

**PORT OF IBERIA DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Port of Iberia District  
New Iberia, Louisiana

We have audited the accompanying basic financial statements of the Port of Iberia District, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Port of Iberia District's basic financial statements as listed in 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 misstatements, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port of Iberia District, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 17 to the financial statements capital grant and contributions during 2016 were understated by \$512,788 due to unrecorded receivables from other governmental agencies for reimbursement of amounts expended on capital projects during that year. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 6 and on pages 34 and 35, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The schedule of compensation, benefits and other payments to agency head is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 27, 2017, on our consideration of the Port of Iberia District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Port of Iberia District's internal control over financial reporting and compliance.



Lafayette, Louisiana  
December 27, 2017

## PORT OF IBERIA DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the District's annual financial report is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin on page 8.

### FINANCIAL HIGHLIGHTS

Assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$100,971,445 (net position). Of this amount, 28.0% or \$28,297,878 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fiscal policies.

The District's net position increased \$11,908,489 resulting from operating income generated and state and local funding received under the various programs.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements and the notes to financial statements.

The District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net position. All assets and liabilities associated with the operations of the District are included in the statements of net position.

The financial statements provide both long and short-term information about the District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### FINANCIAL ANALYSIS

#### Net Position

The District's total assets and deferred outflows of resources at June 30, 2017 reached \$103,605,521. This represented an increase of \$10,684,250 or 11.50% over the prior year. As of June 30, 2016, the District's total assets and deferred outflows of resources were \$92,921,271 which represented an increase of \$9,491,575 or 11.38% over the previous year. Total liabilities and deferred inflows of resources at June 30, 2017 amounted to \$2,634,076 for a decrease of \$1,224,239 or 31.73% from 2016. At June 30, 2016, total liabilities and deferred inflows of resources amounted to \$3,858,315 for an increase of \$643,296 or 20.0% over the prior year. As of June 30, 2017, total net position was \$100,971,445 which represented an increase of \$11,908,489 or 13.37%. As of June 30, 2016, the District's net position was \$89,062,956 which represented an increase of \$8,848,279 or 11.0%. The District's net position is detailed in Table 1.

**TABLE 1**  
Port of Iberia District  
Net Position  
June 30, 2017, 2016 and 2015

	<u>2017</u>	<u>Restated 2016</u>	<u>2015</u>
<b>Assets:</b>			
Current assets	\$ 30,846,437	\$30,069,204	\$29,520,301
Property (net)	72,462,487	62,527,976	53,683,894
Other assets	<u>211,080</u>	<u>200,397</u>	<u>188,891</u>
Total assets	<u>\$103,520,004</u>	<u>\$92,797,577</u>	<u>\$83,393,086</u>
Deferred outflows of resources	<u>\$ 85,517</u>	<u>\$ 123,694</u>	<u>\$ 36,610</u>
Current liabilities	\$ 2,499,753	\$ 3,706,271	\$ 3,157,691
Long-term liabilities	<u>121,262</u>	<u>136,547</u>	<u>45,506</u>
Total liabilities	<u>\$ 2,621,015</u>	<u>\$ 3,842,818</u>	<u>\$ 3,203,197</u>
Deferred inflows of resources	<u>\$ 13,061</u>	<u>\$ 15,497</u>	<u>\$ 11,822</u>
<b>Net position:</b>			
Net investment in capital assets	\$ 72,462,487	\$62,527,976	\$53,683,894
Restricted	211,080	200,397	188,891
Unrestricted	<u>28,297,897</u>	<u>26,334,583</u>	<u>26,341,892</u>
Total net position	<u>\$100,971,445</u>	<u>\$89,062,956</u>	<u>\$80,214,677</u>

In 2017, property (net) increased \$9,934,511 to \$72,462,487 over 2016 primarily due to additions related to ongoing construction projects partially offset by depreciation expense during the year of \$1,993,203. As of June 30, 2016, property (net) amounted to \$62,527,976 an increase of \$8,844,082 or 16.47% primarily due to additions related to ongoing construction projects partially offset by depreciation expense during the year of \$1,714,688. Other assets of the District increased \$10,683 during 2017 primarily due to the increase of restricted funds.

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

### Changes in Net Position

For the year ending June 30, 2017, the change in net position was an increase of \$11,908,489 or 13.37%. For the year ending June 30, 2016, the change in net position was an increase of \$8,848,279 or 11.03%. During 2017, the District's total operating revenues amounted to \$3,378,588, a decrease of \$672,895 or 16.61% over 2016. For the year ending June 30, 2016, the District's total operating revenues amounted to \$4,051,483, a decrease of \$6,677 or 0.16% over the previous year. During 2017, total operating expenses amounted to \$3,260,307, an increase of \$50,553 or 1.57% over 2016. Operating expenses in 2017 remained consistent with 2016. For the year ending June 30, 2016, the District's total operating expenses amounted to \$3,209,754, an increase of \$294,695 or 10.11% over the previous year. Capital contributions for the year ending June 30, 2017 amounted to \$11,616,751, an increase of \$3,746,213 over 2016 primarily due to increases in reimbursements for capital expenditures under the state Port Priority Program. Capital contributions for the year ending June 30, 2016 were \$7,870,538, an increase from the previous year of \$6,060,036 or 335%. The changes in net position are detailed in Table 2.

**TABLE 2**  
**Port of Iberia District**  
**Changes in Net Position**  
**For the Years Ended June 30, 2017, 2016 and 2015**

	<u>2017</u>	<u>Restated 2016</u>	<u>2015</u>
Operating revenues:			
Docks	\$ 20,605	\$ 18,526	\$ 24,437
Leases	3,336,075	4,003,256	4,008,028
Operating grants	-	4,896	-
Other	<u>21,908</u>	<u>24,805</u>	<u>25,695</u>
Total operating revenues	<u>\$ 3,378,588</u>	<u>\$ 4,051,483</u>	<u>\$ 4,058,160</u>
Operating expenses:			
Operating expenses	\$ 1,267,104	\$ 1,495,066	\$ 1,145,910
Depreciation	<u>1,993,203</u>	<u>1,714,688</u>	<u>1,769,149</u>
Total operating expenses	<u>\$ 3,260,307</u>	<u>\$ 3,209,754</u>	<u>\$ 2,915,059</u>
Operating income	\$ 118,281	\$ 841,729	\$ 1,143,101
Other revenue, net	173,457	136,012	79,679
Capital contributions	<u>11,616,751</u>	<u>7,870,538</u>	<u>1,810,502</u>
Change in net position	\$ 11,908,489	\$ 8,848,279	\$ 3,033,282
Cumulative effect – Implementation of GASB 68	-	-	13,614
Total net position, beginning of year	<u>89,062,956</u>	<u>80,214,677</u>	<u>77,167,781</u>
Total net position, end of year	<u>\$100,971,445</u>	<u>\$89,062,956</u>	<u>\$80,214,677</u>

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2017, the District had invested \$72,462,487 in capital assets net of accumulated depreciation and related debt. As compared to the prior year, this amount represents an increase of \$9,934,511. The change is the result of new capital additions in the current year partially offset by depreciation expense. As of June 30, 2016, the District had invested \$62,527,976 in capital assets net of accumulated depreciation and related debt, an increase of \$8,844,082 over the previous year.

