

**PORT RAIL, INC.**  
**FINANCIAL REPORT**  
**(Reviewed)**  
**DECEMBER 31, 2014**

PORT RAIL, INC.  
Lake Charles, Louisiana

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07175.000 Port Rail, Inc. Review 12/31/14 financial report

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
Port Rail, Inc.  
Lake Charles, Louisiana

We have reviewed the accompanying financial statements of the business-type activities of Port Rail, Inc. (a governmental nonprofit organization organized under 501(c)(4) of the Internal Revenue Code) as of and for the years ended December 31, 2014 and 2013, which collectively comprise the basic financial statements of Port Rail, Inc. as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of Port Rail, Inc. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Ms Eloy Quint & Beach*

Lake Charles, Louisiana  
June 15, 2015

PORT RAIL, INC.

STATEMENTS OF FINANCIAL POSITION  
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Intergovernmental receivable	\$ <u>-</u>	\$ <u>290,290</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to Lake Charles Harbor and Terminal District	\$ 93,899	\$ 341,848
NET ASSETS		
Unrestricted	<u>(93,899)</u>	<u>(51,558)</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 290,290</u>

See accompanying notes and independent accountant's report.

PORT RAIL, INC.

STATEMENTS OF ACTIVITIES  
 Years Ended December 31, 2014 and 2013

	2014 <u>Unrestricted</u>	2013 <u>Unrestricted</u>
REVENUES, GAINS AND OTHER SUPPORT		
Government grant income	\$ -	\$ 290,290
EXPENSES		
Management and general expenses	10,017	15,926
Program expenses	<u>32,324</u>	<u>280,000</u>
Total expenses	<u>42,341</u>	<u>295,926</u>
CHANGE IN NET ASSETS	(42,341)	(5,636)
NET ASSETS, BEGINNING OF YEAR	<u>(51,558)</u>	<u>(45,922)</u>
NET ASSETS, END OF YEAR	<u>\$ (93,899)</u>	<u>\$ (51,558)</u>

See accompanying notes and independent accountant's report.

PORT RAIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2014 and 2013

	2014		
	<u>Management and General</u>	<u>Program</u>	<u>Total</u>
Professional fees	\$ 7,540	\$ 29,369	\$ 36,909
Office expenses	2,477	-	2,477
Interest expense	-	2,955	2,955
Total functional expenses	<u>\$ 10,017</u>	<u>\$ 32,324</u>	<u>\$ 42,341</u>

	2013		
	<u>Management and General</u>	<u>Program</u>	<u>Total</u>
Professional fees	\$ 3,190	\$ 10,290	\$ 13,480
Program expenses	-	280,000	280,000
Software expenses	2,400	-	2,400
Office expenses	46	-	46
Total functional expenses	<u>\$ 5,636</u>	<u>\$ 290,290</u>	<u>\$ 295,926</u>

See accompanying notes and independent accountant's report.

PORT RAIL, INC.

STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in net assets	\$ (42,341)	\$ (5,636)
Adjustments to reconcile increase in net cash to net cash provided by operating activities:		
(Increase) decrease in intergovernmental receivable	290,290	(290,290)
Increase (decrease) in due to Lake Charles Harbor and Terminal District	<u>(247,949)</u>	<u>295,926</u>
Net cash provided by operating activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net increase in cash	-	-
Cash and cash equivalents:		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent accountant's report.



PORT RAIL, INC.

NOTES TO FINANCIAL STATEMENTS  
See Accountants Review Report

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

Port Rail, Inc. is a nonprofit economic development corporation organized under the laws of the State of Louisiana for the purpose of acquiring, owning, maintaining, utilizing and operating a rail line in Lake Charles, Louisiana. The Organization is exempt from federal and state income taxes as a charitable organization under Section 501(c)(4) of the Internal Revenue Code. In 2014, the Organization was supported financially 100% through on-behalf payments by the Lake Charles Harbor and Terminal District.

Income taxes:

The guidance provided by FASB ASC 740-10 clarifies when tax benefits should be recorded in financial statements, requires certain disclosures of uncertain tax matters and indicates how many tax reserves should be classified in the balance sheet. It is the Organization's policy to recognize interest and penalties within income tax expense in the statement of income.

The Organization's federal income tax returns are generally open and subject to examination for a period of three years after the filing of its tax return. The Organization is not currently under examination by federal tax authorities.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Related Party

Port Rail, Inc. received on-behalf payments from the Lake Charles Harbor and Terminal District to fully fund its operations in 2014 and 2013. Those payments totaled \$42,341 and \$295,926 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014, Port Rail, Inc. owes the Lake Charles Harbor and Terminal District \$93,899 for the cumulative amount of on-behalf payments paid by the District since Port Rail, Inc.'s inception. As of December 31, 2013, Port Rail, Inc. owed the Lake Charles Harbor and Terminal District \$341,848. Once Port Rail, Inc. is operational management intends to repay the funds to the District in full.

Note 3. Intergovernmental Receivable

According to the cooperative endeavor agreement between the entity and the State of Louisiana Department of Economic Development, the entity is responsible for acquiring property rights for the rail system. The cost of these property rights, including acquisition costs, is to be reimbursed by the State of Louisiana. The balance at December 31, 2014 and 2013 was \$-0- and \$290,290, respectively.

Note 4. Subsequent Events

Subsequent to year end, Port Rail, Inc. entered into a Cooperative Endeavor Agreement with the Lake Charles Harbor and Terminal District (LCHTD). This agreement provides for an initial investment by the LCHTD of \$1,000,000 with possible additional financial contributions as the entity needs to maintain rail operations. Port Rail, Inc. will reimburse the LCHTD all monies advanced including annualized interest at the rate of two percent within five years of becoming operational and/or as funds become available from operations, not to exceed a period of twenty years.

Subsequent events have been evaluated by management through June 15, 2015, the date the financial statements were available to be issued.

See Accountants Review Report

PORT RAIL, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO AGENCY HEAD  
Year Ended December 31, 2014

Agency Head Name: C. Wade Shaddock, Jr., Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Benefits - deferred compensation	0
Car allowance	0
Travel	0
Registration fees	0
Conference travel	0

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

To the Board of Directors of Port Rail, Inc.  
Lake Charles, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of (Port Rail, Inc.), the Legislative Auditor, State of Louisiana, and applicable state grantor agency/agencies solely to assist the users in evaluating management's assertions about Port Rail, Inc.'s compliance with certain laws and regulations during the year ended December 31, 2014 included in the accompanying Louisiana Attestation Questionnaire. Management of Port Rail, Inc. is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

*Federal, State, and Local Awards*

1. Determine the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Port Rail, Inc. received on-behalf payments from the Lake Charles Harbor and Terminal District in 2014 in the amount of \$42,341.

2. For each federal, state, and local award, randomly select six disbursements from each award administered during the period under examination, provided that no more than 30 disbursements would be selected.

3. For the items selected in Procedure 2, trace the six disbursements to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in Procedure 2, determine if the six disbursements are properly coded to the correct fund and general ledger account.

All six payments were properly coded to the correct fund and general ledger account.

5. For the items selected in Procedure 2, determine whether the six disbursements received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated proper approval was received for each payment.

6. For the items selected in Procedure 2: For federal awards, determine whether the disbursements complied with the applicable specific program compliance requirements summarized in the *Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, determine whether the disbursements comply with the grant agreement, relating to: Activities allowed or unallowed, eligibility and reporting.

Port Rail, Inc. did not receive any federal funds and therefore were not subject to any of the compliance requirement listed above.

7. For the programs selected for testing in Procedure 2 that had been closed out during the period under review, compare the close-out report, when required, with the agency's financial records to determine whether the amounts agree.

There was no applicable close-out report for the 2014 activity.

#### *Open Meetings*

8. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/lla.nsf>, to determine whether a non-profit agency is subject to the open meetings law.

Port Rail, Inc. is an economic development non-profit organization and as such is not required to be subject to the Open Meetings Law. Port Rail, Inc. did not hold any meetings in 2014.

*Budget*

9. For all grants exceeding five thousand dollars, determine that each applicable federal, state, or local grantor agency/agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

Port Rail, Inc. did not receive grant funding that required a budget of those funds.

*Prior Comments and Recommendations*

10. Review any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

In the prior year, it was determined that Port Rail, Inc. received funding that imposed the open meetings requirement for that year. Port Rail, Inc. did not receive funding in 2014 that would impose the open meetings requirement.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. 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 use of management of Port Rail, Inc., the Legislative Auditor (State of Louisiana), and the applicable state grantor agency/agencies and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*MS Elroy Quirk & Burch*

Lake Charles, Louisiana  
June 15, 2015

**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Quasi-public Agencies)**

May 15, 2015

McElroy, Quirk & Burch, APC  
Certified Public Accountants  
P. O. Box 3070  
Lake Charles, LA 70602-3070

Gentlemen:

In connection with your review of our financial statements as of December 31, 2014 and for the period then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/ representation).

**Federal, State, and Local Awards**

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes [ X ] No [ ]

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes [ X ] No [ ]

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [ X ] No [ ]

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [ X ] No [ ]

**Open Meetings**

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/lala.nsf>, to determine whether a non-profit agency is subject to the open meetings law.**

Yes [ ] No [ X ]

**Budget**

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

N/A  Yes  No

**Reporting**

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

N/A  Yes  No

**Prior-Year Comments**

We have resolved all prior-year recommendations and/or comments.

N/A  Yes  No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

<u>Kay C. Barnett</u>	Secretary	_____	Date
<u>William J. Rase, III</u>	<i>William J. Rase III</i>	Treasurer	_____
<u>C. Wade Shaddock, Jr.</u>	President	_____	Date



**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Quasi-public agencies)**

Dear Chief Executive Officer:

Attached is the Louisiana Attestation Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of the review/attestation engagement of Louisiana quasi-public agencies. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting.

The completed attestation questionnaire and a copy of the adoption instrument, if appropriate, **must be given to the independent certified public accountant at the beginning of the engagement.** The CPA will, during the course of his engagement, perform certain agreed-upon procedures to the responses in the questionnaire. It is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the CPA during the course of his engagement. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor