-bearing demand deposits and short-term time deposits. These interest-bearing deposits are stated at cost which approximates market.

Under state law, the District may deposit funds with a fiscal bank organized under the laws of the State of Louisiana, the laws of any other state in the union or the laws of the United States. Further, the District may invest in time deposits or certificates-of-deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

For the purpose of the statement of cash flows, the District considers only interest-bearing deposits with an initial maturity date of 90 days or less and all non-interest-bearing demand deposits to be cash and cash equivalents.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets used in the proprietary fund type operations are valued at historical costs. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense against operations. Fixed assets on the balance sheet are net of accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets as follows:

Machinery and Equipment	5 years
Buildings	30 years
Improvements	20-30 years

Prepaid Rent

Revenues collected during the year that are not earned during the operations of the current period are reported as prepaid revenues and are recognized as operating revenues in a subsequent period.

Bonds and related premium

In the financial statements the bond is reported net of the premium which is deferred and amortized over the life of the bonds.

Compensated Absences

The District has two full-time employees, but has not adopted a formal policy on vacation and sick leave. Annual vacation and sick leave are granted at the discretion of the Board.

Due to uncertainty of actual amounts which will be paid for vacation and sick leave, no accruals have been made at December 31, 2018 and 2017 for such absences.

Net Position

Restrictions represent those portions of fund equity not appropriable for general expenditures and are legally segregated for specific future use. The District used restricted assets only when unrestricted assets are fully depleted.

Capitalization of Interest Expense

It is the policy of the Abbeville Harbor and Terminal District to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. There was no interest capitalized during the years ended December 31, 2018 and 2017.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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.

Subsequent Events

Management has evaluated events subsequent to the balance sheet through May 16, 2019, the date the financial statements were available to be issued.

NOTE 2 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. These taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year. During the years ended December 31, 2018 and 2017, the District was authorized, and levied, 3.13 mill ad valorem taxes.

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS

As reflected, the Abbeville Harbor and Terminal District has cash and interest-bearing deposits (book balances) as follows:

	<u>2018</u>	<u>2017</u>
Demand deposits	\$ 45,007	\$ 67,480
Interest-bearing deposits	<u>1,536,176</u>	<u>1,403,219</u>
Totals	<u>\$ 1,581,183</u>	<u>\$ 1,470,699</u>

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS (continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) are secured as follows:

	2018	2017
Bank balances	\$ 1,581,183	\$ 1,477,403
Federal deposit insurance	795,007	750,000
Balance uninsured	786,176	727,403
Pledged securities (category 3)	3,601,697	8,323,678
Excess FDIC insurance and pledged securities over cash and investments	\$ 2,815,521	\$ 7,596,275

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the pledging institution, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

At December 31, 2018, interest-bearing deposits consisted of the following:

	Term	Maturity Date	Interest Rate	Amount
Now Accounts	N/A	N/A	Various	1,071,182
Certificate of Deposit	1 year	1/9/2019	0.35%	464,994
Total				\$ 1,536,176

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 4 CAPITAL ASSETS

A summary of changes in the proprietary fund type property, plant and equipment is as follows:

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018
	<u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>2018</u>
Land	\$ 930,000	\$ -	\$ -	\$ 930,000
Land improvements	5,129,636	-	-	5,129,636
Bulkhead	11,549,524	-	-	11,549,524
Furniture and equipment	38,897	-	-	38,897
F.W. By Pass	253,486	-	-	253,486
Building and improvements	1,736,950	-	-	1,736,950
Boat Launch	704,016	-	-	704,016
Construction in progress	546,892	-	546,892	-
Port improvements	98,859	720,367	-	819,226
	20,988,260	720,367	546,892	21,161,735
Accumulated depreciation	(11,431,874)	-	375,005	(11,806,879)
Net property, plant and equipment	<u>\$ 9,556,386</u>	<u>\$ 720,367</u>	<u>\$ 921,897</u>	<u>\$ 9,354,856</u>

NOTE 5 LONG TERM DEBT

	2018	2017
	<u>2018</u>	<u>2017</u>
Limited tax bonds, Series 2014, issued October 7, 2014, with a principal amount of \$4,920,000, payable in 39 semi-annual installments due March 1 and September 1 of each year beginning 2016 with interest varying between 2% and 4% per annum, payable solely from and secured by a lien upon and a pledge of ad valorem taxes. The bond was issued with a premium of \$209,970.	\$ 4,511,817	\$ 4,722,868
Less current maturities	<u>205,000</u>	<u>200,000</u>
	<u>\$ 4,306,817</u>	<u>\$ 4,522,868</u>

