

R E P O R T

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

JUNE 30, 2018 AND 2017

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

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November 9, 2018

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

We have audited the accompanying financial statements of 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2018 and 2017 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.

Emphasis of Matter

As disclosed in Note 14, for the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard required the District to record its proportionate share of OPEB amounts related to its participation in a multiple-employer defined benefit OPEB plan. As a result of the adoption of the new accounting standard, the District's beginning net position decreased by \$1,205,771, total OPEB liability increased by \$1,254,715 and beginning deferred outflows increased by \$48,944 for the year ended June 30, 2018.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 other supplementary information as listed in the index to the report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 9, 2018 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 the effectiveness of the St. Bernard Port, Harbor and Terminal District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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, 2018

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, 2018. 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, 2018 by \$91,123,247, which represents a decrease from last fiscal year of \$4,821,237 or 5.03%.
- ★ The St. Bernard Port, Harbor and Terminal District's intergovernmental revenues decreased \$382,072 or 73.48% as a result of a decrease in federal grants received and the net loss from operations decreased by \$1,186,117 or 21.06%.

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 Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Fund Net Position; and the Statements of Cash Flows.

The Statements of Net Position 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 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 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, 2018

FINANCIAL ANALYSIS OF THE ENTITY

Condensed Statements of Net Position
As of June 30, 2018 and 2017
(in thousands)

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 4,267	\$ 4,938
Net capital assets	102,874	107,189
Total assets	<u>107,141</u>	<u>112,127</u>
Deferred outflows of resources	<u>906</u>	<u>1,328</u>
Current liabilities	682	1,169
Long-term obligations	14,190	14,364
Total liabilities	<u>14,872</u>	<u>15,533</u>
Deferred inflows of resources	<u>2,052</u>	<u>1,978</u>
Net position:		
Net investment in capital assets	95,188	99,124
Restricted	668	576
Unrestricted	(4,733)	(3,756)
Total net position	<u>\$ 91,123</u>	<u>\$ 95,944</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 \$4,821,237 or 5.03%, during the year ended June 30, 2018. The decrease was primarily due to operating losses incurred and the adoption of a change in accounting principle during the 2018 fiscal year.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE ENTITY (Continued)

Condensed Statements of Revenues, Expenses, and Changes in Fund Net
For the Years Ended June 30, 2018 and 2017
(in thousands)

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 6,734	\$ 6,214
Operating expenses	<u>(11,039)</u>	<u>(11,705)</u>
Operating loss	(4,305)	(5,491)
Non-operating revenues	677	538
Capital contributions	<u>13</u>	<u>395</u>
Net decrease in fund position	(3,615)	(4,557)
Net position - beginning of year, before restatement	95,944	100,502
Net effect of change in accounting principle	<u>(1,206)</u>	<u>-</u>
Net position - end of year	<u><u>\$ 91,123</u></u>	<u><u>\$95,944</u></u>

The St. Bernard Port, Harbor and Terminal District's total operating revenues increased \$520,801 or 8.38%. The total operating expenses decreased by \$665,316 or 5.68%. Operating revenues increased primarily due to increased other fees and permits. Operating expenses decreased primarily due to a decrease in personal services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the St. Bernard Port, Harbor and Terminal District had net capital assets of \$102,873,560, net of accumulated depreciation of \$65,439,982, including land, buildings and improvements, dock, barge and marina facilities, furniture and equipment, and construction in progress. This amount represents a net decrease of \$4,315,037, which was primarily attributable to current year depreciation offset by current year additions.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets at June 30, 2018 and 2017
 (Net of Depreciation, in thousands)

	<u>2018</u>	<u>2017</u>
Land	\$ 17,005	\$ 16,720
Dock and barge facilities	56,594	59,838
Buildings and improvements	25,775	26,274
Furniture and equipment	202	601
Construction in progress	3,298	3,756
Totals	\$ 102,874	\$ 107,189

Loans Payable

The St. Bernard Port, Harbor and Terminal District had \$7,685,000 in bonds payable outstanding at June 30, 2018, compared to \$8,065,000 last year, a decrease of \$380,000 or 4.71%. The decrease is the result of payments toward the three bonds, obtained 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 95% occupancy of its developed rental portfolio and all major facilities are leased. The District's marine facility has a 100% occupancy rate.
- The District had 367 ship calls and handled 8.1 million tons of cargo in FY 2018.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,772,750	\$ 3,324,357
Accounts receivable	378,397	594,923
Prepaid expenses	438,076	436,487
Due from other governmental units	10,443	5,881
Total current assets	<u>3,599,666</u>	<u>4,361,648</u>
RESTRICTED ASSETS:		
Cash - employee savings	15,142	15,142
Cash - construction and loan payments	90,000	90,000
Cash equivalents - construction and loan payments	562,616	471,567
Total restricted assets	<u>667,758</u>	<u>576,709</u>
CAPITAL ASSETS:		
Land	17,004,742	16,719,941
Dock and barge facilities	96,478,981	95,825,838
Buildings and improvements	48,092,033	46,645,500
Furniture and equipment	3,439,335	3,677,620
	<u>165,015,091</u>	<u>162,868,899</u>
Less accumulated depreciation	65,439,982	59,435,952
	<u>99,575,109</u>	<u>103,432,947</u>
Construction in progress	<u>3,298,451</u>	<u>3,755,650</u>
Net capital assets	<u>102,873,560</u>	<u>107,188,597</u>
TOTAL ASSETS	<u>107,140,984</u>	<u>112,126,954</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources related to pensions	852,996	1,328,390
Deferred outflows of resources related to OPEB	53,029	-
TOTAL DEFERRED OUTFLOWS	<u>906,025</u>	<u>1,328,390</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 108,047,009</u>	<u>\$ 113,455,344</u>

See accompanying notes.

	<u>2018</u>	<u>2017</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 208,135	\$ 705,851
Due to employees - savings	15,142	15,142
Accrued interest payable	69,073	67,928
Bonds payable - current	390,000	380,000
Total current liabilities	<u>682,350</u>	<u>1,168,921</u>
LONG-TERM OBLIGATIONS:		
Compensated absences	324,137	323,718
Bonds payable - noncurrent	7,295,000	7,685,000
Other postemployment benefits	2,447,902	1,231,179
Net pension liability	4,122,854	5,124,457
Total long-term obligations	<u>14,189,893</u>	<u>14,364,354</u>
Total liabilities	<u>14,872,243</u>	<u>15,533,275</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources related to pensions	563,356	59,019
Deferred inflows of resources related to OPEB	144,923	-
Unearned revenue	1,343,240	1,918,566
Total deferred inflows of resources	<u>2,051,519</u>	<u>1,977,585</u>
NET POSITION:		
Net investment in capital assets	95,188,560	99,123,597
Restricted for:		
Debt service	652,616	561,567
Other purposes	15,142	15,142
Unrestricted	<u>(4,733,071)</u>	<u>(3,755,822)</u>
Total net position	<u>91,123,247</u>	<u>95,944,484</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 108,047,009</u>	<u>\$ 113,455,344</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Lease revenues	\$ 5,766,040	\$ 5,600,858
Other fees and permits	968,303	612,684
Total operating revenues	<u>6,734,343</u>	<u>6,213,542</u>
OPERATING EXPENSES:		
Personal services	2,510,390	3,179,447
Supplies and materials	160,192	210,202
Other services and charges	1,790,342	1,491,453
Promotion and marketing	100,870	129,393
Professional services	426,474	482,388
Depreciation	6,051,522	6,212,223
Total operating expenses	<u>11,039,790</u>	<u>11,705,106</u>
Operating loss	<u>(4,305,447)</u>	<u>(5,491,564)</u>
NON-OPERATING REVENUES (EXPENSES):		
Taxes - ad valorem	1,160,652	1,167,261
Interest earned	37,454	7,619
Interest expense on long-term debt	(219,768)	(220,761)
Miscellaneous expense	(102,161)	(306,127)
Miscellaneous revenue	5,362	39,185
Intergovernmental revenues	125,000	125,000
Expropriation legal expenses	(329,473)	(287,742)
Gain on disposal of assets	-	13,722
Total non-operating revenues	<u>677,066</u>	<u>538,157</u>
CAPITAL CONTRIBUTIONS:		
Intergovernmental revenues	<u>12,915</u>	<u>394,987</u>
Change in fund net position	(3,615,466)	(4,558,420)
NET POSITION - Beginning of year, before restatement	95,944,484	100,502,904
Net effect of change in accounting principle	<u>(1,205,771)</u>	<u>-</u>
NET POSITION - End of year	<u>\$ 91,123,247</u>	<u>\$ 95,944,484</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 6,375,543	\$ 5,312,833
Cash paid for goods and services	(2,878,766)	(2,272,986)
Payments for salaries and related expenses	<u>(2,428,997)</u>	<u>(2,850,622)</u>
Net cash provided by operating activities	<u>1,067,780</u>	<u>189,225</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Ad valorem tax receipts	1,161,748	1,165,183
Expropriation legal fees	(329,473)	(287,742)
State revenue sharing	<u>125,000</u>	<u>125,000</u>
Net cash provided by noncapital financing activities	<u>957,275</u>	<u>1,002,441</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal and state funds	-	153,741
Grant administrative expenses	(94,904)	-
Interest paid on loans	(218,623)	(228,628)
Principal payments on loans	(380,000)	(370,000)
Proceeds from insurance	5,362	39,185
Purchases of capital assets	(1,834,902)	(1,906,770)
Proceeds from disposals of capital assets	<u>-</u>	<u>29,558</u>
Net cash used by capital and related financing activities	<u>(2,523,067)</u>	<u>(2,282,914)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned	<u>37,454</u>	<u>7,619</u>
Net cash provided by investing activities	<u>37,454</u>	<u>7,619</u>
Net decrease in cash and cash equivalents	(460,558)	(1,083,629)
Cash and cash equivalents - beginning of year	<u>3,901,066</u>	<u>4,984,695</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,440,508</u></u>	<u><u>\$ 3,901,066</u></u>

(Continued)

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (4,305,447)	\$ (5,491,564)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	6,051,522	6,212,223
Amortization of lease abatement	(575,326)	(606,114)
Changes in net assets and liabilities:		
Accounts receivable	216,526	(294,595)
Prepaid expenses	(1,589)	3,641
Accounts payable	(399,299)	36,809
Compensated absences	419	(157,085)
Change in net pension liability	(1,001,603)	893,969
Change in pension deferred inflows/outflows	979,731	(533,751)
Change in OPEB deferred inflows/outflows	91,895	-
Change in OPEB liability	10,951	125,692
	<u>\$ 1,067,780</u>	<u>\$ 189,225</u>
Net cash provided by operating activities		
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:		
Cash and cash equivalents - current assets	\$ 2,772,750	\$ 3,324,357
Cash and cash equivalents - restricted assets	<u>667,758</u>	<u>576,709</u>
	<u>\$ 3,440,508</u>	<u>\$ 3,901,066</u>

See accompanying notes.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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.

New Accounting Pronouncements:

During the year ended June 30, 2018, the District adopted the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 improves accounting and financial reporting for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The standard required the District to record its OPEB liability related to the participation in a multi-employer defined OPEB plan using specific guidelines outlined in the standard.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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:

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.

Cash and Cash Equivalents:

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

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

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.

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 including 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

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenues and Expenses: (Continued)

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 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.

Deferred Outflows and Inflows of Resources:

In addition to assets, the Statements of Net Position reports a separate section for deferred outflows of resources that represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category, which are amounts related to pensions and amounts related to other postemployment benefits.

In addition to liabilities, the Statements of Net Position reports a separate section for deferred inflows of resources that represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has three items that meet the criterion for this category, deferred amounts related to unearned income, deferred amounts related to pensions, and deferred amounts related to other postemployment benefits.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. CASH AND CASH EQUIVALENTS:

At June 30, 2018 and 2017, the District has cash bank and book balances as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Bank</u> <u>Balance</u>	<u>Book</u> <u>Balance</u>	<u>Bank</u> <u>Balance</u>	<u>Book</u> <u>Balance</u>
Demand deposits	\$ 264,760	\$ 266,402	\$ 195,077	\$ 195,142
Cash equivalents	<u>3,713,492</u>	<u>3,174,106</u>	<u>3,962,463</u>	<u>3,705,924</u>
	<u>\$ 3,978,252</u>	<u>\$ 3,440,508</u>	<u>\$ 4,157,540</u>	<u>\$ 3,901,066</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, 2018, the District's demand deposits (bank balances) were in excess of FDIC insurance in the amount of \$14,760. At June 30, 2017, the District's demand deposits (bank balances) of \$195,077 were entirely covered by FDIC insurance or pledged collateral held by the Federal Reserve Bank in joint custody.

All cash equivalents are carried at fair value. The following is a detail of the cash equivalents at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Government pooled investments - held by the Louisiana Asset Management Pool (LAMP) in the name of the District	1,000,277	-
Federated Investors Government Obligations Money Market Fund - held by an agent of Gulf Coast Bank in the name of the bank	2,173,780	3,705,877
Restricted U.S. Treasury money market funds managed by the trustee and held by the trustee in the name of the District	<u>49</u>	<u>47</u>
Total cash equivalents	<u>\$ 3,174,106</u>	<u>\$ 3,705,924</u>

Concentration of credit risk relates to the amount of investments in any one entity. At June 30, 2018 and 2017, 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.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. CASH AND CASH EQUIVALENTS: (Continued)

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.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having been contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana Revised Statute 33:2955. LAMP is rated AAA by Standard & Poor's.

3. INTERGOVERNMENTAL REVENUES AND RECEIVABLES:

Intergovernmental revenues for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Non-operating:		
State of Louisiana revenue sharing	\$ 125,000	\$ 125,000
Capital contributions:		
Federal grants	<u>12,915</u>	<u>394,987</u>
Total Intergovernmental Revenues	<u>\$ 137,915</u>	<u>\$ 519,987</u>

Amounts due from other governmental units consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Federal Emergency Management Agency	\$ 5,658	\$ -
St. Bernard Parish Tax Collector	<u>4,785</u>	<u>5,881</u>
Total Intergovernmental Receivables	<u>\$ 10,443</u>	<u>\$ 5,881</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. CAPITAL ASSETS:

A summary of changes in capital assets and depreciation for the years ended June 30, 2018 and 2017 follows:

	Balance				Balance
<u>2018</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	<u>June 30, 2018</u>
Land	\$ 16,719,941	\$ 284,801	\$ -	\$ -	\$ 17,004,742
Dock and barge facilities	95,825,838	429,646	-	223,497	96,478,981
Buildings and improvements	46,645,500	1,446,533	-	-	48,092,033
Furniture and equipment	3,677,620	32,704	(47,492)	(223,497)	3,439,335
Construction in progress	3,755,650	1,413,973	(1,871,172)	-	3,298,451
Totals	<u>\$166,624,549</u>	<u>\$ 3,607,657</u>	<u>\$(1,918,664)</u>	<u>\$ -</u>	<u>\$168,313,542</u>

	Accumulated Depreciation				Accumulated Depreciation
<u>2018</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	<u>June 30, 2018</u>
Dock and barge facilities	\$ 35,988,082	\$ 3,897,389	\$ -	\$ 178,265	\$ 39,885,471
Buildings and improvements	20,371,345	1,945,347	-	-	22,316,692
Furniture and equipment	3,076,525	208,786	(47,492)	(178,265)	3,237,819
Totals	<u>\$ 59,435,952</u>	<u>\$ 6,051,522</u>	<u>\$ (47,492)</u>	<u>\$ -</u>	<u>\$ 65,439,982</u>

	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 Depreciation			Accumulated Depreciation
<u>2017</u>	<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>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. CAPITAL ASSETS:

Depreciation expense amounted to \$6,051,522 and \$6,212,223 for the years ended June 30, 2018 and 2017, respectively.

During the years ended June 30, 2018 and 2017, 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 13 for further information.

5. GENERAL LONG-TERM OBLIGATIONS:

BONDS PAYABLE:

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.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

5. GENERAL LONG-TERM OBLIGATIONS: (Continued)

BONDS PAYABLE: (Continued)

The following is a summary of loan payable transactions for the years ended June 30, 2018 and 2017:

<u>2018</u>	Balance			Balance	Due Within
<u>Description</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>One Year</u>
2014A	\$ 3,080,000	\$ -	\$ (145,000)	\$ 2,935,000	\$ 150,000
2014B	4,495,000	-	(215,000)	4,280,000	220,000
2014C	490,000	-	(20,000)	470,000	20,000
	<u>\$ 8,065,000</u>	<u>\$ -</u>	<u>\$ (380,000)</u>	<u>\$ 7,685,000</u>	<u>\$ 390,000</u>

<u>2017</u>	Balance			Balance	Due Within
<u>Description</u>	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</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>

The annual principal and interest payments on the loans outstanding at June 30, 2018 are scheduled to occur as follows.

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>	<u>Payments</u>	<u>Payments</u>	
2019	\$ 390,000	\$ 208,353	\$ 598,353
2020	405,000	197,817	602,817
2021	415,000	186,835	601,835
2022	420,000	175,588	595,588
2023	430,000	164,207	594,207
2024 - 2028	2,350,000	639,058	2,989,058
2029 - 2033	2,690,000	302,145	2,992,145
2034	<u>585,000</u>	<u>15,902</u>	<u>600,902</u>
	<u>\$ 7,685,000</u>	<u>\$ 1,889,905</u>	<u>\$ 9,574,905</u>

Interest expense paid on the loans during the years ended June 30, 2018 and 2017 was \$219,768 and \$220,761, respectively.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017:

<u>2018</u>	Balance			Balance	Due Within
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>One Year</u>
Compensated absences	\$ <u>323,718</u>	\$ <u>106,719</u>	\$ <u>(106,300)</u>	\$ <u>324,137</u>	\$ <u> -</u>
 <u>2017</u>	Balance			Balance	Due Within
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</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>

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 are similar benefits for active employees whose premiums are paid jointly by the employee and the District. Below is a schedule of active employees, entitled to future benefits, and retired employees, currently receiving benefits, for the years ended June 30, 2018 and 2017.

Active employees	25	24
Retired employees	<u>7</u>	<u>3</u>
Total	<u><u>32</u></u>	<u><u>27</u></u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 (OGB). LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 75 to pay related benefits. 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).

Benefits Provided:

The OPEB Plan provides benefits such as death benefits, life insurance, disability, and long-term care that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment. The OPEB plan does not provide termination benefits or termination payments for sick leave.

Contributions:

The contribution requirements of plan members and the District are established and may be amended by LRS 42:801-883. The OPEB Plan is currently funded on a pay-as-you-go basis through a combination of retiree and District contributions. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving post-employment benefits. The retirees contribute to the cost of their postemployment benefits based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. Employee premiums for these benefits totaled \$17,180 and \$10,001 for the years ended June 30, 2018 and 2017, respectively. Employer contributions to the OPEB Plan from the District were \$53,029 and \$30,308 for the years ended June 30, 2018 and 2017, respectively.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees who began participation or rejoined the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65 who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer is based on the following schedule:

<u>OGB Participation</u>	<u>Retiree Share</u>	<u>State Share</u>
Under 10 years	81%	19%
10-14 years	62%	38%
15-19 years	44%	56%
20+ years	25%	75%

The District paid approximately 75% of health care premiums for all retirees.

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retiree and spouses of retirees, subject to maximum values. The retiree pays \$.54 monthly for each \$1,000 of life insurance. The retiree pays \$.98 monthly for each \$1,000 of spouse life insurance. The employer pays the remaining amount.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB:

At June 30, 2018, the District reported a total OPEB liability of \$2,447,902. The total OPEB liability was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB: (Continued)

For the year ended June 30, 2018, the District recognized OPEB expense of \$102,847. As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 144,923
Employer contributions subsequent to the measurement date	<u>53,029</u>	<u>-</u>
Total	<u><u>\$ 53,029</u></u>	<u><u>\$ 144,923</u></u>

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$53,029 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2019	\$ 41,645
2020	41,645
2021	41,645
2022	<u>19,988</u>
	<u><u>\$ 144,923</u></u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Actuarial Methods and Assumptions:

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.8%
Salary Increases	Consistent with the pension valuation assumptions
Investment Rate of Return	3.13%, based on the S&P Municipal Bond 20-Year High Grade Rate Index
Healthcare Cost Trend	7% - 4.5%
Mortality Rates	For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017 For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the July 1, 2017 actuarial valuation to more closely reflect actual experience.

Discount Rate:

The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates. Based on this assumption and as the OPEB Plan is unfunded, the OPEB plan's fiduciary net position was not projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was determined using a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate.

The discount rate used to measure the total OPEB liability was increased to 3.13% in the July 1, 2017 valuation from 2.71% as of July 1, 2016. The discount rate in the current valuation reflects that the Bond Buyers' 20-Year General Obligation Municipal Bond Index rate was unchanged from the prior year.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Sensitivity of the District's OPEB Liability to Changes in the Discount Rate:

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.13%) or 1% higher (4.13%) than the current discount rate:

District's total OPEB liability	<u>\$2,928,666</u>	<u>\$ 2,447,902</u>	<u>\$2,076,134</u>
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Sensitivity of the District's OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

District's total OPEB liability	<u>\$2,052,122</u>	<u>\$ 2,447,902</u>	<u>\$2,975,189</u>
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Payables to the OPEB Plan:

As of June 30, 2018, the District reported no payables for outstanding contributions to the OPEB plan required for the year ended June 30, 2018.

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, 2018 and 2017 was \$165,573 and \$119,561, respectively.

The schedule of estimated future minimum lease payments as of June 30, 2018 is as follows:

<u>Year Ended</u>	<u>Amount</u>
2019	\$ 161,552
2020	161,552
2021	161,552

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

7. LEASE EXPENSE: (Continued)

Estimated future minimum lease payments as of June 30, 2018 - Continued

<u>Year Ended</u>	<u>Amount</u>
2022	164,186
2023	166,436
2024 through 2028	840,074
2029 through 2033	528,929
2034 through 2038	<u>364,652</u>
	<u>\$ 2,548,933</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, 2018 is as follows:

<u>Year Ended</u>	<u>Amount</u>
2019	\$ 3,717,369
2020	3,279,043
2021	3,112,000
2022	3,068,441
2023	2,956,965
Thereafter	<u>25,362,578</u>
Total	<u>\$ 41,496,396</u>

Contingent rentals earned for the years ended June 30, 2018 and 2017 were \$572,340 and \$567,234, respectively.

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(STATE OF LOUISIANA)
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8. LEASE REVENUES: (Continued)

The carrying value of leased property as of June 30, 2018 and 2017 was as follows:

<u>2018</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Land	\$ 17,004,742	\$ -	\$ 17,004,742
Dock and barge facilities	96,478,981	(39,885,471)	56,593,510
Buildings and improvements	48,092,033	(22,316,692)	25,775,341
	<u>\$ 161,575,756</u>	<u>\$ (62,202,163)</u>	<u>\$ 99,373,593</u>

<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>

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, 2018 and 2017 totaling \$-0- and \$2,450,000, 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, 2018 and 2017 was \$575,326 and \$606,114, respectively. Unearned revenue relating to the arrangement as of June 30, 2018 and 2017 was \$1,301,808 and \$1,887,910, respectively, and is included in deferred inflows of resources on the Statements of Net Position.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
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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 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 2018 levy was based was \$377,088,369 with homestead exemptions of \$65,416,739. The assessed value upon which the 2017 levy was based was \$378,900,498 with homestead exemptions of \$64,907,738.

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 for the 2018 and 2017 levies.

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, 2018 and 2017 were 99.84% and 99.66%, 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, 2018 and 2017 were \$35,812 and \$35,942, 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 11. 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 year ended June 30 2017, one employee continued participation in TRSL. There were no employees participating in TRSL for the year ended June 30, 2018.

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(STATE OF LOUISIANA)
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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), 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 five 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 five 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 five 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 three years. 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, and who have five or more years of credited services are eligible for disability retirement benefits. Disability benefits for employees hired on or after January 1, 2011 must have at least ten years of service to be eligible for a disability benefit. Calculation of the disability benefit as well as the availability of a minor child benefit is determined by the plan to which the member belongs and the date on which the member's first employment made them eligible for membership in a Louisiana state retirement system.

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(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

11. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

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

A surviving spouse with minor children of an active member with five years of creditable service (two years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) \$600 per month, or (b) 50% of the member's benefit calculated at the 2.5% accrual rate for all creditable service. When minor children are no longer eligible to receive survivor benefits, the spouse's benefit reverts to a survivor benefit in accordance with the provisions for a surviving spouse with no minor children. Benefits for the minor children cease when he/she is no longer eligible.

Each minor child (maximum of two) shall receive an amount equal to the greater of (a) 50% of the spouse's benefit, or (b) \$300 (up to two eligible children). Benefits to minors cease at attainment of age 21, marriage, or age 23 if enrolled in an approved institution of higher education.

A surviving spouse without minor children of an active member with 10 years of creditable service (two years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) \$600 per month, or (b) the Option 2 equivalent of the benefit calculated at the 2.5% benefit factor for all creditable service.

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 five years of accredited service. Employees hired on or after July 1, 2015 are eligible to retire at age 62 with five years of accredited service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

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(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

11. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

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

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.

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 12 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

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11. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

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

tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of .5% less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of .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.

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(STATE OF LOUISIANA)
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11. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

Contributions:

Teachers' Retirement System of Louisiana (TRSL):

Employer contribution requirements of active employees are established annually under Title 11 of the Louisiana Revised Statutes (LA R.S. 11:101-11:104) by the Public Retirement System's Actuarial Committee (PRSAC). The District's employees participating in TRSL were included in the Regular Plan. Members are required by state statute to contribute 8.0% of their annual 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, 2018 and 2017 was 26.6% and 25.5% of annual covered payroll, respectively. The District's contributions paid to TRSL for the years ended June 30, 2018 and 2017 were \$-0- and \$68,560, respectively.

Louisiana State Employees' Retirement System (LASERS):

Contribution requirements of active employees are governed by Title 11 of the Louisiana Revised Statutes (LA R.S. 11:101-11:104) by the Public Retirement System's Actuarial Committee (PRSAC). 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, 2018 and 2017 was 37.9% and 35.8% of annual covered payroll, respectively. The District's contributions paid to LASERS for the years ended June 30, 2018 and 2017 was \$448,925 and \$405,707, respectively.

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

At June 30, 2018, the District reported a liability for its participation in TRSL and LASERS of \$-0- and \$4,122,854, respectively, for its proportionate share of the net pension liability of each System. 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. The net pension liabilities were measured as of June 30, 2017 and 2016 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

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11. PENSION PLANS: (Continued)

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

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, 2017 measurement date, the District's proportion in TRSL and LASERS was 0.00000%, and 0.05857%, respectively, which was a decrease of approximately 0.00610% and an increase of 0.00243%, respectively, from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension benefit for its participation in TRSL of \$79,461 and pension expense for its participation in LASERS of \$506,514. 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.

At June 30, 2018, 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	-	-
Changes in proportion and differences between employer and non-employer contributions and proportionate share of contributions	60,784	487,707
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 60,784</u>	<u>\$ 487,707</u>

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
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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 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	52,127	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, 2018, 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	\$ -	\$ 75,649
Changes of assumptions	16,288	-
Net difference between projected and actual earnings on pension plan investments	134,067	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	192,932	-
Employer contributions subsequent to the measurement date	<u>448,925</u>	<u>-</u>
Total	<u>\$ 792,212</u>	<u>\$ 75,649</u>

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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>

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date for TRSL and LASERS of \$-0- and \$448,925, respectively, will be recognized as a reduction of the net pension liability during the year ended June 30, 2019. 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>
2019	\$ (79,461)	\$ 116,695
2020	(106,008)	180,294
2021	(119,528)	53,651
2022	(121,926)	(83,002)

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 (STATE OF LOUISIANA)
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11. PENSION PLANS: (Continued)

Actuarial Assumptions:

The total pension liability in the June 30, 2017 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	2.50%	2.75%
Salary Increases	3.5% - 10.0%	2.8% - 14.3%
Investment Rate of Return	7.70%	7.70%
Dates of Experience Study	2008 - 2012	2009 - 2013
Mortality Rates	RP-2000 Mortality Table with projection to 2025 using Scale AA	RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015 RP-2000 Disabled Retiree Mortality Table with no projection for mortality improvement

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, 2017 measurement date are summarized in the following tables:

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JUNE 30, 2018 AND 2017

11. PENSION PLANS: (Continued)

Actuarial Assumptions: (Continued)

Teachers' Retirement System of Louisiana (TRSL):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rates of Return (Arithmetic)</u>
Domestic Fixed Income	13.0%	1.98%
International Fixed Income	5.5	2.75
Domestic Equity	27.0	4.28
International Equity	19.0	4.96
Alternative Investments	<u>35.5</u>	11.98
Total	<u>100.0%</u>	

Louisiana State Employees' Retirement System (LASERS):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rates of Return (Geometric)</u>
Cash	0.0%	-0.24%
Domestic Equity	25.0	4.31
International Equity	32.0	5.35
Domestic Fixed Income	8.0	1.73
International Fixed Income	6.0	2.49
Alternative Investments	22.0	7.41
Global Asset Allocation	<u>7.0</u>	2.84
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability of TRSL and LASERS was 7.70%. 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.

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(STATE OF LOUISIANA)
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11. PENSION PLANS: (Continued)

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, 2018 and 2017 using the current discount rate of 7.70% 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%
	Decrease	Discount	Increase
	<u>6.70%</u>	<u>Rate 7.70%</u>	<u>8.70%</u>
<u>June 30, 2018</u>			
Teachers' Retirement System of Louisiana	\$ -	\$ -	\$ -
Louisiana State Employees' Retirement System	5,175,775	4,122,854	3,227,621

	District's Proportionate Share of the Net Pension Liability		
	1.00%	Current	1.00%
	Decrease	Discount	Increase
	<u>6.75%</u>	<u>Rate 7.75%</u>	<u>8.75%</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

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, 2018 and 2017, the District recognized revenue as a result of support received from non-employer contributing entities of \$-0- and \$2,331, 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, 2018 and 2017.

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 (STATE OF LOUISIANA)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

11. PENSION PLANS: (Continued)

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 \$18,500 and \$18,000 for the years ended June 30, 2018 and 2017, respectively.

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

Contributions to the Plan by employees totaled \$84,009 and \$91,995 for the years ended June 30, 2018 and 2017, respectively. Contributions to the Plan by the District totaled \$37,915 and \$38,860 for the years ended June 30, 2018 and 2017, respectively.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
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JUNE 30, 2018 AND 2017

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 (Violet Dock) 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.

Both parties timely filed a notice of appeal of the District Court's decision to the Fourth Circuit Court of Appeal. Violet Dock asked the Court to reverse the public purpose determination and return the Property to it. Alternatively, Violet Dock asked that the appellate court increase the award of fair market value. On December 14, 2016, the Fourth Circuit issued its opinion and affirmed the District Court's holdings in all respects - the Port's public purpose for taking the Property and the \$16,000,000 value award. The Fourth Circuit later denied Violet Dock's request for rehearing.

Violet Dock sought writs from the Louisiana Supreme Court, which were granted. Again Violet Dock challenged the public purpose of the taking and asks for its property to be restored and for an increase in the fair market value of the property. Oral arguments were scheduled before the Louisiana Supreme Court on October 16, 2017. On January 30, 2018, the Louisiana Supreme Court issued its Judgment affirming the public purpose of the taking. The Court remanded, however, the valuation determination to the Louisiana Fourth Circuit Court of Appeal to determine if the \$16,000,000 was correct in light of the trial court's legal error that he was bound to choose only one party's presentation of the valuation or if he could arrive at a different value. Violet Dock sought rehearing with the Louisiana Supreme Court on the public purpose ruling, but that request was denied.

A three-judge panel at the Fourth Circuit heard oral argument on April 30, 2018 solely on the question of the value of the Property with St. Bernard Port arguing that the value of the Property was no more than \$16,000,000. Violet Dock argued again that the value of the Property was at least \$28,000,000, but that it was still seeking higher amounts in the range of \$50,000,000 to \$60,000,000. Following this argument, the parties were notified that the case was being sent to an *en bane*, five-judge panel for review. The parties again argued the merits of the valuation issue on June 14, 2018.

On September 12, 2018, the Fourth Circuit issued its opinion and increased the award to Violet Dock from \$16,000,000 to \$28,764,685 and also awarding attorneys' fees and costs. The Port filed an application for review with the Louisiana Supreme Court on October 12, 2018 arguing that the award was completely unsupported by the record evidence, was far too high for this property, and that the \$16,000,000 value should be reinstated. Violet Dock has also filed a

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

13. COMMITMENTS AND CONTINGENCIES: (Continued)

writ application with the Supreme Court asking the court to increase the award from \$28,764,685 to \$41,000,000. In response to Violet Dock's request, the Port intends to argue that the Court should grant both writs to address the jurisprudence on which the Fourth Circuit based its opinion. The Port's attorney could not determine the likely outcome of this matter.

Just before the *en bane* argument, Violet Dock filed an application for writ of certiorari with the United States Supreme Court. In its application, Violet Dock asks the United States Supreme Court to overturn the taking and return the Property to the company. On October 15, 2018, the United States Supreme Court issued its decision declining to review this matter.

A founder of Violet Dock asserted a claim for attorneys' fees and costs associated with a subpoena issued by St. Bernard Port during the valuation trial, seeking approximately \$350,000 from St. Bernard Port. The Port opposes this claim, and the matter is in the discovery stage, having now argued a discovery issue twice at the Fourth Circuit of Appeal. The Port's writ application to the Louisiana Supreme Court was denied on September 21, 2018. The matter can now proceed forward against St. Bernard Port at the district court level, though no activity has occurred to date.

During the years ended June 30, 2018 and 2017, the District incurred \$329,473 and \$287,742 of legal expenses related to the expropriation, respectively.

14. CHANGE IN ACCOUNTING PRINCIPLE:

The District adopted Governmental Accounting Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard required the District to record its OPEB liability related to its participation in a multiple employer defined benefit OPEB plan. As a result of the adoption of the new accounting standard, the District's beginning net position decreased by \$1,205,771 and beginning OPEB liability increased by \$1,254,715 and beginning deferred outflows increased by \$48,944 for the year ended June 30, 2018.

15. 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.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

16. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 9, 2018, 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 FOUR YEARS ENDED JUNE 30, 2018

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>					
2018	0.0586%	\$ 4,122,854	\$ 1,114,374	369.97%	62.50%
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>					
2018	0.0000%	-	-	-	-
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.

* The amounts presented for each fiscal year were determined as of the prior fiscal year.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE FOUR YEARS ENDED JUNE 30, 2018

Fiscal Year	Contractually Required <u>Contribution</u>	Contributions in Relation to Contractually Required <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Employer's Covered <u>Payroll</u>	Contributions as a Percentage of Covered <u>Payroll</u>
<u>LASERS:</u>					
2018	\$ 442,298	\$ 448,925	\$ (6,627)	\$ 1,167,014	38.47%
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>					
2018	N/A	N/A	N/A	N/A	N/A
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 CHANGES IN THE TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

<u>Fiscal Year*</u>	District's Beginning Total OPEB <u>Liability</u>	Service <u>Costs</u>	<u>Interest</u>	Changes in <u>Assumptions</u>	<u>Contributions</u>	District's Ending Total OPEB <u>Liability</u>
2018	\$ 2,485,894	\$ 127,360	\$ 70,160	\$ (186,568)	\$ (48,944)	\$ 2,447,902

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

* The amounts presented for each fiscal year were determined as of the prior fiscal year.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Fiscal Year</u>	<u>Actuarially Estimated Contributions</u>	<u>District's Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage Of Covered Employee Payroll</u>	<u>Total OPEB Liability as a Percentage of Covered Employee Payroll</u>
2018	\$ 48,944	\$ 53,029	\$ (4,085)	\$ 1,167,014	4.54%	209.76%

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

ST. BERNARD PORT, HAROR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018 AND 2017

1. SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY:

This schedule reflects the participation of the District's employees in Louisiana State Employees' Retirement System and Teachers' Retirement System of Louisiana, and its proportionate share of the net pension liability, the proportionate share of the net pension liability as a percentage of its covered payroll, and the plan fiduciary net position as a percentage of the total pension liability. The employers' net pension liability is the liability of the District's employees for benefits provided through Louisiana State Employees' Retirement System and Teachers' Retirement System of Louisiana. Covered payroll is the payroll of all employees that are provided with benefits through the plan. The amounts in the schedule for each fiscal year were determined as the prior fiscal year ended.

2. SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS:

The difference between actuarially determined employer contributions and employer contributions received, and the percentage of employer contributions received to covered payroll, is presented in this schedule. The amounts presented in the schedule were determined as of the end of each fiscal year.

3. SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY:

This schedule reflects the participation of the District's employees in the State of Louisiana Postemployment Benefits Plan and changes in the total other postemployment liability.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of the Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

4. CHANGES OF BENEFIT TERMS:

During the reporting period 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.

5. CHANGES IN ASSUMPTIONS:

Pension Plan:

Amounts reported in the actuary valuation dated June 30, 2017 for LASERS reflect an adjustment in the discount rate, inflation rate, and salary increases used to value the projected benefit payments attributed to past periods of service. The discount rate for LASERS was decreased by 0.05% to 7.70% in 2017. Other changes were as follows:

ST. BERNARD PORT, HAROR AND TERMINAL DISTRICT
(STATE OF LOUISIANA)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018 AND 2017

5. CHANGES IN ASSUMPTIONS: (Continued)

Pension Plan: (Continued)

Valuation Date	June 30, 2017	June 30, 2016
Inflation Rate	2.75%	3.00%
Project Salary Increases	2.80% - 14.30%	3.00% - 14.50%

OPEB Plan:

The discount rate changed from 2.71% as of July 1, 2016 to 3.13% as of July 1, 2017, for the State of Louisiana OPEB Plan.

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, 2018 AND 2017

	Drew Heaphy Executive Director <u>2018</u>	Robert J. Scafidel Executive Director <u>2017</u>
<u>Purpose</u>		
Salary	\$ 190,362	\$ 268,863
Salary - accrued leave	-	192,468
Benefit - insurance	14,227	8,537
Benefits - retirement	72,147	68,560
Vehicle provided by government	556	4,125
Per diem	753	162
Reimbursements	2,765	437
Travel	8,834	1,691
Membership dues	180	-
Registration fees	4,295	3,370
	<u> </u>	<u> </u>
Total	<u><u>\$ 294,119</u></u>	<u><u>\$ 548,213</u></u>



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

November 9, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the 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, 2018

PRIOR AUDIT FINDINGS:

None

ST. BERNARD PORT, HARBOR AND
TERMINAL DISTRICT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

JUNE 30, 2018

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

October 23, 2018

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Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

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

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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, 2018. 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 and inspected the District'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

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- c) Disbursements, including processing, reviewing, and approving
- d) Receipts/Collections, 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
- 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 of statements, 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
- j) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Upon applying the agreed upon procedures above, we noted the following:

- 1) The payroll/ personnel policy has procedures on payroll processing, but not all required procedures are in writing;
- 2) the contracting policy has procedures over legal review of contracts, but they are not all in writing;
- 3) the credit cards policy did not include allowable business uses for the two office credit cards, there are no credit cards held by any individual employee of the Port;
- 4) the ethics policy did not include the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, actions to be taken if an ethics violation takes place, a system to monitor possible ethics violations, or a requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Bank Reconciliations

- 2) We obtained a listing of the District's bank accounts from management and management's representation that the listing is complete. We also asked management to identify the District's main operating account.

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

- 3) Using the listing provided by management, we selected the main operating account and four additional accounts. For each of the bank accounts selected, we obtained bank statements and reconciliations for one month in the fiscal year and determined whether:
 - a) Bank reconciliations have been prepared within two months of the related statement closing date;
 - b) Bank reconciliations included evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks had reviewed each bank reconciliation; and
 - c) Management had documentation reflecting that it had researched reconciling items that have been outstanding for more than 12 months as of the end of the fiscal period.

Upon applying the procedure above, we noted that bank reconciliations were not dated to verify that they were completed within two months of the statement closing date.

Collections

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

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

- 5) Using the cash collection listing provided by management, we selected one cash collection location for each deposit site. For each cash location selected, we obtained existing written policies and procedures relating to job duties at each cash location and observed that job duties were properly segregated at each location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits unless another employee/official is responsible for reconciling collection documentation to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit, and

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

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

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

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

- 7) Using the collection locations selected for testing, we randomly selected two deposit dates for two of the bank accounts selected from procedures number 3 above. For each deposit date selected, we obtained supporting documentation and:

- a) Observed that receipts are sequentially pre-numbered.
- b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Traced the deposit slip total to the actual deposit per the bank statement.
- d) Observed that the deposit was made within one business day of receipt at the collection location (or within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100), and
- e) Traced the actual deposit per the bank statement to the general ledger.

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

Disbursements – General (excluding credit card purchases or payments)

- 8) We obtained a listing of locations that process payments for the fiscal year. 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) For each location selected under procedure number 8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We also obtained written policies and procedures relating to employee job duties and observed that job duties are properly segregated such that:

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

- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files, and
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Upon applying the procedure above, we noted one new vendor setup form was only signed by the employee who is also responsible for processing payments.

- 10) For each location selected under procedure number 8 above, we obtained the District's non-payroll disbursement transaction population and obtained management's representation that the population was complete. We randomly selected five disbursements for each location, obtained supporting documentation for each transaction and:
 - a) Observed that the disbursement matched the related original invoice/billing statement.
 - b) Observed that the disbursement documentation included evidence of segregation of duties tested under procedure number 9 above, as applicable.

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

Ethics

- 11) We obtained a listing of employees and elected officials during the current fiscal year and obtained management's representation that the listing was complete. We randomly selected five employees/ officials, obtained ethics documentation from management, and:
 - a) Observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal year.
 - b) Observed that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal year.

Upon applying the procedures above, we noted that the District does not have a written ethics policy. As such, the employee/official could not attest that he or she had read the District's ethics policy during the fiscal year.

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