

R E P O R T

ST. BERNARD PORT, HARBOR
AND TERMINAL DISTRICT
(STATE OF LOUISIANA)

JUNE 30, 2017 AND 2016

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)

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Duplantier
Hrapmann
Hogan &
Maher, LLP

INDEPENDENT AUDITOR'S REPORT

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

New Orleans

1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore

1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma

247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville

5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

November 6, 2017

To the Board of Commissioners
St. Bernard Port, Harbor and Terminal District
Chalmette, Louisiana

We have audited the accompanying financial statements the business-type activities of the St. Bernard Port, Harbor and Terminal District (the District), a component unit of the State of Louisiana, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the St. Bernard Port, Harbor and Terminal District as of June 30, 2017 and 2016 and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Bernard Port, Harbor and Terminal District's basic financial statements. The schedule of compensation, benefits, and other payments to the agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of

compensation, benefits, and other payments to the 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 the 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 November 6, 2017 on our consideration of the St. Bernard Port, Harbor and Terminal District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the St. Bernard Port, Harbor and Terminal District's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

Management's Discussion and Analysis (MD&A) of the St. Bernard Port, Harbor and Terminal District's financial performance presents a narrative overview and analysis of the St. Bernard Port, Harbor and Terminal District's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the St. Bernard Port, Harbor and Terminal District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- ★ The St. Bernard Port, Harbor and Terminal District's assets and deferred outflows exceeded its liabilities and deferred inflows at June 30, 2017 by \$95,944,484, which represents a decrease from last fiscal year of \$4,558,420 or 4.54%.
- ★ The St. Bernard Port, Harbor and Terminal District's intergovernmental revenues increased \$102,123 or 24.44% as a result of an increase in federal grants received and the net loss from operations decreased by \$346,557 or 5.94%.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the St. Bernard Port, Harbor and Terminal District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows.

The Statements of Net Position (page 8) present the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the St. Bernard Port, Harbor and Terminal District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Fund Net Position (page 9) present information showing how the St. Bernard Port, Harbor and Terminal District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statements of Cash Flows (pages 10-11) presents information showing how the St. Bernard Port, Harbor and Terminal District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statement of Net Position
 As of June 30, 2017 and 2016
 (in thousands)

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 4,938	\$ 5,794
Net capital assets	<u>107,189</u>	<u>109,060</u>
Total assets	<u>112,127</u>	<u>114,854</u>
Deferred outflows of resources	<u>1,328</u>	<u>798</u>
Current liabilities	1,169	1,130
Long-term obligations	<u>14,364</u>	<u>13,882</u>
Total liabilities	<u>15,533</u>	<u>15,012</u>
Deferred inflows of resources	<u>1,978</u>	<u>137</u>
Net position:		
Net investment in capital assets	99,124	100,625
Restricted	576	1,801
Unrestricted	<u>(3,756)</u>	<u>(1,923)</u>
Total net position	<u>\$ 95,944</u>	<u>\$ 100,503</u>

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, loan agreements, or other requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

Net position of the St. Bernard Port, Harbor and Terminal District decreased by \$4,558,420 or 4.54%, during the year ended June 30, 2017. The decrease was primarily due to operating losses incurred during fiscal 2017.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Fund Net
For the Years Ended June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 6,214	\$ 5,692
Operating expenses	<u>(11,705)</u>	<u>(11,530)</u>
Operating loss	(5,491)	(5,838)
Non-operating revenues	538	779
Capital contributions	<u>395</u>	<u>298</u>
Net decrease in net assets	<u><u>\$ (4,558)</u></u>	<u><u>\$ (4,761)</u></u>

The St. Bernard Port, Harbor and Terminal District's total operating revenues increased \$521,237 or 9.16%. The total operating expenses increased by \$174,680 or 1.51%. Operating revenues increased primarily due to increased lease revenue. Operating expenses increased primarily due to an increase in salary expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the St. Bernard Port, Harbor and Terminal District had net capital assets of \$107,188,597, net of accumulated depreciation of \$59,435,952, including land, buildings and improvements, dock, barge and marina facilities, furniture and equipment and construction in progress. This amount represents a net decrease of \$1,871,289, which was primarily attributable to current year depreciation offset by current year additions.

Capital Assets at June 30, 2017 and 2016
(Net of Depreciation, in thousands)

	<u>2017</u>	<u>2016</u>
Land	\$ 16,720	\$ 16,065
Dock and barge facilities	59,838	63,571
Buildings and improvements	26,274	28,210
Furniture and equipment	601	850
Construction in progress	<u>3,756</u>	<u>364</u>
Totals	<u><u>\$ 107,189</u></u>	<u><u>\$ 109,060</u></u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Loans Payable

The St. Bernard Port, Harbor and Terminal District had \$8,065,000 in loans payable outstanding at June 30, 2017, compared to \$8,435,000 last year, a decrease of \$370,000 or 4.39%. The decrease is the result of payments toward the three loans, obtained in the prior year from the Louisiana Local Government Environmental Facilities and Community Development Authority, for the purpose of refunding prior debt of the District and to finance additional facilities and improvements to the District's property.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The St. Bernard Port, Harbor and Terminal District's appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- The District's industrial park is currently at 98% occupancy and all major facilities are leased. The District's marine facility has a 100% occupancy rate.
- The District had 322 ship calls and handled 7.1 million tons of cargo in FY 2017.
- The District's new Violet Terminal has increased cargo operations at the terminal. The terminal has had 55 ship calls and handled over 646,000 tons of cargo in fiscal 2017 and is expected to handle over 1 million tons of cargo for calendar year 2017.

**CONTACTING THE ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the St. Bernard Port, Harbor and Terminal District's finances and to show the St. Bernard Port, Harbor and Terminal District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Drew Heaphy, Executive Director, P. O. Box 1331, Chalmette, Louisiana 70044.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 2)	\$ 3,324,357	\$ 3,183,743
Accounts receivable (Note 1)	594,923	300,328
Prepaid expenses	436,487	440,128
Due from other governmental units (Note 3)	5,881	68,679
Total current assets	4,361,648	3,992,878
RESTRICTED ASSETS: (Notes 1 and 2)		
Cash - employee savings	15,142	15,142
Cash - construction and loan payments	90,000	90,000
Cash equivalents - construction and loan payments	471,567	1,695,810
Total restricted assets	576,709	1,800,952
CAPITAL ASSETS: (Notes 1, 4, and 8)		
Land	16,719,941	16,064,846
Dock and barge facilities	95,825,838	95,670,976
Buildings and improvements	46,645,500	46,563,407
Furniture and equipment	3,677,620	3,648,617
	162,868,899	161,947,846
Less accumulated depreciation	59,435,952	53,251,802
	103,432,947	108,696,044
Construction in progress	3,755,650	363,842
Net capital assets	107,188,597	109,059,886
TOTAL ASSETS	112,126,954	114,853,716
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts related to pensions	1,328,390	797,797
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 113,455,344	\$ 115,651,513

See accompanying notes.