The annual requirements to amortize debt outstanding at December 31, 2018, are as follows:

Fiscal Year Ending August 31,	Principal	Interest
<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 205,000	\$ 156,650
2020	210,000	150,425
2021	215,000	144,050
2022	225,000	137,450
2023	230,000	129,475
Thereafter	<u>3,250,000</u>	<u>716,788</u>
Totals	<u>\$ 4,335,000</u>	<u>\$ 1,434,838</u>

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 6 LEASE OF LAND BY DISTRICT

The District is presently leasing five acres of land from Weill Enterprises for a primary period of ten years with the option of renewing the lease for an additional eight successive terms of five years each immediately following the primary term. The current lease has been extended to 2019.

The minimum annual commitments under this lease is \$9,756 for 2019.

NOTE 7 LEASES OF LAND AND FACILITIES TO OTHERS

The minimum future rental income on noncancelable operating leases of land and facilities to others at the Port of Vermilion are as follows:

2019	\$ 341,564
2020	366,854
2021	270,966
2022	205,264
2023	<u>86,899</u>
	<u>\$ 1,271,547</u>

The minimum future rental income on noncancelable operating leases of office space at the District Office Building are as follows:

2019	\$ 28,188
2020	24,988
2021	18,588
2022	18,588
2023	<u>18,588</u>
	<u>\$ 108,940</u>

Although the District anticipates all leases will be renewed, the above figures do not reflect the various renewal options provided to the lessees in lease agreements.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 8 PENSION PLAN

Parochial Employees' Retirement System of Louisiana (System)

Plan Description

All of the District's employees are members of the Parochial Employees' Retirement System of Louisiana, Plan B. In addition to employee payroll deductions, the District's funds are remitted to the retirement system and are recorded as expenditures.

The retirement system is a cost-sharing multiple-employer, statewide defined benefit retirement system which is administered and controlled by a separate board of trustees and was established and provided for by R.S.11:1901 of the Louisiana Revised Statute (LRS). Contributions of participating agencies are pooled within the system to fund accrued benefits, with contribution rates approved by the Louisiana legislature. The District does not guarantee the benefits granted by the retirement system. The payroll qualified to be covered by the system for the year ended December 31, 2018 was approximately \$178,362.

Retirement Benefits

Employees can retire once they meet the following criteria:

For employees hired prior to January 1, 2007:

1. Age 55 with 30 years of creditable service.
2. Age 60 with a minimum of 10 years of creditable service.
3. Age 65 with a minimum of 7 years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

The monthly amount of the retirement allowance shall consist of an amount equal to two percent of the members' final average compensation multiplied by his years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits

Members need ten (10) years of service to be eligible for survivor benefits. Upon the death of any member with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plans provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, of the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 8 PENSION PLAN (Continued)

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member who is eligible to retire may elect to participate in the (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits

A plan member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 8 PENSION PLAN (Continued)

income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (R.S. 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% coast of living adjustment commencing at age 55.

Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 6.75% of member's compensation. However, the actual rate for the fiscal year ending December 31, 2017, was 8.00%.

According to state statute, the System also receives one fourth of one percent of ad valorem taxes collected within the respective parish. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing are in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

The District's contribution requirements for the years ended December 31, 2018, 2017, and 2016 were \$13,377, \$13,777 and \$13,618, respectively.

Schedule of Employer Allocations

The schedule of employer allocations reports the required projected employer contributions, in addition to the employer allocation percentage. The required projected employer contributions are used to determine the proportionate relationship of each employer to all employers of Parochial Employee's Retirement System of Louisiana. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of pension amounts.

The allocation method used in determining each employer's proportion was based on the employer's projected contribution effort to the plan for the next fiscal year as compared to the total of all employers' projected contribution effort to the plan for the next fiscal year. The projected contribution effort was actuarially determined by the System's actuary.

The employer's projected contribution effort was calculated by multiplying the projected future compensation of active members in the System on December 31, 2017, by the next fiscal year's employer's actuarially required contribution rate. Projected future compensation was calculated by multiplying compensation by a payroll factor. Compensation was determined as follows:

1. Actual earned compensation for active members enrolled in the System the entire fiscal year, plus;

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 8 PENSION PLAN (Continued)

2. Annualized compensation for active members on December 31, 2017, enrolled in the System for a portion of the fiscal year. Annualized compensation was calculated using actual compensation and the employee's date of hire.

The payroll factor was actuarially determined using salary assumptions for expected net changes in active members plus expected new hires and their payroll over the next fiscal year.

The next fiscal year's employer's actuarially required contribution rate is 8.00%.

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

At December 31, 2017, the District reported an asset of \$21,367 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2017, the District's proportion was 0.169822%, which was a decrease of 0.006587% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the Port recognized pension expense of \$13,750 and \$2,157 as its proportionate share of non-employer contributions for the year ended December 31, 2017.

At December 31, 2017, the Agency 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
Differences between expected and actual experience	\$ -	\$ 11,128
Changes of assumptions	11,073	
Net difference between projected and actual earnings on pension plan investments	-	25,148
Changes in proportion and differences between employer contributions and proportionate share of contributions	55	17
Employer contributions subsequent to the measurement date	13,377	-
Total	\$ 24,505	\$ 36,293

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 8 PENSION PLAN (Continued)

Deferred outflows of resources related to the pensions resulting from the District's contributions subsequent to the measurement date in the amount of \$13,377 will be recognized as a reduction of the net pension liability during the year ending December 31, 2018. 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>Year ending December 31,</u>
2018	\$ (1,112)
2019	(3,446)
2020	(9,360)
2021	<u>(11,247)</u>
Total	<u>\$ (25,165)</u>

Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The components of the net pension asset of the System's employers as of December 31, 2017, are as follows:

Total Pension Liability	\$ 313,044,837
Plan Fiduciary Net Position	<u>325,626,878</u>
Total Net Pension Asset	<u>\$ (12,582,041)</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017, are as follows:

Valuation date	December 31, 2017
Actuarial cost method	Entry Age Normal
Investment rate of return	6.75% (Net of investment expense)
Expected remaining service lives	4 years
Projected salary increases	5.25% (2.75% Merit/2.50% Inflation)

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 8 PENSION PLAN (Continued)

Cost of living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Mortality rates	RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement System’s Actuarial Committee. Based on those assumptions, the System’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 long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00 % and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real assets	<u>2%</u>	<u>0.12%</u>
Totals	<u>100%</u>	<u>5.62%</u>

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 8 PENSION PLAN (Continued)

Inflation	<u>2.00%</u>
Expected Arithmetic Nominal Return	<u>7.62%</u>

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighing and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

Sensitivity to Changes in the Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 6.75%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% that the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability (Asset)	\$ 45,530	\$ (21,367)	\$ (77,797)

Change in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2017 were recognized in the current reporting period as pension expense.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using a straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

Contributions – Proportionate Share

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense/(benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Notes to Financial Statements

NOTE 8 PENSION PLAN (Continued)

Retirement System Audit Report

The Parochial Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. Access to the audit report can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.la.state.la.us.

NOTE 9 POST EMPLOYMENT BENEFITS

The District does not provide any postretirement healthcare or life insurance benefits.

NOTE 10 LITIGATION

There is no litigation pending against the District at December 31, 2018 and 2017.

NOTE 11 COMPENSATION PAID TO MEMBERS OF THE BOARD OF COMMISSIONERS

The commissioners of the District did not receive any compensation during the years ended December 31, 2018 and 2017.

REQUIRED SUPPLEMENTARY INFORMATION

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana
Schedule of Proportionate Share of Net Pension Liability
Year Ended December 31, 2018

Year Ended	Proportion of the net pension liability	Proportionate share of the net pension asset (liability)	Covered employee payroll	Share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension asset (liability)
December 31, 2015	0.184907%	\$ (514)	\$ 169,558	-0.30%	-0.99891%
December 31, 2016	0.176409%	\$ (31,409)	\$ 170,221	-18.45%	-0.93476%
December 31, 2017	0.170876%	\$ (22,198)	\$ 174,865	-12.69%	-0.95501%
December 31, 2018	0.169822%	\$ 21,367	\$ 178,362	11.98%	1.04019%

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

ABBEVILLE HARBOR AND TERMINAL DISTRICT
 Abbeville, Louisiana
 Schedule of Contributions
 Year Ended December 31, 2018

Year Ended	Statutory required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
December 31, 2015	\$ 12,005	\$ 12,005	-	\$ 169,558	7.08%
December 31, 2016	\$ 15,260	\$ 15,260	-	\$ 170,221	8.96%
December 31, 2017	\$ 13,618	\$ 13,618	-	\$ 174,865	7.79%
December 31, 2018	\$ 13,777	\$ 13,777	-	\$ 178,362	7.72%

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

ADDITIONAL INFORMATION

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana
Schedule of Compensation, Benefits and Other Payments to Agency Head
Year Ended December 31, 2018

Executive Director James W. Campbell

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 124,548
Benefits - Insurance	9,185
Benefits - Retirement	9,341
Cell phone	1,599
Travel	<u>1,264</u>
Total	<u>\$ 145,937</u>

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER GRANT INFORMATION**



**DARNALL SIKES
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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Abbeville Harbor and Terminal District
Abbeville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities the Abbeville Harbor and Terminal District (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District'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. We consider the deficiency described as item 2018-001 in the accompanying schedule of findings and responses to be a material weakness.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Dannall, Sikes, & Frederick

A Corporation of Certified Public Accountants

Abbeville, Louisiana
May 16, 2019

ABBEVILLE HARBOR AND TERMININAL DISTRICT
Abbeville, Louisiana

Schedule of Findings and Responses
Year Ended December 31, 2018

SECTION 1 SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on the Abbeville Harbor and Terminal District's financial statements as of and for the year ended December 31, 2018.

Deficiencies and Material Weakness in Internal Control – Financial Reporting

A material weakness in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 2018-001 in Section 2.

Material Noncompliance – Financial Reporting

No instance of noncompliance material to the financial statements was noted during the audit of the financial statements.

FEDERAL AWARDS

Major Program Identification

This section is not applicable for the year ended December 31, 2018.

SECTION 2 FINDINGS RELATING TO THE AUDIT IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2018-001 Segregation of Duties

Criteria: Effective internal controls require adequate segregation of duties to allow for prevention and detection of errors and possible misappropriation of funds.

Condition: Due to the limited number of personnel, two individuals are responsible for all the key functions of the Port.

Effect: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Finding: Due to the small number of personnel, the Abbeville Harbor and Terminal District did not have adequate segregation of duties within the accounting department.

Recommendation: Based on the size of the operation and the cost benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

ABBEVILLE HARBOR AND TERMININAL DISTRICT
Abbeville, Louisiana

Schedule of Findings and Responses (Continued)
Year Ended December 31, 2018

SECTION 3 FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL PROGRAMS

At December 31, 2018, the Abbeville Harbor and Terminal District did not meet the *requirements to have a single audit in accordance with OMB Uniform Guidance*; therefore, this section is not applicable.

SECTION 4 MANAGEMENT LETTER

The auditor did not issue a management letter this year.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Schedule of Prior Year Findings
Year Ended December 31, 2018

2017-001 Findings: Segregation of Duties

Status: This finding is unresolved. See current year finding 2018-001.

ABBEVILLE HARBOR AND TERMINAL DISTRICT
Abbeville, Louisiana

Corrective Action Plan
Year Ended December 31, 2018

Response to findings:

2018-001 Segregation of Duties

Based on the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties.



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INDEPENDENT ACCOUNTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Mr. James W. Campbell, Executive Director
Abbeville Harbor and Terminal District
124 North State Street
Abbeville, LA 70510

We have performed the procedures enumerated below, which were agreed to by Abbeville Harbor & Terminal District (District), 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 year ended December 31, 2018. The District'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 and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the District's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the District's operations):
 - a) **Budgets**, including preparing, adopting, monitoring, and amending the budget.
The District does not have any written policies and procedures that address the functions noted above.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
The District does not have any written policies and procedures that address the functions noted above.

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

The District does not have any written policies and procedures that address the functions noted above.

- d) **Receipts/Collections**, 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).

The District does not have any written policies and procedures that address the functions noted above.

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

The District does not have any written policies and procedures that address the functions noted above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The District does not have any written policies and procedures that address the functions noted above.

- 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 purchase).

The District does not have any written policies and procedures that address the functions noted above.

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

The District does not have any written policies and procedures that address the functions noted above.

- 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 District's ethics policy.

The District does not have any written policies and procedures that address the functions noted above.

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

The District does not have any written policies and procedures that address the functions noted above.

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.

Obtained and reviewed minutes of the board for the fiscal period noting that the board met monthly in accordance with the District's policy.

- 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 District's collections during the fiscal period.*

There is no General Fund, only an Enterprise Fund. Minutes include monthly budget-to-actual comparisons for the Enterprise Fund identified.

- 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.

The District did not have a negative ending unrestricted fund balance in the prior year audit report.

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 District's main operating account. Select the District'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:

Obtained a listing of client bank accounts from management and management provided representation that the listing is complete. We selected both of the two bank accounts maintained by the District.

- 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);

Bank reconciliations have been prepared for all months during the fiscal period for the bank accounts selected.

- 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

Bank reconciliations do not include evidence of management's review of the bank reconciliations for all bank reconciliations selected for testing.

- 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.

One of the two bank accounts selected had reconciling items outstanding for more than 12 months, which did have evidence of management researching those items.

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).

Obtained listing of deposit sites and management provided representation that the listing is complete.

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:

Obtained listing of collection locations and management provided representation that the listing is complete.

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

Observed employees responsible for cash collections do not share cash drawers/registers.

- 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.

Only two employees are employed by the District. The above procedure is assigned to the office manager and approved by the Executive Director.

- 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.

Only two employees are employed by the District. The above procedure is assigned to the office manager and approved by the Executive Director.

- 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.

Only two employees are employed by the District. The above procedure is assigned to the office manager and approved by the Executive Director.

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

The District does have a surety bond insurance policy covering each person responsible for collection cash.

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.

Noted receipts are sequentially pre-numbered.

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

Traced supporting documentation to the deposit slip noting no exceptions.

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

For the deposit dates selected, traced the deposit slip totals to the actual deposit per the bank statement.

- 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).

Examined supporting documentation for each of the collections selected for testing noting deposits were made within one business day.

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

For the deposit dates selected, traced the actual deposit per the bank statement to the general ledger.

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).

Obtained listing of disbursements and management provided representation that the listing is complete.

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

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

Observed that two employees are involved in the processes noted above.

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

Observed that two employees are involved in the processes noted above.

- 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.

Observed that the employee responsible for processing payments is allowed access to add/modify vendor files, but another employee is responsible for periodically reviewing changes to vendor files.

- 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.

Observed that the employee responsible for signing and mailing checks are not responsible for processing payments.

- 10. For each location selected under #8 above, obtain the District's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that

the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

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

For each selected disbursement, observed that the disbursement matched the related original invoice/billing statement.

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

For each selected disbursement, observed that the disbursement documentation included evidence of segregation of duties tested under #9, as applicable.

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.

Obtained listing of all active credit cards and management provided representation that the listing is complete.

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:

- 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.]]

Examined supporting documentation for the monthly statements selected noting the statement did not have written evidence of being reviewed and approved by someone other than the authorized card holder.

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

The District did not incur finance charges and/or late fees on the selected statements.

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).

Transactions selected for testing were supported by an original itemized receipt, documentation of the business/public purpose and documentation of the individuals participating in meals for all meals charges noted.

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

No exceptions noted during the fiscal year ended December 31, 2018 AUP engagement, therefore this section is excluded from testing this fiscal year.

Contracts

No exceptions noted during the fiscal year ended December 31, 2018 AUP engagement, therefore this section is excluded from testing this fiscal year.

Payroll and Personnel

14. 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.

Obtained listing of employees with their related salaries and management's representation that the listing is complete. The District has only two employees. For both employees selected, documentation of pay rate structure was not available and changes to pay rates during the fiscal period were not approved in writing.

15. 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:

- 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.)

Documentation of daily attendance and leave was not available for the employees selected.

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

Documentation of supervisor approval for attendance and leave was not available for employees selected.

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

Documentation of written leave records were maintained for employees selected.

16. 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.

No employee were terminated during the fiscal period.

17. 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

Obtained supporting documentation relating to payroll taxes and retirement contributions during the fiscal period noting that related payments and required reporting forms were submitted to the applicable agencies by the required deadlines.

Ethics

No exceptions noted during the fiscal year ended December 31, 2018 AUP engagement, therefore this section is excluded from testing this fiscal year.

Debt Service

No exceptions noted during the fiscal year ended December 31, 2018 AUP engagement, therefore this section is excluded from testing this fiscal year.

Other

No exceptions noted during the fiscal year ended December 31, 2018 AUP engagement, therefore this section is excluded from testing this fiscal year.

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

This 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.

Dannall, Sikes, & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana

March 20, 2019



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March 20, 2019

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants
Eunice, Louisiana

The following is management's response to the 2018 AUP report submitted for Abbeville Harbor and Terminal District.

Written Policies and Procedures

1. Existence of policies and procedures.

Response: Personnel Policy for employees adopted in 2019

Bank Reconciliations

3. b) Management review of bank reconciliations.

Response: Office Manager to Executive Director

3. c) Bank reconciliations with old outstanding items.

Response: Office Manager to Executive Director

Credit Cards

12. a) Review and approval of monthly statements.

Response: Executive Director

13. Transaction supporting documentation of individuals participating in meals.

Response: Executive Director

Payroll

14. Employment contract or pay rate structure.

Response: Board of Commissioners through Executive Director

15. a) Documentation of daily attendance and leave.

Response: Only two employees – Adopted Personnel Policy in 2019

15. b) Documentation of supervisor approval for attendance and leave.

Response: See # 15 above

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