Additional information on the District's capital assets can be found in Note 3 on page 20 of this report.

#### Debt Administration

In addition, the District has a \$250,000 payable recorded on the statements of net position as of June 30, 2017 and 2016 to the Louisiana State Bond Commission. This amount was to be reimbursed to the Louisiana State Bond Commission. However, during the 1993 regular session of the Louisiana Legislature, HCR267 was adopted to grant \$250,000 to the Port of Iberia District. In lieu of payment to the Port of Iberia District, the State Bond Commission was to cancel the \$250,000 payable to

the State of Louisiana, as per written correspondence from Governor Edwin W. Edwards and an act of the 1993 Louisiana Legislature. The Attorney General's Office has indicated that the way this was handled was unconstitutional. This problem has not been resolved as of the date of these financial statements.

Additional information on the Port of Iberia District's debt can be found in Note 4 on page 21 of this report.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Port of Iberia District, Post Office Box 9986, New Iberia, Louisiana 70562.

**BASIC FINANCIAL STATEMENTS**

PORT OF IBERIA DISTRICT  
 STATEMENTS OF NET POSITION  
 June 30, 2017 and 2016

ASSETS	<u>2017</u>	(Restated) <u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalent	\$ 24,006,827	\$23,337,504
Certificates of deposit	91,025	90,682
Investment in LAMP	518,477	514,977
Accounts receivable, net of allowance for doubtful accounts of \$305,827 and \$306,336 for 2017 and 2016, respectively	306,335	306,335
Due from other governmental agencies	5,762,583	5,638,937
Prepaid expenses	161,062	180,641
Interest receivable	<u>128</u>	<u>128</u>
Total current assets	<u>\$ 30,846,437</u>	<u>\$30,069,204</u>
<b>PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$29,047,105 and \$27,053,902 at June 30, 2017 and 2016, respectively</b>	<u>\$ 72,462,487</u>	<u>\$62,527,976</u>
<b>OTHER ASSETS</b>		
Restricted cash	<u>\$ 211,080</u>	<u>\$ 200,397</u>
Total assets	<u>\$103,520,004</u>	<u>\$92,797,577</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Defined benefit pension plan	<u>\$ 85,517</u>	<u>\$ 123,694</u>
Total assets and deferred outflows of resources	<u>\$103,605,521</u>	<u>\$92,921,271</u>

See Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>2017</u>	(Restated) <u>2016</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 15,227	\$ 18,025
Construction project payables	599,965	1,825,513
Unearned lease income	1,421,993	1,391,380
Accrued expenses	41,967	40,947
Due to other governments	269,045	269,045
Deposits payable	<u>151,556</u>	<u>161,361</u>
Total current liabilities	<u>\$ 2,499,753</u>	<u>\$ 3,706,271</u>
<b>LONG-TERM LIABILITIES</b>		
Unfunded net pension liability	\$ 74,528	\$ 96,484
Unfunded OPEB obligation	<u>46,734</u>	<u>40,063</u>
Total long-term liabilities	<u>\$ 121,262</u>	<u>\$ 136,547</u>
Total liabilities	<u>\$ 2,621,015</u>	<u>\$ 3,842,818</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Defined benefit pension plan	<u>\$ 13,061</u>	<u>\$ 15,497</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 72,462,487	\$62,527,976
Restricted	211,080	200,397
Unrestricted	<u>28,297,878</u>	<u>26,334,583</u>
Total net position	<u>\$100,971,445</u>	<u>\$89,062,956</u>
Total liabilities, deferred inflows of resources and net position	<u>\$103,605,521</u>	<u>\$92,921,271</u>

PORT OF IBERIA DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES, AND  
 CHANGES IN NET POSITION  
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	(Restated) <u>2016</u>
<b>OPERATING REVENUES</b>		
Leases	\$ 3,336,075	\$ 4,003,256
Federal grants	-	4,896
Boat stall rentals	20,605	18,526
Sewerage district maintenance fees	9,032	10,617
Water franchise fee	<u>12,876</u>	<u>14,188</u>
Total operating revenues	<u>\$ 3,378,588</u>	<u>\$ 4,051,483</u>
<b>OPERATING EXPENSES</b>		
Accounting and auditing	\$ 23,075	\$ 28,425
Advertising	74,987	94,809
Auto allowances	28,869	32,722
Bad debt expense	73	306,335
Depreciation and amortization	1,993,203	1,714,688
Dock subcontractors	24,027	19,800
Dues and subscriptions	16,247	8,853
Employee benefits	54,932	40,923
AGMAC project costs	122,557	87,373
IDF cooperative endeavor agreement	25,000	25,000
Iberia Parish Levee District	50,000	50,000
Insurance	276,120	280,885
Legal fees	67,662	51,517
Miscellaneous	981	2,641
Office expense	45,194	45,499
Outside services	44,626	24,300
Port improvements and development	51,609	50,870
Repairs and maintenance	76,060	53,047
Salaries:		
Director	126,945	130,849
Other	90,126	86,882
Taxes – payroll	3,393	3,252
Travel	29,724	33,611
Telephone	15,504	15,101
Utilities	<u>19,393</u>	<u>22,372</u>
Total operating expenses	<u>\$ 3,260,307</u>	<u>\$ 3,209,754</u>
Operating income	<u>\$ 118,281</u>	<u>\$ 841,729</u>

(continued)

**PORT OF IBERIA DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION (CONTINUED)**  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>(Restated)</u> <u>2016</u>
Operating income (carried forward)	\$ 118,281	\$ 841,729
<b>OTHER REVENUE (EXPENSE)</b>		
Interest income	\$ 173,457	\$ 120,583
Miscellaneous income	<u>-</u>	<u>15,429</u>
Total other revenue	\$ 173,457	\$ 136,012
Income before capital contributions	\$ 291,738	\$ 977,741
Capital grants and contributions	<u>11,616,751</u>	<u>7,870,538</u>
Change in net position	\$ 11,908,489	\$ 8,848,279
Net position, beginning of year	\$ 89,062,956	\$80,214,677
Net position, end of year	<u>\$100,971,445</u>	<u>\$89,062,956</u>

See Notes to Financial Statements.

PORT OF IBERIA DISTRICT  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>(Restated) 2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 3,387,220	\$ 3,626,891
Receipts from other governmental units	9,032	15,513
Other operating receipts	12,876	14,188
Payments to suppliers	(1,011,703)	(937,976)
Payments to employees	<u>(217,071)</u>	<u>(217,731)</u>
Net cash provided by operating activities	<u>\$ 2,180,354</u>	<u>\$ 2,500,885</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Increase in customer deposits	\$ (9,805)	\$ 450
Increase in restricted cash	<u>(10,683)</u>	<u>(11,506)</u>
Net cash used in noncapital financing activities	<u>\$ (20,488)</u>	<u>\$ (11,056)</u>
<b>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</b>		
Capital contributions	\$11,493,105	\$ 3,774,232
Capital asset acquisitions	<u>(13,153,262)</u>	<u>(9,130,965)</u>
Net cash used in capital related financing activities	<u>\$ (1,660,157)</u>	<u>\$ (5,356,733)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of certificates of deposit	\$ (343)	\$ (4,281)
Maturities of certificates of deposit	-	1,747,239
Other non-operating income	173,457	136,012
Net increase in LAMP	<u>(3,500)</u>	<u>(1,226)</u>
Net cash provided by investing activities	<u>\$ 169,614</u>	<u>\$ 1,877,744</u>
Net increase (decrease) in cash and cash equivalents	\$ 669,323	\$ (989,160)
Cash and cash equivalents, beginning of year	<u>23,337,504</u>	<u>24,326,664</u>
Cash and cash equivalents, end of year	<u>\$24,006,827</u>	<u>\$23,337,504</u>

(continued)

PORT OF IBERIA DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
For the Years Ended June 30, 2017 and 2016

	2017	(Restated) 2016
<b>RECONCILIATION OF INCOME FROM OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 118,281	\$ 841,729
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,993,203	1,714,688
Bad debt expense	73	306,335
Change in assets and liabilities -		
(Increase) decrease in assets:		
Accounts receivables	(73)	500,734
Prepaid expenses and other assets	19,579	9,442
(Decrease) increase in liabilities:		
Accounts payable	(2,798)	8,104
Unearned lease income	30,613	(895,625)
Accrued expenses	1,020	7,846
Unfunded net pension and OPEB liabilities	(15,285)	91,041
Change in deferred outflows of resources	38,177	(87,084)
Change in deferred inflows of resources	(2,436)	3,675
 Net cash provided by operating activities	 <u>\$ 2,180,354</u>	 <u>\$ 2,500,885</u>

See Notes to Financial Statements.

PORT OF IBERIA DISTRICT  
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of Port of Iberia District (the "District") are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District's accounting policies are described below.

Reporting entity:

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Primary government -

Port of Iberia District - The District is a political subdivision of the State of Louisiana created under the provisions of Louisiana Revised Statute 34:241. The District is governed by a board of commissioners consisting of seven members who serve without compensation. Two of the members are appointed by the City of New Iberia, one member each by the Towns of Jeanerette and Loreauville, and three members are appointed by the Iberia Parish Council. The Board is responsible for the regulation of commerce and traffic within the District.

Operations of the District are administered through an executive director who also serves as the port director. The operations of the District are financed primarily through lease payments from port improvements as well as various operating grants from state and federal agencies. The District's offices and operations are located in an area that is five miles south of the City of New Iberia and encompasses more than 2,000 acres of land, both public and private, and is the base of operations for more than 30 companies. There are 10 miles of access roadways, three miles of railroad frontage, steel bulkheading, sewerage system, electrical service, natural gas, 11-1/2 miles of water frontage, 14 miles of water system that provides access to the Intracoastal Waterway and Gulf of Mexico, and a developed water channel, public dock, and marina.

Component units -

Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.

## NOTES TO FINANCIAL STATEMENTS

2. Whether the primary government's governing authority appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the primary government and the potential component unit.
4. Imposition of will by the primary government on the potential component unit.
5. Financial benefit/burden relationship between the primary government and the potential component unit.

The Port of Iberia Economic Development Corporation (the "Corporation") was created in February 2014 and is considered to be a related organization of the District. The Corporation is a legally separate nonprofit public benefit and economic development corporation organized pursuant to the Louisiana Nonprofit Corporation Law in Chapter 2, Title 12, the Economic Development Cooperative Law in Part 1, Chapter 27, Title 33 and the public benefit corporation requirements as set forth in Section 1215(b), Part 1, Chapter 10, Title 41 of the Louisiana Revised Statutes. The transactions and activity of the Corporation during 2017 were not significant to the District.

### Basis of presentation, accounting and measurement:

The accounting policies of the District are in conformity with accounting principles generally accepted in the United States of America as it applies to governmental entities. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when paid. Grants and similar items are recognized as revenues as soon as all earning requirements have been met.

The District's accounting records are accounted for in a single proprietary fund. The District's operations are financed and operated similar to a private business enterprise. Under a proprietary fund, costs of providing services are recovered through charges for those services to customers. Operating revenues and expenses are exclusive of nonoperating items. Operating revenues result from leasing property and providing services. Operating expenses are the result of costs associated with providing services and depreciation of capital assets used in providing those services. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted net position are available for use, restricted resources are first used with unrestricted resources consumed as they are needed.

### Use of estimates:

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

### Budgetary accounting:

Annually, the District adopts a cash basis budget for its operations. A comparison of revenues and expenses to budget is not included in the accompanying financial statements since it is not required by generally accepted accounting principles.

## NOTES TO FINANCIAL STATEMENTS

### Cash and cash equivalents:

Cash includes amounts in deposits held at financial institutions and cash on hand. For purposes of statements of cash flows, highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

### Investments:

Investments include certificates of deposit and amounts invested in the Louisiana Asset Management Pool (LAMP). State statutes authorize the District to invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. LAMP is a local government investment pool initiated by the Louisiana Treasurer's office and invests its assets only in securities and other obligations that are permissible under Louisiana State law for local governments. In accordance with generally accepted accounting principles, investments meeting the criteria specified are stated at fair value. Investments which do not meet the requirements are stated at cost.

### Fair value measurement -

Investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – investments reflect prices quoted in active markets

Level 2 – investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active

Level 3 – investments reflect prices based upon unobservable sources

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Investments classified as Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Investments classified in Level 3 are valued based upon unobservable sources.

### Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### Receivables:

All receivables are shown net of an allowance account, as applicable. As of June 30, 2017 and 2016, an allowance of \$305,827 and \$306,335 was recognized.

### Property, plant, and equipment:

All capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

## NOTES TO FINANCIAL STATEMENTS

Depreciation of all exhaustible fixed assets is recorded as an operating expense in the statements of revenues, expenses and changes in net position, with accumulated depreciation reflected in the statements of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Furniture and fixtures	5 - 15
Steel bulkheading	30 - 40
Buildings and improvements	10 - 40

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

### Unearned lease income:

Operating revenues include rental charges to customers derived from leasing property owned by the District. Rentals due from certain lease agreements are billed in advance. Recognition of the related revenue on the advanced billings are deferred and recognized over the lease term.

### Compensated absences:

The District's formal policy on vacation and sick leave provides that permanent employees of the District accrue from 12 to 21 days of vacation and sick leave per year depending on the length of service (unless specifically negotiated under a separate employment contract). A maximum of 45 days of vacation leave and 180 days of sick leave may be accumulated. The policy provides for the payment of accumulated vacation leave not to exceed 45 working days upon retirement or voluntary separation of employment. The policy does not provide for the payment of accumulated sick leave. After 40 hours worked per week, compensatory time is earned at 1.5 hours for each hour worked.

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. As of June 30, 2017 and 2016, total accrued vacation leave amounted to \$23,596 and \$22,537, respectively. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

### Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees' Retirement System of Louisiana (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

### Other postretirement employee benefit plan:

The District has elected to calculate information of an actuarial nature using the alternative measurement method permitted by GASB Statement 45 for plans with fewer than 100 employees.

## NOTES TO FINANCIAL STATEMENTS

The District pays the benefits as due and does not provide separate funding for the estimated liability calculated and accrued under this plan.

### Capitalization of interest cost:

Interest cost on assets intended for lease that are constructed as discrete projects are capitalized when the following conditions are present: expenditures for the asset have been made, activities that are necessary to get the asset ready for its intended use are in progress and interest cost is being incurred.

### Recent accounting pronouncements:

During March 2016 the Governmental Accounting Standards Board (GASB) issued GASB No. 82 - *Pension Issues an amendment of GASB Statements No. 67, No. 68 and No. 73*. This pronouncement addresses certain issues related to these statements. Specifically as it applies to the District GASB No. 82 addresses issues regarding the presentation of payroll related measures in required supplementary information. During 2017, the District adopted the provisions of GASB No. 82. The adoption of this statement did not affect the required supplementary information as previously presented.

During June 2015 the Governmental Accounting Standards Board (GASB) issued GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans, for OPEB*. This statement establishes standards for recognizing and measuring liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures as well as required disclosures. This statement is effective for fiscal years beginning after June 15, 2017. The effect of the adoption of this statement upon the financial statements next year cannot be estimated at this time.

### Note 2. Deposits and Investments

At June 30, 2017 and 2016, the carrying amount of the District's deposits, including demand deposit accounts and certificates of deposit, was \$24,308,932 and \$23,628,583 and the bank balance was \$25,675,211 and \$23,857,660, respectively. Of the bank balance, \$341,057 was secured from risk by federal deposit insurance and remainder by pledged securities held by the custodial banks in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 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.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy to ensure there is no exposure to this risk is to require each financial institution to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. These securities must be pledged in the District's name.

As a means of limiting its exposure to fair value losses arising from rising interest rates, it is the District's policy that generally the District only invest in "certificate of deposit" and "money market instruments," which are defined as very creditworthy, highly liquid investments with maturities of one year or less.

## NOTES TO FINANCIAL STATEMENTS

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy limits investments to fully insured and/or fully collateralized certificates of deposits and investment in the Louisiana Asset Management Pool (LAMP).

The LAMP is an investment pool established as a cooperative endeavor to enable public entities of the State of Louisiana to aggregate funds for investment; the LAMP is not registered with the Securities and Exchange Commission (SEC) as an investment company. The LAMP is operated by a non-profit corporation, Louisiana Asset Management Pool, Inc., whose officers include the President, normally the Treasurer of the State of Louisiana, and a Secretary/Treasurer who is charged with the day-to-day operations of the program. LAMP, Inc. is governed by a Board of Directors consisting of nine to fourteen members elected each year by the participating entities.

The LAMP is intended to improve administrative efficiency and increase investment yield of participating public entities. The LAMP's portfolio securities are valued at market value even though the amortized cost method is permitted by Rule 2a-7 of the Investment Company Act of 1940, as amended, which governs registered money market funds, although the LAMP is not a money market fund and has no obligation to conform to this rule. The investment objectives of the LAMP are to preserve capital and protect principal, maintain sufficient liquidity, provide safety of funds and investments, and maximize the return on the pool. The LAMP seeks to maintain a stable net asset value of \$1.00 per unit, but there can be no assurance that the LAMP will be able to achieve this objective.

The dollar weighted average portfolio maturity of the LAMP assets is restricted to no more than 60 days. The LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Investments in the LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by the LAMP and the fair value of the position of the pool is the same as the value of the pool shares. As of September 2017, the LAMP had a Standards and Poor's pool rating of AAAM. The total amount invested in LAMP at June 30, 2017 and 2016 was \$518,477 and \$514,977, respectively.

### Note 3. Property, Plant, and Equipment

A summary of activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 9,976,775	\$ -	\$ -	\$ 9,976,775
Construction in progress	17,080,073	5,579,406	17,080,073	5,579,406
	<u>\$27,056,848</u>	<u>\$ 5,579,406</u>	<u>\$17,080,073</u>	<u>\$15,556,181</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	\$41,101,401	\$ 9,017,434	\$ -	\$50,118,835
Equipment and fixtures	396,421	6,400	-	402,821
Docks and bulkheading	11,457,328	14,404,547	-	25,861,875
Utility improvements	2,062,183	-	-	2,062,183
Channel improvements	7,450,547	-	-	7,450,547
Signage	57,147	-	-	57,147
Total capital assets being depreciated	<u>\$62,525,027</u>	<u>\$23,428,381</u>	<u>\$ -</u>	<u>\$85,953,408</u>

NOTES TO FINANCIAL STATEMENTS

Less accumulated depreciation for:

Buildings and improvements	\$14,071,196	\$ 1,194,572	\$ -	\$15,265,768
Equipment and fixtures	320,374	25,396	-	345,770
Docks and bulkheading	6,628,790	451,514	-	7,080,304
Utility improvements	1,030,338	68,738	-	1,099,076
Channel improvements	4,948,424	251,892	-	5,200,316
Signage	<u>54,777</u>	<u>1,091</u>	-	<u>55,868</u>
Total accumulated depreciation	<u>\$27,053,899</u>	<u>\$ 1,993,203</u>	<u>\$ -</u>	<u>\$29,047,102</u>

Total capital assets being depreciated,  
net

\$35,471,128 \$21,435,178 \$ - \$56,906,306

Total capital assets, net

\$62,527,976 \$27,014,584 \$17,080,073 \$72,462,487

A summary of activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 9,976,775	\$ -	\$ -	\$ 9,976,775
Construction in progress	<u>7,284,950</u>	<u>9,795,123</u>	-	<u>17,080,073</u>
	<u>\$17,261,725</u>	<u>\$9,795,123</u>	<u>\$ -</u>	<u>\$27,056,848</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	\$40,590,196	\$ 511,205	\$ -	\$41,101,401
Equipment and fixtures	393,404	3,198	181	396,421
Docks and bulkheading	11,208,085	249,243	-	11,457,328
Utility improvements	2,062,183	-	-	2,062,183
Channel improvements	7,450,547	-	-	7,450,547
Signage	<u>57,147</u>	<u>-</u>	<u>-</u>	<u>57,147</u>
Total capital assets being depreciated	<u>\$61,761,562</u>	<u>\$ 763,646</u>	<u>\$ 181</u>	<u>\$62,525,027</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	\$12,957,080	\$1,114,116	\$ -	\$14,071,196
Equipment and fixtures	293,334	27,221	181	320,374
Docks and bulkheading	6,377,457	251,333	-	6,628,790
Utility improvements	961,600	68,738	-	1,030,338
Channel improvements	4,696,235	252,189	-	4,948,424
Signage	<u>53,686</u>	<u>1,091</u>	<u>-</u>	<u>54,777</u>
Total accumulated depreciation	<u>\$25,339,392</u>	<u>\$1,714,688</u>	<u>\$ 181</u>	<u>\$27,053,899</u>
Total capital assets being depreciated, net	<u>\$36,422,170</u>	<u>\$ (951,042)</u>	<u>\$ -</u>	<u>\$35,471,128</u>
Total capital assets, net	<u>\$53,683,895</u>	<u>\$8,844,081</u>	<u>\$ -</u>	<u>\$62,527,976</u>

Substantially, all land, buildings, docks, and bulkheadings are leased to District tenants.

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Due to Other Governments

The District has a \$250,000 non-interest bearing payable recorded in the statements of net position as a due to other governmental agencies. This payable is due to the Louisiana State Bond Commission. The amount due was to be reimbursed to the Louisiana State Bond Commission over a five year period at \$50,000 annually without any interest. The installments due March 1990, 1991, 1992, 1993, and 1994 were deferred by the state. During the 1993 regular session of the Louisiana Legislature, HCR267 was adopted to grant the \$250,000 to the District. In lieu of payment to the District, the State Bond Commission was to cancel the \$250,000 payable to the State of Louisiana, as per written correspondence from the Governor and an act of the 1993 Louisiana Legislature. The Attorney General's Office has indicated that the way the transaction was handled is in violation of the State Constitution. This problem has not been resolved as of the date of the financial statements and the transaction remains a liability.

### Note 5. Pension Plan

#### General information about the Plan:

All employees of the District are members of the Parochial Employees Retirement System of Louisiana (System), cost-sharing, multiple employer defined benefit pension plans established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana and is administered by a separate board of trustees. The System is to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body which employs and pays persons serving the parish. It is composed of two plans, Plan A and Plan B, with separate assets and benefit provisions. The System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 – 2025 and other general laws of the State of Louisiana. Benefits are established or amended by State Statute. The System issues a publicly available financial report that can be obtained at [persla.org](http://persla.org). All employees of the District are members of Plan A.

#### Benefits provided:

##### *Retirement*

All permanent employees working at least 28 hours per week are eligible to participate in the System. Under Plan A, employees (who were hired prior to January 1, 2007) and who retire at or after age 65 with at least 7 years of creditable service, at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. For employees hired after January 1, 2007 and who retire at age 55 with at least 30 years of creditable service, at age 62 with 10 years of creditable service or at age 67 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. Final-average salary is the employee's average salary over the 35 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination.

##### *Survivor benefits*

Upon the death of any member of Plan A with five or more years of creditable service who is not eligible for retirement the System provides for benefits for the surviving spouse and minor children as outlined in the statutes.

## NOTES TO FINANCIAL STATEMENTS

### *Deferred retirement option plan*

Act 338 of 1990 established the deferred retirement option plan (DROP). DROP is an option for a member who is eligible for normal retirement.

This option allows a member who is eligible to retire to elect to defer the receipt of benefits for three years. During this time period, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable had the person terminated employment are paid into the DROP fund. Upon termination, a participant may receive, at their option, a lump sum from the account equal to the balance, an annuity based upon the account balance in the fund or rollover the fund to an individual retirement account.

### *Disability benefits*

For Plan A, a member may be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has a 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 certified as disabled by the State Medical Disability Board. Disability benefits are equal to the lesser of three percent of the final average compensation multiplied by the years of service, not to be less than 15, or three percent multiplied by years of service assuming continued service to age 60.

### Contributions:

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the District is required to contribute at an actuarially determined rate. For the plan years ended December 31, 2016 and 2015, the actuarially determined contribution rate was 10.52% and 10.40%, respectively, of the member's compensation for Plan A. However, the actual rate was 13.00% and 14.50%, respectively, of annual covered payroll for Plan A. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System under Plan A, exclusive of employee portion, for the years ending June 30, 2017 and 2016 was \$27,541 and \$28,718, respectively, equal to the required contributions for each year.

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

At June 30, 2017 and 2016, the District reported a liability of \$74,582 and \$96,484, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's required projected share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016 and 2015, the District's proportion was .0361870% and .036654%, respectively.

NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016, the District recognized pension expense of \$41,307 and \$31,691, respectively. At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Outflows	Inflows	Outflows	Inflows
Deferred resources:				
Differences between expected and actual experience	\$ -	\$ 13,042	\$ -	\$ 15,334
Change in assumptions	14,149	-	21,498	-
Net difference between projected and actual earnings on pension plan investments	57,836	-	88,285	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	32	19	53	163
Contributions subsequent to measurement date	<u>13,500</u>	<u>-</u>	<u>13,858</u>	<u>-</u>
Ending balance	<u>\$ 85,517</u>	<u>\$ 13,061</u>	<u>\$ 123,694</u>	<u>\$ 15,497</u>

The District reported \$13,500 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year Ended <u>June 30:</u>	
2018	\$21,919
2019	\$23,378
2020	\$15,224
2021	\$(1,565)
2022	\$ -
Thereafter	\$ -

*Actuarial assumptions*

The total pension liability in the December 31, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

December 31, 2016:	
Inflation	2.50%
Salary increases	5.25% (including inflation)
Investment rate of return	7.00% (net of investment expense)
Actuarial cost method	Entry Age Normal
Expected remaining service lives	4 years

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015:

Inflation	2.50%
Salary increases	5.25% (including inflation)
Investment rate of return	7.00% (net of investment expense)
Actuarial cost method	Entry Age Normal
Expected remaining service lives	4 years

At December 31, 2016, 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 a credibility weighting 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. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table (set back five years for males and three years for females) was selected. For active employees, the RP-2000 Employee Sex Distinct Tables (set back four years for males and three years for females) was used.

Cost of living adjustments are based on the present value of future retirement 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 increase not yet authorized by the Louisiana Legislature.

At December 31, 2016 and 2015, the discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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 Systems' 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 total pension liability.

The long-term 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 approach (bottom-up). Risk and return 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% at December 31, 2016 and 2015 and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% and 7.55% for the years ended December 31, 2016 and 2015.

NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015 are summarized in the following table:

Asset class:	December 31, 2016		December 31, 2015	
	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	35%	1.24%	34%	1.06%
Equity	52%	3.63%	51%	3.56%
Alternatives	11%	0.67%	12%	0.74%
Real assets	<u>2%</u>	<u>0.12%</u>	<u>3%</u>	<u>0.19%</u>
	<u>100%</u>	5.66%	<u>100%</u>	5.55%
Inflation		<u>2.00%</u>		<u>2.00%</u>
Expected arithmetic nominal return		<u>7.66%</u>		<u>7.55%</u>

The following presents the net pension liability of the District calculated using the discount rate as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	December 31, 2016		
	1% Decrease	Current Discount Rate	1% Increase
Employers proportionate share of the net pension liability (asset)	<u>\$222,942</u>	<u>\$ 74,528</u>	<u>\$ (50,961)</u>

	December 31, 2015		
	1% Decrease	Current Discount Rate	1% Increase
Employers proportionate share of the net pension liability (asset)	<u>\$241,727</u>	<u>\$ 96,484</u>	<u>\$ (26,264)</u>

As of June 30, 2017 and 2016, the District had amounts payable to the plan of \$11,897 and \$12,008, respectively, for employer and employee shares of required contributions to the plan for the period April 1 to June 30 of 2017 and 2016.

NOTES TO FINANCIAL STATEMENTS

Detailed information about the pension plan's fiduciary net position is available in audited stand-alone issued financial statements for the years ended December 31, 2016 and 2015. Access to the audit report and financials can be found on the System's website: [www.persla.org](http://www.persla.org) or on the Office of Louisiana Legislative Auditor's official website: [www.la.state.la.us](http://www.la.state.la.us).

Note 6. Lease of Land by District

The District is presently leasing approximately 140 acres of land from the City of New Iberia for a period of 99 years at a cost of \$1 per year. The effective dates of the lease are from July 28, 1948 to July 27, 2047.

Note 7. Lease of Land and Facilities to Others

A significant portion of revenue generated by the District is attributable to District owned property leased to tenants at the District. Minimum future rentals on these noncancelable operating leases for the next five years and thereafter are as follows:

2018	\$ 3,232,306
2019	2,885,061
2020	2,509,554
2021	2,415,313
2022	2,091,604
2023-2027	<u>2,502,116</u>
	<u>\$15,635,954</u>

Note 8. Board of Commissioners Compensation

The Board of Commissioners of the District serve without compensation.

Note 9. Risk Management

The District is subject to certain exposures to losses in the ordinary course of business operations. To address those exposures, the District utilizes commercial risks insurance.

Note 10. Federal, State and Local Assistance

In 2017 and 2016, the District received funds from the Louisiana Department of Transportation and Development under the state's Port Priority Program in order to assist in paying for certain capital expenditures associated with various construction projects whereby the improvements are intended to be leased to tenants of the port.

In addition, in both years the District received funds from the Louisiana Department of Transportation and Development in order to assist them in paying certain expenditures associated with the establishment of a deep water

NOTES TO FINANCIAL STATEMENTS

access channel to the Gulf of Mexico (AGMAC construction project). These funds were used to cover costs associated with the bulkhead and utility relocation phases of the project.

In 2017, the District received funds from the Iberia Parish Government through the Tax Increment Financing (TIF) Program in order to assist in various improvement projects.

The following is a recap of federal, state and local assistance recognized by the District for the years ending June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Federal:		
U.S. Department of Homeland Security (FEMA Public Assistance)	<u>\$ -</u>	<u>\$ 4,896</u>
State:		
Louisiana Department of Transportation and Development (AGMAC Project and Port Priority Funding)	<u>\$10,538,242</u>	<u>\$6,892,651</u>
Local:		
Iberia Parish Government (Tax Increment Financing (TIF) Program)	<u>\$ 1,078,509</u>	<u>\$ 977,887</u>

**Note 11. Intergovernmental Agreements**

In August 2000, the District entered into an intergovernmental agreement with Sewerage District #1 in order to provide the necessary labor, materials, chemicals, and expertise to operate and maintain the sewer system located within the boundaries of the District. As part of this agreement, the District collects an additional fee in the amount of 10% of the regular monthly charges. This amount is restricted to recoup the costs of constructing the system and is placed in an escrow account to offset repairs, replacement and upgrade of the system. As of June 30, 2017 and 2016, total cash restricted for this purpose amounted to \$211,080 and \$200,397, respectively.

**Note 12. Commitments**

The District entered into construction and engineering contracts at June 30, 2017 for the following projects:

	<u>Contract</u>	<u>Expended</u>	<u>Remaining Commitment</u>
Berard/Weeks Island Rd Intersection TIF Project	\$ 198,737	\$ 162,909	\$ 35,827
AGMAC Projects	<u>6,372,247</u>	<u>3,126,425</u>	<u>3,245,822</u>
	<u>\$ 6,570,984</u>	<u>\$3,289,334</u>	<u>\$ 3,281,649</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 13. Port of Iberia Economic Development Corporation

During 2014, the District entered into a lease agreement with the Port of Iberia Economic Development Corporation in which it leased District property to the Corporation for an initial term of 20 years beginning March 1, 2014 for \$20,630 annually. This lease was subsequently terminated with the Corporation in August 2014 and the District entered into a lease directly with the tenant, which was also terminated. As of June 30, 2017 and 2016, the District has recorded a receivable from the Corporation of \$20,630, for the first annual lease payment which the Corporation had collected under the initial sublease agreement with the tenant. In addition, as of June 30, 2017 and 2016, the District has recorded a receivable for the security deposit of \$25,000, paid by the tenant to the Corporation under this same sublease agreement.

### Note 14. Postemployment Benefits Other Than Pensions

**Plan Description** - During 2009, the District renewed the employment contract with the Executive Director. This contract stipulated that the employee will be eligible for and shall participate in a formal Health and Hospitalization Insurance Program. The District will be responsible for payment of 100% of the health insurance premiums of the employee until the date the employee becomes covered by the Federal Medicare Program. After that date, the District shall be responsible for 100% of the premiums for a supplemental health insurance program, not to exceed 50% of the total costs of the Health and Hospitalization Program of a similar employee at the same position.

**Funding Policy** - The District recognizes estimated costs based on actuarial calculations. Actual cash disbursements are made as required to cover premium costs during the period.

**Annual OPEB Cost and Net OPEB Obligation** - The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for the years ending June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 7,844	\$ 5,361
Interest on net OPEB obligation	157	107
Amortization of unfunded actuarial liabilities	<u>5,604</u>	<u>3,830</u>
Annual OPEB cost (expense)	\$ 13,605	\$ 9,298
Contributions made	<u>(6,934)</u>	<u>(4,639)</u>
Increase in net OPEB obligation	\$ 6,671	\$ 4,659
Net OPEB obligation - beginning of year	<u>40,063</u>	<u>35,404</u>
Net OPEB obligation - end of year	<u>\$ 46,734</u>	<u>\$ 40,063</u>

NOTES TO FINANCIAL STATEMENTS

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 9,623	49.4%	\$ 35,404
6/30/2016	\$ 9,298	49.9%	\$ 40,063
6/30/2017	\$ 13,605	51.0%	\$ 46,734

Funded Status and Funding Progress - As of June 30, 2017 and 2016, the actuarial accrued liability for benefits was \$125,504 and \$85,776, respectively, of which all was unfunded. The covered payroll (annual payroll of employees covered by the plan) was \$-0- and \$-0-, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was not applicable in 2017 and 2016 since there was no covered payroll.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the anticipated retirement age of the covered employee. This was assumed to be age 68 which will be the age of the employee upon expiration of the current employment contract.

Marital status - Not applicable.

Mortality - Life expectancy was based on life expectancy tables used by the Internal Revenue Service (Single Life Expectancy).

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on input from the District's health insurance agent as well as historical experience. A rate of 5.0% annually was used.

## NOTES TO FINANCIAL STATEMENTS

Health insurance premiums - 2017 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - An expected long-term inflation rate assumption of 3.3% was assumed.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Amortization of unfunded actuarial accrued liability - The unfunded actuarial accrued liability is being amortized using the level dollar method over 22.84 years.

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 2.0% was used. In addition, a simplified version of the unit credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2017 and 2016 was 13.84 and 14.84 years, respectively.

### Note 15. Contingent Liabilities

The District is a defendant in various lawsuits and asserted claims incurred in the ordinary course of business. Management and counsel for the District are unable to reasonably estimate at this time the amount of liability, if any, which may be incurred if adverse decisions are rendered. Any amounts resulting from these claims are expected to be covered by commercial insurance or they are not expected to have a significant effect on the financial statements going forward.

### Note 16. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2017 and 2016:

		Fair Value Measurements Using		
<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
June 30, 2017:				
Louisiana Asset Management Pool	<u>\$ 518,477</u>	<u>\$ -</u>	<u>\$ 518,477</u>	<u>\$ -</u>
June 30, 2016:				
Louisiana Asset Management Pool	<u>\$ 514,977</u>	<u>\$ -</u>	<u>\$ 514,977</u>	<u>\$ -</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 17. Restatement of prior financial statements

During the year ended June 30, 2016, the District's due from other governmental agencies were understated by \$512,788 along with the related capital grants and contributions recognized for reimbursement of certain capital expenditures by the Iberia Parish Government (Tax Increment Financing (TIF) Program). Consequently, the 2016 financial statements have been restated to properly reflect the amounts due from other governmental agencies as well as the capital grants and contribution revenue during 2016. Net position at June 30, 2016 increased as a result by \$512,788.

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**REQUIRED SUPPLEMENTARY INFORMATION**

## PORT OF IBERIA DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

(Required Supplementary Information)

For the Years Ended June 30, 2017, 2016 and 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Unit Credit Costs (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/2015	\$ -	\$ 88,768	\$ 88,768	0%	\$ 49,765	178.37%
6/30/2016	\$ -	\$ 85,776	\$ 85,776	0%	\$ -	N/A
6/30/2017	\$ -	\$ 125,504	\$ 125,504	0%	\$ -	N/A

## PORT OF IBERIA DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
(Required Supplementary Information)  
For the Years Ended June 30, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.036187%	0.036654%	0.036947%
District's proportionate share of the net pension liability	<u>\$ 74,528</u>	<u>\$ 96,484</u>	<u>\$ 10,102</u>
District's covered employee payroll	<u>\$ 216,011</u>	<u>\$ 209,077</u>	<u>\$ 194,367</u>
District's proportionate share of the net pension liability As a percentage of its covered employee payroll	34.50%	46.15%	5.20%
Plan fiduciary net position as a percentage of the total pension liability	94.15%	92.23%	99.15%

## PORT OF IBERIA DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
(Required Supplementary Information)  
For the Years Ended June 30, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 48,062	\$ 44,331	\$ 47,948
Contributions in relation to the contractually required contribution	<u>48,062</u>	<u>44,331</u>	<u>47,948</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	<u>216,011</u>	<u>209,077</u>	<u>194,367</u>
Contributions as a percentage of covered employee payroll	<u>22.25%</u>	<u>21.20%</u>	<u>24.67%</u>

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**OTHER SUPPLEMENTARY INFORMATION**

PORT OF IBERIA DISTRICT  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO AGENCY HEAD  
For the Year Ended June 30, 2017

Agency Head: Craig F. Romero

Purpose:

Salary	\$ 127,574
Benefits:	
Insurance	12,965
Retirement	16,266
Car allowance	18,000
Expense reimbursements	8,352
Travel	5,567
Registration fees	<u>2,680</u>
	<u>\$ 191,404</u>

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 Board of Commissioners  
Port of Iberia District  
New Iberia, 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 basic financial statements of Port of Iberia District, as of June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port of Iberia 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port of Iberia District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port of Iberia 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 charges with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port of Iberia 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*.

**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 Port of Iberia District'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 Port of Iberia District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Boulevard Piche LLC". The signature is written in a cursive, flowing style.

Lafayette, Louisiana  
December 27, 2017

PORT OF IBERIA DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017

We have audited the basic financial statements of Port of Iberia District as of and for the year ended June 30, 2017, and have issued our report thereon dated December 27, 2017. 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. Our audit of the financial statements as of June 30, 2017 resulted in an unmodified opinion.

Section I - Summary of Auditors' Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material weaknesses

Yes  No

Control deficiencies  
identified that are not  
considered to be material  
weakness(es)

Yes  No

Compliance

Non compliance material to financial statements

Yes  No

Section II - Financial Statement Findings

No matters are reported.

**PORT OF IBERIA DISTRICT**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**For the Year June 30, 2017**

**Section I. Internal Control and Compliance Material to the Financial Statements**

None noted.

**Section II. Internal Control and Compliance Material to Federal Awards**

None noted.

**Section III Management Letter**

The prior year's report did not include a management letter.

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners and Management of  
Port of Iberia District and  
the Louisiana Legislative Auditor  
New Iberia, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Port of Iberia District (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

**Written Policies and Procedures**

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

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

*We obtained a copy of their budgeting policy effective for the fiscal year ended June 30, 2017. Items noted above are addressed in the policy.*

- 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.

*We obtained a copy of their purchasing policy effective for the fiscal year ended June 30, 2017. Items noted above are addressed by the policy.*

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

*We obtained a copy of their disbursement policy effective for the fiscal year ended June 30, 2017. Items noted above are addressed by the policy.*

- d. Receipts, including receiving, recording, and preparing deposits.

*We obtained a copy of their receipts policy effective for the fiscal year ended June 30, 2017. Items noted above are addressed by the policy.*

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

*We obtained a copy of their payroll/personnel policy effective for the fiscal year ended June 30, 2017. Items noted above are addressed by the policy.*

- 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.

*We obtained a copy of their contracting policy effective for the fiscal year ended June 30, 2017. Items noted above are addressed by the policy.*

- 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, and (5) monitoring card usage.

*We obtained a copy of their credit card policy effective for the fiscal year ended June 30, 2017. Items noted above are addressed by the policy.*

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

*We obtained a copy of their travel and expense reimbursement policy effective for the fiscal year ended June 30, 2017. The dollar thresholds by category of expense were not addressed. All other travel and expense reimbursement items listed above were addressed in the policy.*

- i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

*The district did not have a written policy addressing these items.*

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

*Not applicable.*

**Board (or Finance Committee, if applicable)**

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a. Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charters, or other equivalent document.

*The managing board met once a month during fiscal year 2017.*

- b. Report whether the minutes reference or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity prior audit (GAAP-basis).

- i. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*The minutes included a monthly budget-to-actual comparison. There was no deficit spending during the fiscal year.*

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

*The minutes did reference non-budgetary financial information.*

**Bank Reconciliations**

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

*We obtained a listing of all bank accounts.*

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if no more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a. Bank reconciliations have been prepared;

*Per review of the list of bank accounts, five were selected to test. We obtained bank statements and reconciliations for all months in the fiscal period and noted that bank reconciliations had been prepared.*

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

*Bank reconciliations selected above include evidence that they are reviewed by the Administrative Assistant monthly. The Administrative Assistant does not perform the bank reconciliations. However, she is involved in the transactions associated with these bank accounts.*

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

*Per review of the year end bank reconciliation for each account tested, there were no items outstanding for over 6 months noted.*

### Collections

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

*There is only one collection location.*

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

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

*Per written documentation, employees are bonded. The person responsible for collecting cash is also responsible for depositing the cash in the bank, recording the related transaction and reconciling the related bank account. Someone other than this person (administrative assistant) reviews the bank statements and reconciliations every month. The policy does not address reconciling the related bank account and whether a cash register or drawer is shared with another person.*

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

*The person performing the reconciliation is responsible for cash collections.*

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

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

*We used the general ledger detail to pull all cash collections and selected the highest dollar week of collections for testing. All collections selected for testing were deposited within one day of collection.*

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

*The cash collections tested above were completely support by documentation and in agreement with deposit slip and clearance on the bank statement.*

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

*This is not specifically defined in the written policy.*

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

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

*We obtained the general ledger detail for the fiscal year ended June 30, 2017. We obtained management's representation that the general ledger detail was complete.*

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

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

*A formal requisition/purchase order system is not used. However, all purchases over \$1,500 have to be approved by senior management, over \$2,500 by the Board President and over \$5,000 by the Board.*

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

*A formal purchase order system is not used however approval by a person who did not initiate the purchase was noted on the invoice.*

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

*Payments were not processed without an approved invoice or receiving report if applicable. The district does not use purchase orders.*

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

*This is not addressed in the written policy.*

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

*Per the written policy, persons with signatory authority do not have responsibility for initiating or recording purchases.*

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

*Per inquiry of management and observation, the supply of unused checks are stored in a fire proof safe with access restricted to those persons that do not have signatory authority.*

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

*Not applicable, signature stamps/machines are not used.*

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

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

*Management provided a list of all active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and the names of the persons who maintain possession of the cards. We obtained management's representation that the listing was complete.*

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

*All 3 of the active cards were selected for testing.*

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

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

*There is no evidence of approval on the monthly statements.*

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

*No finance charges and/or late fees were assessed on the selected statements.*

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

- a) For each transaction, report whether the transaction is supported by:
- i. An original itemized receipt (i.e., identifies precisely what was purchased)

*All transactions were supported by original itemized receipts.*

- ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*All transactions had documentation of the business/public purpose.*

- iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*All transactions had documentation required by written policy.*

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

*All transactions were in compliance with the written policies and with the Louisiana Public Bid Law.*

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

*No items of this nature were noted.*

**Travel and Expense Reimbursement**

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

*We obtained a listing of all travel and related expense reimbursements by employee during the fiscal year ended June 30, 2017. We obtained management's representation that the listing was complete.*

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

*Per review of the written policies, employee reimbursements are based on actual expenditures incurred and detailed evidence is required.*

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

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

*All disbursements selected were reimbursed in accordance with the written policies.*

- b) Report whether each expense is supported by:

- i. An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

*All expenses reimbursed were supported by original itemized receipts.*

- ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*All expense reimbursements had documentation of the business/public purpose.*

- iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*All reimbursements include an approved expense report.*

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

*No exceptions were noted.*

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

*All travel and related expenses examined were approved by someone other than the person receiving the reimbursement.*

### Contracts

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

*Obtained the general ledger and filtered for contract payments. We obtained management's representation that the list was complete.*

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

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

*There was a formal/written contract that supports the services arranged and amounts paid for the contracts selected.*

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

- i. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*The District was in compliance with the Louisiana Public Bid law for the contracts selected.*

- ii. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*Not applicable.*

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

*All five of the contracts selected above were amended for the following dollar amounts: contract 1 - \$30,627, contract 2 - (\$2,638), contract 3 - (\$34,787), contract 4 - \$88,760 and contract 5 - \$175,431. All contracts were for construction of various projects and all amendments were approved change orders to the various projects.*

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

*The payments for the contracts complied with the terms and conditions of the contracts.*

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

*Board approval was given on both contracts.*

### **Payroll and Personnel**

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

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

*Payments made to the employees were made in strict accordance with the terms and conditions of the employment contract and/or pay rate structure found in the employees' files.*

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

*All changes in hourly pay rates/salaries during the fiscal period were approved in writing and in accordance with the entity's written policy.*

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

*We obtained attendance/leave records for all employees. We randomly selected one pay period in which leave was taken and selected all 3 employees for testing below.*

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

*All employee daily attendance and leave is manually documented on time cards.*

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

*There is no written documentation that supervisors approved the attendance and leave for employees.*

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

*Yes, there is documentation that a written leave record was maintained.*

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

*There were no terminations during the fiscal period.*

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

*We viewed all payroll taxes and retirement contribution payment support made during the fiscal period, as well as the required reporting forms. All were submitted by the required deadlines to the applicable agencies.*

**Ethics (excluding nonprofits)**

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

*For the 3 selected employees above, the District did not provide support to demonstrate that the required ethics training was completed.*

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

*Per the District's management, there were no alleged ethics violations during the fiscal period.*

**Debt Service (excluding nonprofits)**

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

*Not applicable.*

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

*Not applicable.*

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

*Not applicable.*

**Other**

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

*Per discussion with management, they did not have any misappropriations of public funds or assets.*

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

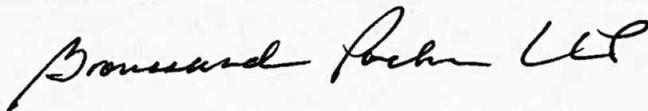
*Per observation, the noticed required by R.S. 25:523 was posted on the District's premises but not on the website.*

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

*No exceptions noted.*

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

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



Lafayette, Louisiana  
December 27, 2017