	<u>2017</u>	<u>2016</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 705,851	\$ 669,042
Due to employees - savings	15,142	15,142
Accrued interest payable	67,928	75,795
Loans payable - current (Note 5)	380,000	370,000
Total current liabilities	<u>1,168,921</u>	<u>1,129,979</u>
LONG-TERM OBLIGATIONS:		
Compensated absences (Notes 1 and 5)	323,718	480,803
Loans payable - noncurrent (Note 5)	7,685,000	8,065,000
Other postemployment benefits (Note 6)	1,231,179	1,105,487
Net pension liability (Note 11)	5,124,457	4,230,488
Total long-term obligations	<u>14,364,354</u>	<u>13,881,778</u>
Total liabilities	<u>15,533,275</u>	<u>15,011,757</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts related to pensions	59,019	62,172
Deferred revenues	1,918,566	75,680
Total deferred inflows of resources	<u>1,977,585</u>	<u>137,852</u>
NET POSITION:		
Net investment in capital assets	99,123,597	100,624,886
Restricted for:		
Debt service	561,567	1,785,810
Other purposes	15,142	15,142
Unrestricted	<u>(3,755,822)</u>	<u>(1,922,934)</u>
Total net position	<u>95,944,484</u>	<u>100,502,904</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 113,455,344</u>	<u>\$ 115,652,513</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Lease revenues (Notes 1 and 8)	\$ 5,600,858	\$ 5,146,477
Other fees and permits	612,684	545,828
Total operating revenues	<u>6,213,542</u>	<u>5,692,305</u>
OPERATING EXPENSES:		
Personal services	3,179,447	2,685,982
Supplies and materials	210,202	93,004
Other services and charges	1,491,453	1,780,419
Promotion and marketing	129,393	106,323
Professional services	482,388	567,077
Depreciation (Notes 1 and 4)	6,212,223	6,297,621
Total operating expenses	<u>11,705,106</u>	<u>11,530,426</u>
Operating loss	<u>(5,491,564)</u>	<u>(5,838,121)</u>
NON-OPERATING REVENUES (EXPENSES):		
Taxes - ad valorem (Note 10)	1,167,261	1,176,819
Interest earned	7,619	1,445
Interest expense on long-term debt	(220,761)	(235,138)
Miscellaneous expense	(306,127)	(150,954)
Miscellaneous revenue	39,185	41,248
Intergovernmental revenues (Note 3)	125,000	120,000
Expropriation legal expenses (Note 13)	(287,742)	(174,193)
Gain on disposal of assets	13,722	-
Total non-operating revenues	<u>538,157</u>	<u>779,227</u>
CAPITAL CONTRIBUTIONS:		
Intergovernmental revenues (Note 3)	<u>394,987</u>	<u>297,864</u>
Change in fund net position	(4,558,420)	(4,761,030)
NET POSITION - Beginning of year	<u>100,502,904</u>	<u>105,263,934</u>
NET POSITION - End of year	<u>\$ 95,944,484</u>	<u>\$ 100,502,904</u>

See accompanying notes.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 5,312,833	\$ 5,597,070
Cash paid for goods and services	(2,272,986)	(2,461,972)
Payments for salaries and related expenses	<u>(2,850,622)</u>	<u>(2,477,824)</u>
Net cash provided by operating activities	<u>189,225</u>	<u>657,274</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Ad valorem tax receipts	1,165,183	1,177,268
Expropriation legal fees	(287,742)	(174,193)
State revenue sharing	<u>125,000</u>	<u>120,000</u>
Net cash provided by noncapital financing activities	<u>1,002,441</u>	<u>1,123,075</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal and state funds	153,741	925,047
Interest paid on loans	(228,628)	(238,367)
Principal payments on loans	(370,000)	(360,000)
Proceeds from insurance	39,185	41,248
Purchases of capital assets	(1,906,770)	(942,365)
Proceeds from disposals of capital assets	<u>29,558</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(2,282,914)</u>	<u>(574,437)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned	<u>7,619</u>	<u>1,445</u>
Net cash provided by investing activities	<u>7,619</u>	<u>1,445</u>
Net increase (decrease) in cash and cash equivalents	(1,083,629)	1,207,357
Cash and cash equivalents - beginning of year	<u>4,984,695</u>	<u>3,777,338</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,901,066</u></u>	<u><u>\$ 4,984,695</u></u>

(Continued)

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (5,491,564)	\$ (5,838,121)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	6,212,223	6,297,621
Amortization of lease abatement	(606,114)	(41,022)
Pension expense in excess of payments	360,218	40,766
Changes in net assets and liabilities:		
Accounts receivable	(294,595)	(54,213)
Prepaid expenses	3,641	119,214
Accounts payable	36,809	(34,363)
Compensated absences	(157,085)	1,213
Other postemployment benefits	<u>125,692</u>	<u>166,179</u>
Net cash provided by operating activities	<u>\$ 189,225</u>	<u>\$ 657,274</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:		
Cash and cash equivalents - current assets	\$ 3,324,357	\$ 3,183,743
Cash and cash equivalents - restricted assets	<u>576,709</u>	<u>1,800,952</u>
	<u>\$ 3,901,066</u>	<u>\$ 4,984,695</u>

See accompanying notes.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NATURE OF OPERATIONS:

The St. Bernard Port, Harbor and Terminal District (the District) was created as a public corporation and political subdivision of the State of Louisiana under Louisiana Revised Statute 34:1701-1714. The District is governed by a Board of Commissioners consisting of five members appointed by the Governor upon the recommendation of a majority of the Legislative delegation from St. Bernard Parish. The Board has the power to regulate the commerce and traffic of the District in such a manner as may be best for the public interest; and it is empowered to own and have charge of, to administer, construct, operate, and maintain wharves, warehouses, landings, docks, sheds, belt and connection railroads, shipways, canals, channels, slips, basins, locks, elevators, and other structures and facilities necessary and proper for the use and development of the business of the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation:

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and reporting standards.

Proprietary fund financial statements include a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Reporting Entity:

Government Accounting Standards Board (GASB) Statement No. 14 as amended by GASB 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity: (Continued)

1. Appointment of a voting majority of the governing board
 - a. The ability of the reporting entity to impose its will on the organization
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity
2. Organizations which are fiscally dependent
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship

The District is considered a related organization of the State of Louisiana. Although the Governor appoints the governing board, the State does not have a financial benefit or burden relationship with the District. Because the State does not have financial accountability for the District, the District is excluded from the reporting entity of the State. The nature of the State's relationship with the District is disclosed in the State's audited financial statements.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the State of Louisiana.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and money market funds.

Accounts Receivable:

The District uses the direct write-off method to remove uncollectible accounts receivable. This method approximates the allowance method required by accounting principles generally accepted in the United States of America.

Capital Assets:

All purchased capital assets are valued at cost. Depreciation of these assets is computed on the straight-line method over the estimated useful lives of the assets.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Restricted Assets:

Certain cash and cash equivalents to be used for planned construction and for the repayment of loans payable are classified as restricted assets on the statement of net position because their use is limited by applicable loan covenants.

Cash held for employee savings is restricted until the cash is remitted to the employee.

Compensated Absences:

Accumulated vacation and sick leave is accrued as an expense of the period in which incurred. Administrative employees earn from 12 to 24 days of vacation and sick leave each year depending on length of service with the District. Accumulation of vacation leave is limited to 60 days per employee. Accumulation of sick leave is limited to 25 days per employee. Upon termination of employment, unused vacation and sick leave will be paid to employees at the employee's current rate of pay.

Revenues and Expenses:

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues primarily consist of lease revenues include the leasing of land and improvements under cancelable operating leases. The leases are accounted for using the operating method whereby the amount of revenue recognized in each accounting period is equivalent to the amount of rent receivable according to the provisions of the lease. Improvements to the District's facilities paid for by lessees are recorded at fair value as they are made and are as reported as increases to capital assets and deferred inflows of resources. The revenue is recognized over the terms of the operating leases. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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 and changes in fiduciary net position of the defined benefit pension plans in which the District participates have been determined on the same basis as they are reported

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Pensions: (Continued)

by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications:

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on the District's net position.

2. CASH AND CASH EQUIVALENTS:

At June 30, 2017 and 2016, the District has cash book balances as follows:

	<u>2017</u>	<u>2016</u>
Demand deposits	\$ <u>195,142</u>	\$ <u>195,142</u>

Custodial credit risk is risk, that in the event of a bank failure, the District's deposits might not be returned to it. At June 30, 2017 and 2016, the District's demand deposits (bank balances) of \$195,077 and \$196,672 were entirely secured by federal deposit insurance.

All cash equivalents are carried at fair value. The following is a detail of the cash equivalents at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Federated Investors Government Obligations Money Market Fund – held by an agent of Gulf Coast Bank in the name of the bank	\$ 3,705,877	\$ 3,478,918
Restricted U.S. Treasury money market funds managed by the trustee and held by the trustee in the name of the District	<u>47</u>	<u>1,310,635</u>
Total cash equivalents	\$ <u>3,705,924</u>	\$ <u>4,789,553</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
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2. CASH AND CASH EQUIVALENTS: (Continued)

Concentration of credit risk relates to the amount of investments in any one entity. At June 30, 2017 and 2016, the District had no cash equivalents invested in any one entity which exceeded 5% of total cash equivalents, except for the above money market funds.

Statutes authorize the District to invest in direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States; bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies, provided such obligations are backed by the full faith and credit of the United States of America; bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by U.S. Government instrumentalities, which are federally sponsored; mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States or its agencies; and certain guaranteed investment contracts.

3. INTERGOVERNMENTAL REVENUES AND RECEIVABLES:

Intergovernmental revenues for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Non-operating:		
State of Louisiana revenue sharing	\$ 125,000	\$ 120,000
Capital contributions:		
Federal grants	<u>394,987</u>	<u>297,864</u>
Total Intergovernmental Revenues	<u>\$ 519,987</u>	<u>\$ 417,864</u>

Amounts due from other governmental units consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Lower MS River Port Wide Security Grant	\$ -	\$ 48,661
Department of Transportation and Development	-	16,220
St. Bernard Parish Tax Collector	<u>5,881</u>	<u>3,798</u>
Total Intergovernmental Receivables	<u>\$ 5,881</u>	<u>\$ 68,679</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
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4. CAPITAL ASSETS:

A summary of changes in capital assets and depreciation for the years ended June 30, 2017 and 2016 follows:

	Balance			Balance
<u>2017</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Land	\$ 16,064,846	\$ 655,095	\$ -	\$ 16,719,941
Dock and barge facilities	95,670,976	154,862	-	95,825,838
Buildings and improvements	46,563,407	82,093	-	46,645,500
Furniture and equipment	3,648,617	72,912	(43,909)	3,677,620
Construction in progress	363,842	3,391,808	-	3,755,650
Totals	<u>\$162,311,688</u>	<u>\$ 4,356,770</u>	<u>\$ (43,909)</u>	<u>\$166,624,549</u>

	Accumulated			Accumulated
	Depreciation			Depreciation
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Dock and barge facilities	\$ 32,100,297	\$ 3,887,785	\$ -	\$ 35,988,082
Buildings and improvements	18,353,114	2,018,231	-	20,371,345
Furniture and equipment	2,798,391	306,207	(28,073)	3,076,525
Totals	<u>\$ 53,251,802</u>	<u>\$ 6,212,223</u>	<u>\$ (28,073)</u>	<u>\$ 59,435,952</u>

	Balance			Balance
<u>2016</u>	<u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Land	\$ 16,064,846	\$ -	\$ -	\$ 16,064,846
Dock and barge facilities	95,377,377	293,599	-	95,670,976
Buildings and improvements	46,395,336	168,071	-	46,563,407
Furniture and equipment	3,535,178	116,853	(3,414)	3,648,617
Construction in progress	-	363,842	-	363,842
Totals	<u>\$161,372,737</u>	<u>\$ 942,365</u>	<u>\$ (3,414)</u>	<u>\$162,311,688</u>

	Accumulated			Accumulated
	Depreciation			Depreciation
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Dock and barge facilities	\$ 28,225,582	\$ 3,874,715	\$ -	\$ 32,100,297
Buildings and improvements	16,329,209	2,023,905	-	18,353,114
Furniture and equipment	2,402,804	399,001	(3,414)	2,798,391
Totals	<u>\$ 46,957,595</u>	<u>\$ 6,297,621</u>	<u>\$ (3,414)</u>	<u>\$ 53,251,802</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
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JUNE 30, 2017 AND 2016

4. CAPITAL ASSETS: (Continued)

Depreciation expense amounted to \$6,212,223 and \$6,297,621 for the years ended June 30, 2017 and 2016, respectively.

During the year ended June 30, 2017 and 2016, approximately \$12,000,000 of the dock and barge facilities balance and \$4,000,000 of the land balance was related to the expropriation of 71 acres of land and port facilities in Violet, Louisiana. The District is currently involved in legal proceedings following the expropriation. See Note 12 for further information.

5. GENERAL LONG-TERM OBLIGATIONS:

LOANS PAYABLE:

2014A, 2014B, and 2014C:

On May 14, 2014, the District entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority). Under the agreement, the Authority issued \$3,520,000 of Series 2014A Revenue and Refunding Bonds and \$5,125,000 of Series 2014B Revenue and Refunding Bonds and \$555,000 of Series 2014C Taxable Revenue Bond and loaned the proceeds to the District.

The 2014A, 2014B and 2014C bonds were issued to provide funds to enable the District to pay off prior existing debt and finance additional facilities and improvements. The proceeds of the bonds were also used to pay off the outstanding debt of the District related to the 2003A loan from the LPFA and the 2010A and 2010B loans from the Authority.

Under the loan agreement with the Authority, the District is required to repay the loan by making the debt service payments, including principal, interest and reserve requirements for the Authority's three bond issues. The 2014A and 2014B bonds have stated interest rates of 2.65% each and the 2014C bond has a stated interest rate of 3.65%. The bonds mature on March 1, 2034, respectively. Interest is payable March 1st and September 1st of each year, commencing September 1, 2014.

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(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. GENERAL LONG-TERM OBLIGATIONS:

LOANS PAYABLE: (Continued)

2014A, 2014B, and 2014C: (Continued)

The following is a summary of loan payable transactions for the years ended June 30, 2017 and 2016:

<u>2017</u>				<u>2016</u>	
<u>Description</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
2014A	\$ 3,225,000	\$ -	\$ (145,000)	\$ 3,080,000	\$ 145,000
2014B	4,700,000	-	(205,000)	4,495,000	215,000
2014C	510,000	-	(20,000)	490,000	20,000
	<u>\$ 8,435,000</u>	<u>\$ -</u>	<u>\$ (370,000)</u>	<u>\$ 8,065,000</u>	<u>\$ 380,000</u>

<u>2016</u>				<u>2016</u>	
<u>Description</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
2014A	\$ 3,365,000	\$ -	\$ (140,000)	\$ 3,225,000	\$ 145,000
2014B	4,900,000	-	(200,000)	4,700,000	205,000
2014C	530,000	-	(20,000)	510,000	20,000
	<u>\$ 8,795,000</u>	<u>\$ -</u>	<u>\$ (360,000)</u>	<u>\$ 8,435,000</u>	<u>\$ 370,000</u>

The annual principal and interest payments on the loans outstanding at June 30, 2017 are scheduled to occur as follows.

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2018	\$ 380,000	\$ 218,623	\$ 598,623
2019	390,000	208,353	598,353
2020	405,000	197,818	602,818
2021	415,000	186,835	601,835
2022	420,000	175,588	595,588
2023-2027	2,285,000	700,960	2,985,960
2028-2032	2,620,000	373,225	2,993,225
2033-2034	<u>1,150,000</u>	<u>47,128</u>	<u>1,197,128</u>
	<u>\$ 8,065,000</u>	<u>\$ 2,108,530</u>	<u>\$ 10,173,530</u>

Interest expense paid on the loans during the years ended June 30, 2017 and 2016 was \$220,761 and \$235,138, respectively.

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 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. GENERAL LONG-TERM OBLIGATIONS: (Continued)

OTHER LONG-TERM OBLIGATIONS:

The following is a summary of changes in other long-term obligations for the years ended June 30, 2017 and 2016:

<u>2017</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ <u>480,803</u>	\$ <u>140,885</u>	\$ <u>(297,970)</u>	\$ <u>323,718</u>	\$ <u> -</u>
<u>2016</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ <u>479,590</u>	\$ <u>83,111</u>	\$ <u>(81,898)</u>	\$ <u>480,803</u>	\$ <u> -</u>

During the years ended June 30, 2017 and 2016, there were \$2,450,000 and \$0 of additions to unearned revenue, respectively. During the years ended June 30, 2017 and 2016, unearned revenue decreased \$606,114 and \$41,022, respectively, from the recognition of lease revenue to amortize the cost of the improvements over the term of the leases or the recognition of lease revenue paid in advance.

The following is a schedule of estimated unearned revenue to be recognized in future years:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 577,918
2019	577,918
2020	577,918
2021	<u>184,812</u>
Total Unearned Revenue	<u>\$ 1,918,566</u>

6. OTHER POSTEMPLOYMENT BENEFITS:

Substantially all District employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the District. The benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the District. At June 30, 2017 and 2016, three retirees were receiving postemployment benefits.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

6. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Plan Description:

The District's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits. LRS 42:801-883 assigns the Authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained from the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy:

The contribution requirements of plan members and the employers are established and may be amended by LRS 42:801-883. Active employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving postemployment benefits. The retirees contribute to the cost of their postemployment benefits based on a service schedule. The plan is currently financed on a pay-as-you-go method. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage.

The District had three retirees receiving health benefits through the Office of Group Benefits as of June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, the employee premiums for these benefits totaled \$10,001 and \$10,677, respectively. For the years ended June 30, 2017 and 2016, the premiums contributed by the District for these benefits total \$30,308 and \$31,821, respectively.

Annual OPEB Cost:

The District's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities. The total ARC for the fiscal years ended June 30, 2017 and 2016 was \$156,000 and \$198,000, respectively.

The following schedule presents the components of the District's OPEB cost for the years ended June 30, 2017 and 2016, the amount actually contributed to the plan, and changes in the District's net OPEB Obligation:

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

6. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Annual OPEB Cost: (Continued)

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 156,000	\$ 198,000
Contributions made	<u>(30,308)</u>	<u>(31,821)</u>
Increase in Net OPEB Obligation	125,692	166,179
Beginning Net OPEB Obligation	<u>1,105,487</u>	<u>939,308</u>
Ending Net OPEB Obligation	<u>\$ 1,231,179</u>	<u>\$ 1,105,487</u>

The District's percentage of annual OPEB cost contributed to the plan utilizing the pay-as-you-go method and the net OPEB Obligation for the years ended June 30, 2015 through 2017 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 156,000	19.43%	\$ 1,231,179
June 30, 2016	198,000	16.07	1,105,487
June 30, 2015	187,400	17.25	939,308

Funded Status and Funding Progress:

Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund with an effective date of July 1, 2008. However, neither the District nor the State of Louisiana has contributed to it as of June 30, 2017. Since the plan has not been funded, the District's entire actuarial accrued liability of \$1,543,000 and \$1,959,553 for the years ended June 30, 2017 and 2016, respectively, was unfunded.

The funded status of the plan as of June 30, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Actuarial accrued liability (AAL)	\$ 1,543,000	\$ 1,959,553
Actuarial value of plan assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,543,000</u>	<u>\$ 1,959,553</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll	\$ 715,000	\$ 608,106
UAAL as a percentage of covered payroll	216%	322%

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
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6. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve 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 the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the 2017 and 2016 actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.8% and 4.0% investment rate of return (net of administrative expenses), respectively. Initial annual healthcare cost trend rates of 7.0% and 7.5% for pre-Medicare and 6.0% and 7.5% for Medicare eligibles, respectively, were assumed for the 2017 and 2016 valuations, respectively. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over an open amortization period of 30 years in developing the annual required contribution. The remaining amortization period as of June 30, 2017 and 2016 was 20 and 21 years, respectively.

7. LEASE EXPENSE:

The District leases various equipment and property for use in its operations. Total lease expense for all leases during the years ended June 30, 2017 and 2016 was \$119,561 and \$75,587, respectively.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
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7. LEASE EXPENSE: (Continued)

The schedule of estimated future minimum lease payments as of June 30, 2017 is as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 161,552
2019	161,552
2020	161,552
2021	161,552
2022	164,186
2023 through 2027	835,363
2028 through 2032	596,307
2033 through 2037	<u>468,837</u>
	<u>\$ 2,710,901</u>

8. LEASE REVENUES:

The District leases property and buildings located at the Chalmette and Arabi terminals and other sites within St. Bernard Parish, and dock and barge facilities located at the Chalmette Slip to various businesses. These leases are reported as operating leases. Minimum future rental income on non-cancelable leases as of June 30, 2017 is as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 3,997,934
2019	3,589,538
2020	3,647,048
2021	3,603,707
2022	3,118,665
Thereafter	<u>23,287,433</u>
Total	<u>\$ 41,244,325</u>

Contingent rentals earned for the years ended June 30, 2017 and 2016 were \$567,234 and \$567,668, respectively.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

8. LEASE REVENUES: (Continued)

The carrying value of leased property as of June 30, 2017 and 2016 was as follows:

<u>2017</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Land	\$ 16,719,941	\$ -	\$ 16,719,941
Dock and barge facilities	95,825,838	(35,988,082)	59,837,756
Buildings and improvements	46,645,500	(20,371,345)	26,274,155
	<u>\$ 159,191,279</u>	<u>\$ (56,359,427)</u>	<u>\$ 102,831,852</u>

<u>2016</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Land	\$ 16,064,846	\$ -	\$ 16,064,846
Dock and barge facilities	95,670,976	(32,100,297)	63,570,679
Buildings and improvements	46,563,407	(18,353,114)	28,210,293
	<u>\$ 158,299,229</u>	<u>\$ (50,453,411)</u>	<u>\$ 107,845,818</u>

9. SERVICE CONCESSION ARRANGEMENT:

The District has contracted with a private party to operate its facilities. The operator of the District's facilities performs improvements to existing capital assets of the District when necessary. These improvements are capitalized as they are made and are subject to depreciation based on existing policies for similar capital assets. The difference between the initial capital asset recognized and any associated liability with the arrangement, if any, is reported as a deferred inflow of resources and is recognized as income in a systematic and rational manner based on the terms to the arrangement.

The operator of the facilities performed and paid for improvements to existing capital assets for the years ended June 30, 2017 and 2016 totaling \$2,450,000 and \$0, respectively, which was reported as additions to capital assets and deferred inflows of resources. Amounts recognized as revenues relating to the arrangement for the years ended June 30, 2017 and 2016 was \$606,114 and \$41,022, respectively.

10. AD VALOREM TAXES:

Property taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on December 31. Property taxes are levied on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

10. AD VALOREM TAXES: (Continued)

the District. Assessed values are established by the St. Bernard Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. The assessed value upon which the 2017 levy was based was \$378,900,498 with homestead exemptions of \$64,907,738. The assessed value upon which the 2016 levy was based was \$382,905,244 with homestead exemptions of \$62,981,600.

The District is permitted by Article 7, Section 23 of the 1974 Constitution and Act 228 of 1960 of the State of Louisiana to levy taxes up to \$5.00 per \$1,000 of assessed valuation on property within the District to defray their administrative, operative, and maintenance expenditures. Taxes were levied to finance expenses at a rate of \$3.73 per \$1,000 and \$3.66 per \$1,000 for the 2017 and 2016 levies, respectively.

Ad valorem taxes are generally collected in December of the current year and January and February of the ensuing year. Current tax collections for the years ended June 30, 2017 and 2016 were 99.66% and 99.92%, respectively, of the tax levies.

As required by State of Louisiana statutes, prescribed deductions are made from the District's property tax receipts to cover contributions to various pension funds. The deductions for the years ended June 30, 2017 and 2016 were \$35,942 and \$36,121, respectively.

11. PENSION PLANS:

Plan Descriptions:

Substantially all employees of the District are provided with pensions through cost-sharing multiple-employer defined benefit pension plans administered by the Teachers' Retirement System of Louisiana (TRSL) or Louisiana State Employees' Retirement System (LASERS). The authority to establish and amend the benefit terms of TRSL and LASERS was granted to the respective Board of Trustees and the Louisiana Legislature by Title 11 of the Louisiana Revised Statutes. TRSL and LASERS each issues publicly available financial reports that can be obtained at www.trsl.org and www.lasersonline.org, respectively. All permanent employees, who meet the age requirements and who are paid wholly or in part from the District funds must be members of LASERS. However, employees who were previously members of other state retirement systems may continue to participate in that system in lieu of participating in LASERS. During the years ended June 30, 2017 and 2016, one employee continued participation in the TRSL.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
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NOTES TO FINANCIAL STATEMENTS
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11. PENSION PLANS: (Continued)

Benefits Provided:

Teacher's Retirement System of Louisiana (TRSL):

TRSL provides retirement, deferred retirement option (DROP), disability, and survivor benefits through three membership plans. Retirement benefits are determined as 2 or 2.5% (Regular Plan), 1 or 3% (Plan A), or 2% (Plan B) of final average salary for each year of credited service. Final average salary is based upon the member's highest successive 36 months of salary for members hired prior to January 1, 2011 or 60 months of salary for members hired on or after January 1, 2011.

Employees hired prior to July 1, 1999 are eligible to retire at age 60 with 5 years of accredited service or 20 years of creditable teaching service regardless of age. Employees hired on or after July 1, 1999 and prior to January 1, 2011 are eligible to retire at age 60 with 5 years of accredited service, at age 55 with 25 years of accredited service, or at any age with 30 years of accredited service. Employees hired on or after January 1, 2011 are eligible to retire at age 60 with 5 years of accredited service or at any age with 20 years of service credit. Employees hired on or after July 1, 2015 are eligible to retire at age 62 with 5 years of accredited service or at any age with 20 years of service credit.

In lieu of terminating employment and accepting a service retirement, an eligible member can begin participation in the Deferred Retirement Option Program (DROP) on the first retirement eligibility date for a period not to exceed the 3rd anniversary of retirement eligibility. Delayed participation reduces the three year participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account. Upon termination of DROP, the member can continue employment and earn additional accruals to be added to the fixed pre-DROP benefit. Upon termination of employment, the member is entitled to the fixed benefit, an additional benefit based on post-DROP service (if any), and the individual DROP account balance which can be paid in a lump sum or an additional annuity based upon the account balance.

Disability benefits for employees hired prior to January 1, 2011 are determined at 2.5% of average compensation multiplied by the years of creditable service, but not to exceed 50% of average compensation. Disability benefits for employees hired on or after January 1, 2011 shall receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

Teacher's Retirement System of Louisiana (TRSL): (Continued)

Survivor benefits are determined at 50% of the benefit to which the employee would have been entitled upon retirement at the age of 60 using a factor of 2.5% regardless of years of service or age, or \$600 per month, whichever is greater, provided the member was an active member at the time of death and had 5 years of creditable service with at least 2 years of which were earned immediately prior to death.

TRSL allows for the payment of ad hoc permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Louisiana State Employees' Retirement System (LASERS):

LASERS provides retirement, deferred retirement option (DROP), disability, and survivor's benefits. The age and years of creditable service required in order for a member to retire with full benefits vary depending on the member's hire date, employer, and job classification. Employees hired prior to July 1, 2006 are eligible to retire at age 60 with 10 years of accredited service or 30 years of creditable service regardless of age. Employees hired between July 1, 2006 and June 30, 2015 are eligible to retire at age 60 with 5 years of accredited service. Employees hired on or after July 1, 2015 are eligible to retire at age 62 with 5 years of accredited service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

Louisiana State Employees' Retirement System (LASERS): (Continued)

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

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

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

Louisiana State Employees' Retirement System (LASERS): (Continued)

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of .5% less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

Active members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of 20 years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

LASERS allows for the payment of ad hoc permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Contributions:

Teachers' Retirement System of Louisiana (TRSL):

Contribution requirements of active employees are governed by Section 101-104 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:101-11:104) and may be amended by the Louisiana Legislature. All of the District's employees participating in TRSL are included in the Regular Plan. Members are required by state statute to contribute 8.0% of their annual

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

Contributions: (Continued)

Teachers' Retirement System of Louisiana (TRSL): (Continued)

covered salaries and the District is required to make employer contributions based on an actuarially determined rate. The employer contribution rates for the fiscal years ended June 30, 2017 and 2016 was 25.5% and 26.3% of annual covered payroll, respectively. The District's contributions paid to TRSL for the years ended June 30, 2017 and 2016 were \$68,560 and \$68,651, respectively.

Louisiana State Employees' Retirement System (LASERS):

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Substantially all of the District's employees participating in LASERS are included in the Regular Plan. Members are required by state statute to contribute 7.5% of their annual covered salaries if hired before July 1, 2006 (closed plan) and 8.0% of their annual covered salaries if hired after July 1, 2006, and the District is required to make employer contributions based on an actuarially determined rate. The employer contribution rates for the fiscal years ended June 30, 2017 and 2016 was 35.8% and 37.2% of annual covered payroll, respectively. The District's contributions paid to LASERS for the years ended June 30, 2017 and 2016 was \$405,707 and \$392,020, respectively.

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

At June 30, 2017, the District reported a liability for its participation in TRSL and LASERS of \$716,191 and \$4,408,266, respectively, for its proportionate share of the net pension liability of each System. At June 30, 2016, the District reported a liability for its participation in TRSL and LASERS of \$642,556 and \$3,587,932, respectively, for its proportionate share of the net pension liability of each System. The net pension liabilities were measured as of June 30, 2016 and 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability for TRSL and LASERS was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the June 30, 2016 measurement date, the District's proportion in TRSL and LASERS was 0.00610%, and 0.05614%, respectively, which was an increase of approximately 0.00012% and 0.00339%, respectively, from its proportion measured as of June 30, 2015.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

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

For the year ended June 30, 2017, the District recognized pension expense for its participation in TRSL and LASERS of \$115,533 and \$721,285, respectively. For the year ended June 30, 2016, the District recognized pension expense for its participation in TRSL and LASERS of \$84,544 and \$419,130, respectively.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for its participation in TRSL:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	52,137	14,140
Changes in proportion and differences between employer and non-employer contributions and proportionate share of contributions	103,250	-
Employer contributions subsequent to the measurement date	<u>68,560</u>	<u>-</u>
Total	<u>\$ 223,947</u>	<u>\$ 14,140</u>

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for its participation in TRSL:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,374
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	14,180
Changes in proportion and differences between employer and non-employer contributions and proportionate share of contributions	133,717	-
Employer contributions subsequent to the measurement date	<u>68,651</u>	<u>-</u>
Total	<u>\$ 202,368</u>	<u>\$ 21,554</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

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

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for its participation in LASERS:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,552	\$ 40,885
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	549,057	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	147,130	3,994
Employer contributions subsequent to the measurement date	<u>405,704</u>	<u>-</u>
Total	<u>\$ 1,104,443</u>	<u>\$ 44,879</u>

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for its participation in LASERS:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,797	\$ 29,387
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,245
Changes in proportion and differences between employer contributions and proportionate share of contributions	198,612	7,986
Employer contributions subsequent to the measurement date	<u>392,020</u>	<u>-</u>
Total	<u>\$ 595,429</u>	<u>\$ 40,618</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

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

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date for TRSL and LASERS of \$68,560 and \$405,704 respectively, will be recognized as a reduction of the net pension liability during 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 (benefit) as follows:

Year ended June 30:	<u>TRSL</u>	<u>LASERS</u>
2018	\$ 43,906	\$ 154,035
2019	43,906	155,477
2020	38,748	213,375
2021	14,687	130,973

Actuarial Assumptions:

The total pension liability in the June 30, 2016 actuarial valuations for TRSL and LASERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:	<u>TRSL</u>	<u>LASERS</u>
Inflation	2.5%	3.0%
Salary Increases	3.5% - 10.0%	3.0% - 14.5%
Investment Rate of Return	7.75%	7.75%
Dates of Experience Study	2008 - 2012	2009 - 2013
Mortality Rates	RP-2000 Mortality Table	RP-2000 Combined Healthy Mortality Table RP-2000 Disabled Retiree Table

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

Actuarial Assumptions: (Continued)

The long-term expected rates of return on pension plan investments of TRSL and LASERS were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and expected real rates of return of TRSL and LASERS for each major asset class as of the June 30, 2016 measurement date are summarized in the following tables:

Teachers' Retirement System of Louisiana (TRSL):

<u>Asset Class</u>	<u>Target Allocation</u>	Long-Term Expected Real Rates of Return <u>(Arithmetic)</u>
Domestic Fixed Income	14%	2.45%
International Fixed Income	7	3.28
Domestic Equity	31	4.50
International Equity	19	5.31
Alternative Investments	<u>29</u>	6.80
Total	<u>100%</u>	

Louisiana State Employees' Retirement System (LASERS):

<u>Asset Class</u>	<u>Target Allocation</u>	Long-Term Expected Real Rates of Return <u>(Geometric)</u>
Cash	0%	-0.24%
Domestic Equity	25	4.31
International Equity	32	5.48
Domestic Fixed Income	8	1.63
International Fixed Income	6	2.47
Alternative Investments	22	7.42
Global Asset Allocation	<u>7</u>	2.92
Total	<u>100%</u>	

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

Actuarial Assumptions: (Continued)

Discount Rate:

The discount rate used to measure the total pension liability of TRSL and LASERS was 7.75% and 7.75%, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability of TRSL and LASERS as of June 30, 2017 and 2016 using the current discount rate of 7.75% and 7.75%, respectively, as well as what the District's proportionate share of the 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:

	District's Proportionate Share of the Net Pension Liability		
	1.00%	Current	1.00%
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
<u>June 30, 2017</u>			
Teachers' Retirement System of Louisiana	\$ 893,309	\$ 716,191	\$ 565,475
Louisiana State Employees' Retirement System	5,415,962	4,408,266	3,552,039

	District's Proportionate Share of the Net Pension Liability		
	1.00%	Current	1.00%
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
<u>June 30, 2016</u>			
Teachers' Retirement System of Louisiana	\$ 813,067	\$ 642,556	\$ 497,533
Louisiana State Employees' Retirement System	4,528,745	3,587,932	2,788,952

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. PENSION PLANS: (Continued)

Support of Non-employer Contributing Entities:

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the years ended June 30, 2017 and 2016, the District recognized revenue as a result of support received from non-employer contributing entities of \$2,331 and \$2,237, respectively, for its participation in TRSL. LASERS does not receive support from non-employer contributing entities and as a result no revenue was recorded for the participation in LASERS for the years ended June 30, 2017 and 2016.

Pension Plan Fiduciary Net Position:

Detailed information about the pension plans fiduciary net position is available in the separately issued financial reports for TRSL and LASERS.

12. DEFERRED COMPENSATION PLAN:

The Louisiana Public Employees Deferred Compensation Plan (the Plan) was adopted by the Louisiana Deferred Compensation Commission effective September 15, 1982. The Plan was established in accordance with Louisiana Revised Statutes 42:1301 through 42:1308 and section 457 of the Internal Revenue Code of 1954, as amended, for the purpose of providing supplemental retirement income to employees by permitting them to defer a portion of compensation to be invested and distributed in accordance with the terms of the Plan.

All compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights, shall be held for the exclusive benefit of participants and their beneficiaries.

The maximum amount of compensation which may be deferred during a calendar year shall not exceed \$18,000 for the years ended June 30, 2017 and 2016.

The District makes contributions to the Plan on behalf of each employee based on the following schedule:

<u>Years of Service</u>	<u>Monthly Contribution</u>
0-2	\$ 30
3-5	60
6-9	90
10-14	120
15 and over	150

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

12. DEFERRED COMPENSATION PLAN: (Continued)

Contributions to the Plan by employees totaled \$91,995 and \$71,076 for the years ended June 30, 2017 and 2016, respectively. Contributions to the Plan by the District totaled \$38,860 and \$19,750 for the years ended June 30, 2017 and 2016, respectively.

13. COMMITMENTS AND CONTINGENCIES:

The District is currently involved in legal proceedings following its expropriation of approximately 71 acres of land for expansion of port services. The previous landowner contested the expropriation. A district court judge upheld the District's expropriation of the property during a bench trial on February 1, 2012. The District has deposited \$16,000,000 into the registry of the court as part of its petition for expropriation. The District seeks a reduction of this amount for debris removal and environmental and other issues. The previous owner contends that it is entitled to \$66,000,000 in damages for the full extent of its losses related to the expropriation. A valuation trial commenced in September 2013 with the District subsequently receiving a favorable opinion. The judge held that the previous owner was not entitled to any additional funds in excess of the \$16,000,000 deposited to the Registry of the Court. The previous owner has filed a notice of appeal. The attorney representing the District is unable to express an opinion as to the likelihood of the District prevailing in this matter.

During the years ended June 30, 2017 and 2016, the District incurred \$287,742 and \$174,193 of legal expenses related to the expropriation, respectively.

14. USE OF ESTIMATES:

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

15. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 6, 2017, which is the date the financial statements were available to be issued.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
FOR THE THREE YEARS ENDED JUNE 30, 2017

Fiscal Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a % of of Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
<u>LASERS:</u>					
2017	0.0561%	\$ 4,408,266	\$ 1,045,284	421.73%	57.70%
2016	0.0527%	3,587,932	994,779	360.68%	62.70%
2015	0.0527%	3,295,649	1,162,778	283.43%	65.00%
<u>TRSL:</u>					
2017	0.0061%	\$ 716,191	\$ 261,032	274.37%	59.90%
2016	0.0060%	642,556	253,429	253.54%	62.50%
2015	0.0054%	549,811	224,274	245.15%	63.70%

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

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE THREE YEARS ENDED JUNE 30, 2017

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
<u>LASERS:</u>					
2017	\$ 398,946	\$ 405,704	\$ (6,758)	\$ 1,114,374	36.41%
2016	388,846	392,020	(3,174)	1,045,284	37.50%
2015	368,068	368,068	-	994,779	37.00%
<u>TRSL:</u>					
2017	\$ 68,560	\$ 68,560	\$ -	\$ 268,863	25.50%
2016	68,651	68,651	-	261,032	26.30%
2015	70,960	70,960	-	253,429	28.00%

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

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR
 THE DISTRICT'S OTHER POSTEMPLOYMENT BENEFIT PLANS
FOR THE THREE YEARS ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2016	\$ -	\$ 1,543,000	\$1,543,000	-%	\$ 715,000	216%
7/1/2015	-	1,959,553	1,959,553	-%	608,106	322%
7/1/2014	-	1,815,020	1,815,020	-%	602,000	301%

ST. BERNARD PORT, HAROR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017 AND 2016

1. CHANGES OF BENEFIT TERMS:

During the reporting periods June 30, 2015 and 2017, a 1.5% Cost of Living Adjustment (COLA) was granted by LASERS and TRSL. There were no changes in benefit terms for any of the remaining years presented.

2. CHANGES OF ASSUMPTIONS:

There were no changes of assumptions during any of the years presented.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
 TO AGENCY HEAD
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Agency head name: Robert J. Scafidel, Executive Director

<u>Purpose</u>	<u>2017</u>	<u>2016</u>
Salary	\$ 268,863	\$ 261,032
Salary - accrued leave	192,468	-
Benefit - insurance	8,537	8,801
Benefits - retirement	68,560	68,651
Vehicle provided by government	4,125	4,125
Per diem	162	-
Reimbursements	437	458
Travel	1,691	215
Registration fees	3,370	2,600
	<hr/>	<hr/>
Total	<u>\$ 548,213</u>	<u>\$ 345,882</u>



Duplantier
Hrapmann
Hogan &
Maher, LLP

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)
Felix J. Hrapmann, Jr., CPA
(1919-1990)
William R. Hogan, Jr., CPA
(1920-1996)
James Maher, Jr., CPA
(1921-1999)

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

November 6, 2017

Board of Commissioners
St. Bernard Port, Harbor and Terminal District
Chalmette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the St. Bernard Port, Harbor and Terminal District (the District), a component unit of the State of Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

PRIOR AUDIT FINDINGS:

None

ST. BERNARD PORT, HARBOR AND
TERMINAL DISTRICT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

JUNE 30, 2017

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT

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Duplantier Hrapmann Hogan & Maher, LLP

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

October 24, 2017

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
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A.J. Duplantier, Jr., CPA
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New Orleans

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1290 Seventh Street
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5047 Highway 1
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Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

Board of Commissioners
St. Bernard Port, Harbor and Terminal District and
Louisiana Legislative Auditor

We have applied the procedures enumerated below which were agreed to by the St. Bernard Port, Harbor and Terminal District (the District) and the Louisiana Legislative Auditor, on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the year ended June 30, 2017. The District's management is responsible for the control and compliance areas identified in the Statewide Agreed-Upon Procedures. 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) We obtained the entity's written policies and procedures and determined whether those written policies and procedures addressed each of the following financial/business functions, as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget
 - 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.
 - c) Disbursements, including processing, reviewing, and approving
 - d) Receipts, including receiving, recording, and preparing deposits
 - e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

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- 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
- 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
- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Upon applying the agreed upon procedures above, we noted the following: the purchasing policy did not include how vendors are added to the vendor list and documentation required to be maintained for all bids and price quotes; the cash receipts policy did not include procedures over recording receipts; the contracting policy did not include a legal review process; the credit cards policy did not include how the cards are to be controlled and allowable business uses; the travel and expense reimbursement policy did not include dollar thresholds for each category of expense and documentation requirements; and there were no written policies and procedures over ethics.

Management's Response:

All of the findings mentioned above are also later mentioned in the applicable section of this report. Each of these items will be addressed accordingly in its respective section. While most of the issues related to these findings currently have policies and procedures in place to effectuate proper internal controls, some of those policies were not in written form. Management is in the process of reviewing those policies and procedures to ensure that all are included in written form.

Board

- 2) We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) Determined whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

- b) Determined whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
- c) Determined 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.

No findings were noted as a result of applying the procedure above.

Bank Reconciliations

- 3) We obtained a listing of client bank accounts from management and management's representation that the listing is complete.

No findings were noted as a result of applying the procedure above.

- 4) Using the listing provided by management, we selected one-third of the entity's bank accounts on a rotating basis. For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and determined whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations included evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) had reviewed each bank reconciliation; and
 - c) Management had documentation reflecting that it had researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Upon applying the procedure above, we noted that two bank reconciliations were not approved for two of the months tested.

Management's Response:

Bank statements are received by and reconciled by the Executive Assistant and forwarded to the Executive Director for approval. All reconciling items exceeding their sixth month in outstanding status are brought to the Accounting Specialist to be researched and appropriate steps are taken to resolve the issue. The findings noted above were isolated instances.

Collections

- 5) We obtained a listing of cash/ check/ money order (cash) collection locations and management's representation that the listing was complete.

No findings were noted as a result of applying the procedure above.

- 6) Using the cash collection listing provided by management, we selected all of the entity's cash collection locations. For each cash location selected:
- a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined whether each person responsible for collecting cash was (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.
 - b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and determined 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 was not responsible for cash collections in the cash collection location selected.
 - c) We selected 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, we traced daily collections to the deposit date on the corresponding bank statement and determined whether the deposits were made within one day of collection. If deposits were not made within one day of collection, we determined the number of days from receipt to deposit for each day at each collection location.
 - ii. Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections were completely supported by documentation and report any exceptions.

Upon applying the procedure above, we noted that the cash receipts policy did not include procedures for segregating collection responsibilities from depositing cash in the bank account, recording the related transaction, or reconciling the related bank account. We also noted that cash receipts policy did not include how the entity reconciles cash collections to the general ledger or sub-ledger by revenue source.

Upon applying the procedure above, we also noted five instances in which collections were not deposited within one day of receipt. We noted one receipt that was deposited eight days after collection, one receipt that was deposited three days after collection, and three receipts that were deposited two days after collection.

Management's Response:

The District's policy is to not accept any cash, except in instances where directed by the Director of Administration or the Executive Director. Only checks or money orders are accepted and the policy is to deposit the receipts within one day of its receipt, whenever practical. Segregation of duties is achieved based on the following steps. Cash receipts are delivered by U.S. mail or in person directly to the Receptionist. The Receptionist copies

the checks and records them on a spreadsheet. The spreadsheet is forwarded to the Executive Assistant to be used in the reconciliation process. The original checks, money orders, or cashier's checks are forwarded to the Accounting Specialist for deposit, utilizing Desk Top Teller, whenever practicable, and verification of the lease month applicable to the receipt. Desk Top Teller is an automated deposit system provided by the District's Agent Bank where checks, money orders, and cashier's checks are scanned through a device provided by the Agent Bank and electronically transmitted to the Agent Bank. In the rare instances where US cash is received after Administrative approval, the Receptionist issues a signed receipt to the tenant and records the payment received onto the Excel spread sheet. The cash is then forwarded to the Accounting Specialist who writes out a deposit slip and physically carries the deposit to the bank the next business day, whenever practicable.

- 7) We obtained existing written documentation (e.g. policy manual, written procedure) and determined 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 was not responsible for collections.

Upon applying the procedure above, we noted that the cash receipts policy did not include procedures to determine completeness of all collections, including electronic transfers, for each revenue source and by a person who is not responsible for collections.

Management's Response:

As previously stated, transaction completeness is achieved based on the Accounting Specialist's verification of the lease payment's applicable month as compared to the tenant's notation on the check. Any discrepancies are researched and communicated to the tenant for corrective measures. When electronic payments are received, documentation is printed and the applicable tenant's file is updated.

Disbursements – General (excluding credit card purchases or payments)

- 8) We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. We also obtained management's representation that the listing or general ledger population was complete.

No findings were noted as a result of applying the procedure above.

- 9) Using the disbursement population from agreed-upon procedure number 8 above, we randomly selected 25 disbursements excluding credit card/ debit card/ fuel card/ P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions,

system screens/ logs) for each transaction and determined 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.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- 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.

Upon applying the procedure above, we noted one instance in which a purchase order or requisition was not used to initiate the purchase. As a result we were also not able to determine that the person who approved the purchase did not also initiate the purchase and payment for the purchase was also processed without an approved requisition or purchase order.

Management's Response:

The District's policies and procedures require that requisitions are to be in writing and then forwarded to the Manager, if applicable, and then to the Executive Director for signature approval. Upon approval, the requisitions are forwarded to the Purchasing Secretary for creation of a purchase order and assignment of a purchase order number. Then the order is placed to obtain the goods or services. If tangible property is ordered, the delivery report or the purchase receipt is signed off on by the person receiving such goods. The signed off report/receipt is forwarded to the Purchasing Secretary for purchase order matching and verification. That packet is then forwarded to the Accounting Specialist for payment. The finding noted above was an isolated instance.

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

Upon applying the procedure above, we noted that the cash disbursements policy did not include a policy prohibiting the person from processing payments from also adding vendors to the purchasing and disbursement system.

Management's Response:

Vendor files are maintained by the Accounting Specialist. Policies and procedures will be amended so that a file will be created to maintain an IRS form W-9, proof of insurance, mailing/payment addresses, appropriate vendor contacts, and a search on the Louisiana Secretary of State's website will be performed to validate the vendor's business status,

where applicable. New vendor records will be printed upon creation and signed off on by the Director of Administration or the Executive Director.

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

Upon applying the procedure above, we noted that the cash disbursement policy did not include policies segregating responsibilities between persons with signatory authority or persons who make the final authorization for disbursements from responsibilities for initiating or recording purchases.

Management's Response:

Policies and procedures will be amended to initiate a process related to the entering of accounts payable invoices into the accounting system. A batch proof report will be printed and forwarded to the Director of Administration, along with the pertinent invoices, for review and payment approval prior to disbursement checks being printed.

- 12) We inquired of management and observed whether the supply of unused checks was maintained in a locked location, with access restricted to those persons that do not have signatory authority, and noted any exceptions. Alternately, if the checks were electronically printed on blank check stock, we reviewed entity documentation (electronic system control documentation) and determined whether the persons with signatory authority have system access to print checks.

No findings were noted as a result of applying the procedure above.

- 13) When signature stamp or signature machine was used, we inquired of the signer whether his or her signature was maintained under his or her control or was used only with the knowledge and consent of the signer. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

No findings were noted as a result of applying the procedure above.

Credit Cards

- 14) We obtained 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. We also obtained management's representation that the listing was complete.

No findings were noted as a result of applying the procedure above.

- 15) Using the listing prepared by management, we randomly selected one-third of the credit cards (the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. We obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. We selected 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) Determined whether there was evidence that the monthly statement or combined statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Determined whether finance charges and/or late fees were assessed on the selected statements.

No findings were noted as a result of applying the procedure above.

- 16) Using the monthly statements or combined statements selected under agreed-upon procedure number 15 above, we obtained supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).
- a) For each transaction, we determined that the transaction was supported by:
 - i. An original itemized receipt (i.e., identifies precisely what was purchased).
 - ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization).
 - b) For each transaction, we compared 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 was a large or recurring purchase requiring the solicitation of bids or quotes) and noted any exceptions.
 - c) For each transaction, we compared 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). When the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner reported the transaction as an exception.

No findings were noted as a result of applying the procedure above.

Travel and Expense Reimbursement

- 17) We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sorted/filtered for travel reimbursements. We also obtained management's representation that the listing and general ledger was complete.

No findings were noted as a result of applying the procedure above.

- 18) We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and determined any amounts that exceed GSA rates.

No findings were noted as a result of applying the procedure above.

- 19) Using the listing from agreed-upon procedure number 17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) We compared expense documentation to written policies and determined whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity did not have written policies, we compared to the GSA rates (#18 above) and determined each reimbursement that exceeded those rates.
- b) We determined whether each expense was supported by:
 - i. An original itemized receipt that identified precisely what was purchased. (Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) did not require a receipt.)
 - ii. Documentation of the business/ public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) We compared 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 reported any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). When the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner reported the transaction as an exception.

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

No findings were noted as a result of applying the procedure above.

Contracts

- 20) We obtained a listing of all contracts in effect during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for contract payments. We also obtained management's representation that the listing or general ledger was complete.

No findings were noted as a result of applying the procedure above.

- 21) Using the listing above, we selected 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). We obtained the related contracts and paid invoices and:

- a) Determined whether there was a formal/written contract that supported the services arrangement and the amount paid.
- b) Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. We determined whether each contract was subject to the Louisiana Public Bid Law or Procurement Code and:
 - i. If yes, we obtained/ compared supporting contract documentation to legal requirements and determined whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - ii. If no, we obtained supporting contract documentation and determined whether the entity solicited quotes as a best practice.
- c) Determined whether the contract was amended. If so, we determined the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and determined whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtained/reviewed contract documentation and board minutes and determined whether there was documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No findings were noted as a result of applying the procedure above.

Payroll and Personnel

22) We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing was complete. We randomly selected five employees/officials, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period and determined whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and determined whether those changes were approved in writing and in accordance with written policy.

No findings were noted as a result of applying the procedure above.

23) We obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected one-third of employees/officials and:

- a) Determined whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- b) Determined whether there was written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Determined whether there was 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.

No findings were noted as a result of applying the procedure above.

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

No findings were noted as a result of applying the procedure above.

25) We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We determined 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.

No findings were noted as a result of applying the procedure above.

Ethics

- 26) Using the five randomly selected employees/officials from agreed-upon procedure number 22 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management and determined whether the entity maintained documentation to demonstrate that required ethics training was completed.

Upon applying the procedure above, we noted no documentation to support ethics compliance and also noted no documentation regarding whether any ethics training had been completed.

Management's Response:

Management is currently reviewing ethics requirements that are necessary for all District employees to be in compliance. It is anticipated that these requirements will be satisfied each year, prior to the District's June 30 fiscal year end.

- 27) We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, we reviewed documentation that demonstrated whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. We determined whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No findings were noted as a result of applying the procedure above.

Debt Service (excluding nonprofits)

- 28) For debt that was issued during the fiscal period, we obtained supporting documentation from the entity, and determined whether State Bond Commission approval was obtained.

No findings were noted as a result of applying the procedure above.

- 29) For the outstanding debt during the fiscal period, we obtained supporting documentation from the entity and determined whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No findings were noted as a result of applying the procedure above.

- 30) For the tax millages relating to debt service, we obtained supporting documentation and determined whether millage collections exceeded debt service payments by more than 10% during the fiscal period. Also, we determined any millages that continued to be received for debt that has been paid off.

No findings were noted as a result of applying the procedure above.

Other

- 31) We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and determined whether the entity reported the misappropriation to the Legislative Auditor and the District Attorney of the parish in which the entity is domiciled.

No findings were noted as a result of applying the procedure above.

- 32) We observed and determined whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No findings were noted as a result of applying the procedure above.

- 33) When the practitioner observed or otherwise identified any exceptions regarding management's representations in the procedures above, the practitioner reported the nature of each exception.

No findings were noted as a result of applying the procedure above.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the control and compliance areas identified in the Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the District and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana