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BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS
LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS
LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners of the
Port of New Orleans:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Board of Commissioners of the Port of New Orleans (the Port) as of June 30, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Port'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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 12 to the financial statements, the Port implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2014. This standard provides guidance for reporting the financial statement elements of deferred outflows and inflows of resources and also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues or expenses when incurred and not reported in the statements of net position. Our opinions are not modified with respect to this matter.

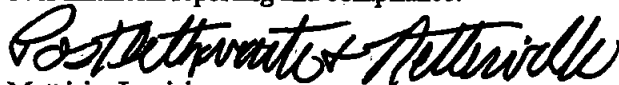
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 and the Schedules of Funding Progress presented on page 51 and 52 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Metairie, Louisiana
September 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Board of Commissioners of the Port of New Orleans (Board) annual financial report presents a discussion and analysis of the Board's financial performance for the Fiscal Year ended June 30, 2014. Please read it in conjunction with the Board's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Board's financial performance for Fiscal Year 2014 is highlighted by stronger operating revenue generation for the fourth year in a row. Operating revenue was in excess of \$53.0 million surpassing the previous high of \$51.2 million set in Fiscal Year 2013. Operating expense increased as well for Fiscal Year 2014. This combination produced net operating income of \$12.2 million before depreciation. The increase in overall operating revenue was due to revenue improvement in all sectors - terminal operations, cruise passenger revenue and real estate. The terminal operations increase was mainly due to breakbulk vessels categorized as gross registered ton (GRT) dockage. GRT results in increased dockage rate which provides for reduced rent from cargo going to barge instead of to the wharf. This increase in dockage was somewhat offset by lower rent in Fiscal Year 2014 versus Fiscal Year 2013 due specifically to the GRT vessels. Although there were a lower number of passengers in Fiscal Year 2014 compared to Fiscal Year 2013, increase in passenger wharfage rates for Carnival Cruise Line pushed this revenue category higher in Fiscal Year 2014. This increase was offset by lower parking revenue. The real estate revenue increased as new leases were entered into as well as certain increases in variable rents on current leaseholds. The Board's net position increased \$2.9 million resulting primarily from increases in operating revenue, gain on sale of assets and a reduction in interest expense, with a reduction to net position from an increase in operating expense. In comparison, Fiscal Year 2013 had an increase of \$4.2 million resulting primarily from capital revenue from state and federal sources offset by an operating loss.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting and federal programs.

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Position. The statement of net position presents financial information on all of the Port's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating. The statement of activities presents information showing how the Port's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows in future fiscal periods (e.g., earned but unused vacation leave).

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements are designed to provide readers with a broad overview of the Port's finances, in a manner similar to a private sector business. The financial statements provide both long and short-term information about the Board's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS

Net Position

The Board's total assets and deferred outflows of resources at June 30, 2014 are \$732.4 million. This represents a decrease of \$1.5 million or 0.2 percent from the prior year. Total liabilities are \$143.7 million for a decrease of \$4.4 million or 3.0 percent. Total net position is \$588.7 million, an increase of approximately \$2.9 million or 0.5 percent. The comparison of Fiscal Year 2013 to 2012 indicated a decrease for 2013 of \$8.3 million in total assets and deferred outflows and an increase of approximately \$4.2 million in net position. (See Table 1).

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

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1 Net Position (in thousands of dollars)				
	<u>2014</u>	<u>2013</u> (Restated)	<u>Percentage Change</u>	<u>2012</u> (Restated)
Current assets	\$ 100,195	\$ 92,996	7.7%	\$ 86,268
Restricted assets	17,423	27,362	-36.3%	42,846
Property (net)	613,304	612,012	0.2%	611,280
Other assets	218	250	-12.8%	453
Deferred outflows of resources	1,212	1,252	-3.2%	1,300
Total assets and deferred outflows	\$ 732,352	\$ 733,872	-0.2%	\$ 742,147
Current liabilities	\$ 18,560	\$ 19,790	-6.2%	\$ 16,687
Non-current liabilities	125,133	128,349	-2.5%	143,923
Total liabilities	143,693	148,139	-3.0%	160,610
Net position:				
Net investment in capital assets	505,407	501,527	0.8%	486,096
Restricted	17,423	27,362	-36.3%	42,920
Unrestricted	65,829	56,844	15.8%	52,521
Total net position	588,659	585,733	0.5%	581,537
Total liabilities and net position	\$ 732,352	\$ 733,872	-0.2%	\$ 742,147

Current assets mainly increased with the transfer of approximately \$17.0 million from the deep draft lock escrow account to the unrestricted investments account. The change to unrestricted was due to an agreement reached with the U. S. Army Corps of Engineers to release approximately \$17.0 million in funds in exchange for the Port foregoing its request for a deeper draft lock between the Mississippi River and the Inner Harbor Navigational Canal. As of June 30, 2014, only \$10.1 million of the \$17.0 million had completed transfer. Non-current assets decreased by \$8.7 million mainly on the aforementioned transfer from restricted assets.

Current assets for Fiscal Year 2013 increased over Fiscal Year 2012 as collections significantly rose on grant funds under the Federal Emergency Management Agency (FEMA) program for construction projects completed in prior years. These collections caused an increase in cash and investment of \$26.3 million. As these collections accelerated, the government accounts receivable decrease at year end Fiscal Year 2013 offsetting some of the cash and investment fund increases as current assets increased \$6.7 million. Non-current assets decreased by \$15.0 million. Restricted assets from the refunding of the Board's Revenue Bond Issue 2002 spanned the year end June 30, 2012, the sale of which in 2013, caused a \$15.0 million decrease in restricted assets.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current liabilities decreased \$1.2 million when compared to Fiscal Year 2013 as there were lower accruals for year-end construction than in Fiscal Year 2013 resulting in lower accounts payable. The accounts payable decrease was offset somewhat by an increase in currently due debt payments in Fiscal Year 2014. Non-current liabilities decreased \$3.2 million mainly due to lower bond debt with higher amounts currently due and moving to current liabilities.

Current liabilities in Fiscal Year 2013 increased \$3.1 million when compared to Fiscal Year 2012, as construction accruals for accounts payable in Fiscal Year 2013 were higher than in Fiscal Year 2012. Non-current liabilities decreased \$15.6 million mainly due to a liability at year end 2012 for the refunding of the 2002 Bond Issue being eliminated in Fiscal Year 2013.

Table 2				
Changes in Net Position				
(in thousands of dollars)				
	2014	2013	Percentage Change	2012
		(Restated)		(Restated)
Operating Revenues:				
Terminal operations	\$ 36,802	\$ 35,212	4.5%	\$ 35,104
Cruise and tourism	10,878	10,426	4.3%	9,399
Real estate	5,826	5,580	4.4%	4,005
Total operating revenues	<u>53,506</u>	<u>51,218</u>	4.5%	<u>48,508</u>
Operating Expenses:				
Operating expenses	41,437	38,747	6.9%	36,355
Depreciation	24,276	24,009	1.1%	21,009
Total operating expenses	<u>65,713</u>	<u>62,756</u>	4.7%	<u>57,364</u>
Operating loss	(12,207)	(11,538)	-5.8%	(8,856)
Non-operating revenues/(expenses), net				
Investment income	676	144	369.4%	421
Interest expense	(4,543)	(5,777)	-21.4%	(5,561)
Hurricane gain (loss)	(365)	(273)	33.7%	(867)
Gain (loss) on sale of assets	2,167	1,565	38.5%	567
Demolition costs	(232)	(631)	-63.2%	(1,592)
Miscellaneous - net	(315)	(184)	71.2%	(693)
Income (loss) before contributions	<u>(14,819)</u>	<u>(16,694)</u>	-11.2%	<u>(16,581)</u>
Capital revenue from state and federal programs				
	<u>17,745</u>	<u>20,890</u>	-15.1%	<u>64,850</u>
Change in net position	2,926	4,196	-30.3%	48,269
Total net position, beginning of the year	<u>585,733</u>	<u>581,537</u>	0.7%	<u>533,268</u>
Total net position, end of year	<u>\$ 588,659</u>	<u>\$ 585,733</u>	0.5%	<u>\$ 581,537</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

The changes in net position for the year ended June 30, 2014, when compared to June 30, 2013, is a decrease of \$1.3 million or 30.3%. Operating revenue increased in all areas with Terminal Operations having the highest increase of \$1.6 million. However, operating expenses increased by \$3.0 million or 4.7% resulting in an increase in operating loss of approximately \$668,000.

In the area of non-operating revenue and expense, Fiscal Year 2014 had net expense \$2.5 million lower than Fiscal Year 2013. This was mainly due to higher interest income, lower bond interest cost and a larger gain on sale of assets in Fiscal Year 2014.

Capital contributions were lower by \$3.1 million in Fiscal Year 2014 versus Fiscal Year 2013 as the reimbursements for FEMA projects were lower in Fiscal Year 2014.

In Fiscal Year 2013, versus Fiscal Year 2012 the change in net position is a decrease of \$44.1 million.

The operating revenue increases, mainly from Cruise and Tourism and Real Estate, were offset by increases in operating expense.

The non-operating revenue and expense for Fiscal Year 2013 has a non-operating loss lower than Fiscal Year 2012 by \$2.6 million. This difference is mainly due to higher demolition cost and lower gain on the sale of assets in Fiscal Year 2012.

Capital contributions were lower by \$44.0 million in Fiscal Year 2013 versus Fiscal Year 2012 as there were two major construction projects completed in Fiscal Year 2012, a cold storage facility and two new cranes, that were reimbursed with state and federal funds.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3.

Table 3				
Operating Expenses				
(in thousands of dollars)				
	2014	2013	Percentage Change	2012
Labor and fringe benefits	\$ 27,520	\$ 25,303	8.8%	\$ 24,565
Fuel and utilities	2,874	2,792	2.9%	2,684
Supplies	362	305	18.7%	342
Maintenance agreements	626	518	20.7%	419
Purchased services	200	169	18.3%	149
Rent – real estate and equipment	82	276	-70.3%	309
Contract labor services	1,134	801	41.5%	769
Travel, promotion and advertising	1,174	1,134	3.6%	1,076
Electronic data service subscription	102	94	8.6%	102
Training	85	72	18.4%	38
Professional fees	1,242	1,497	-17.1%	959
Maintenance	2,146	2,256	-4.9%	2,282
Insurance	5,475	5,330	2.7%	4,638
Workers' compensation	780	390	100.0%	275
Security fee reimbursement	(816)	(854)	-4.5%	(664)
Other	176	203	-13.4%	220
Depreciation	24,276	24,009	1.1%	21,009
Less capitalized labor	(1,725)	(1,538)	12.1%	(1,808)
Total operating expenses	\$ 65,713	\$ 62,757	4.7%	\$ 57,364

The total increase in operating expense, when comparing Fiscal Year 2014 to Fiscal Year 2013, is approximately \$2.9 million or 4.7 percent. The major categories of increases were labor and fringe benefits, maintenance agreements, contract labor, property insurance, workers' compensation, and depreciation. Significant areas of reduction were rent and professional fees.

Labor and fringe benefits increased in 2014 by \$2.2 million or 8.8 percent. Salaries were higher by \$761,000. The payroll increases were due mainly to merit increases and seven additional positions that were filled throughout the fiscal year. In fringe benefits, contributions for the State LASERS retirement and Harbor Police Department pension programs increased, resulting in \$745,000 additional costs for Fiscal Year 2014. Further, health care insurance premiums increased in Fiscal Year 2014 resulting in these cost being \$694,000 higher. Labor and fringe benefits increased in 2013 over 2012 by \$736,000 or 3.0 percent. Salaries were higher by \$630,000. The payroll increases were due mainly to merit increases, three additional positions and filling of a number of positions that were vacant during Fiscal Year 2012. In fringe benefits, contributions for the State LASERS retirement and Harbor Police Department pension programs increased resulting in \$683,000 additional costs for Fiscal Year 2013.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

These increases were lowered by a reduction in health care costs of \$438,000 from lower premiums from the provider due to a favorable experience prior year.

Maintenance agreements increased \$108,000 in Fiscal Year 2014 over Fiscal Year 2013. The increase was mainly due to agreements for certain security equipment, increase for the HVAC system in the Erato Cruise Terminal and increase in agreements for the HVAC in the administration building. Maintenance agreements increased \$99,000 in Fiscal Year 2013 over Fiscal Year 2012. The increase was mainly due to agreements for computer equipment coming out of warranty, increase cost for the Board's general ledger maintenance package and for the HVAC system in the newly renovated Julia Avenue Cruise Terminal.

Contract labor increased approximately \$333,000 or 41.5% in Fiscal Year 2014 compared to Fiscal Year 2013. The increase was mainly due to increases in the Cruise Division. In a new agreement with Carnival Cruise Line certain contract labor was absorbed by the Port in exchange for increases in the passenger wharfage rates. The additional revenue more than offset the increase in this expense area. There were no significant increase in contract labor from Fiscal Year 2012 to Fiscal Year 2013.

In Fiscal Year 2014 property insurance expense again increased. The Fiscal Year 2014 increase was \$145,000 due to rising premium costs for property insurance. This increase was significantly lower than the Fiscal Year 2013 versus Fiscal Year 2012 of \$692,000. The Fiscal Year 2013 increase was due to a number of hurricanes causing significant destruction in the previous two years.

Workers' compensation was significantly higher, by \$390,000, as there were increases in the reserves for future liability from previous claims as well as an increase in liability claims cost. Expense for workers' compensation increased in Fiscal Year 2013 over Fiscal Year 2012 as there were a number of significant surgeries due to on the job accidents. Two of the more serious surgeries were for separate employee's back and hand.

Depreciation increased \$267,000 as three major projects (Dredge Discharge Pipeline and Winch Barge, Governor Nicholls St. Wharf - Roof/Siding Rehab. and the Marine Security Operation Center) were completed and began depreciation in Fiscal Year 2014. Depreciation increased \$3.0 million in Fiscal Year 2013 as a number of major capital projects were placed in service for the Fiscal Year 2013 time period, including the cold storage facility and two new cranes.

Rent payments to the Maritime Administration (MARAD) for Poland Avenue completely ceased in Fiscal Year 14 causing a decrease in expense of \$194,000. Rent decreased in Fiscal Year 2013 by \$33,000 when compared to Fiscal Year 2012 as the agreement with MARAD began in Fiscal Year 2013.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Professional fees decreased by \$255,000 in Fiscal Year 2014 mainly due to lower outside attorney fees in the Legal Division as certain of fees for negotiations of a major lease were completed in Fiscal Year 2014. Professional fees increased \$538,000 in Fiscal Year 2013 compared to Fiscal Year 2012. The main reasons were two significant cases in litigation and protracted negotiations for the aforementioned lease causing the legal fees to increase by \$399,000. Another \$88,000 increase resulted from professional fees for the Board's consultant on the disadvantaged business enterprise program. Further, professional fees for the Tokyo office were increased resulting in an additional \$40,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the Board had invested \$613.3 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of 1.3 million. Property increased during 2013 when compared to 2012 with the addition of a net \$732,000 of capital assets.

Debt Administration

The Board made its regularly scheduled payments on its Port Facility Revenue Bonds, Series 2008, Series 2010, Series 2011, Series 2012 and Series 2013A&B. Total bond debt payments for the Fiscal Year 2014 was \$5.6 million.

Under the terms of its capital leases for the container cranes and for computer equipment, the Board made lease payments of approximately \$1.2 million including principal and interest.

All bond debt and lease covenants have been met.

The Board commenced payments in Fiscal Year 2012 on the \$14.4 million of debt assistance provided by the State of Louisiana under the Gulf Opportunity Zone Act of 2005 (GO Zone). Payments of \$1.3 million of principal and interest during Fiscal Year 2014 continued as provided for under the GO Zone agreement.

Additional detailed information relating to capital assets and debt administration is presented in the financial statements and notes number 4, "Property, Net" and 5, "Non-Current Liabilities".

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS

General Cargo volumes for Fiscal Year 2013 had a slight decrease compared to Fiscal Year 2012 after two prior years of increases. These cargo results were reflective of the very slow economic growth in the U.S. and the world during the same period. The trend continued for the Port for the first six months of the 2014 Fiscal Year, with breakbulk tonnage declining and container tonnage slightly increasing. A rebound in both categories in the second six months of the fiscal year resulted in an overall increase for Fiscal Year 2014 versus Fiscal Year 2013.

Specifically, related to cargo volumes, Port container tonnage increased 311,000 tons or 7.8 percent when comparing to Fiscal Year 2013. Breakbulk, in Fiscal Year 2014 had a fourth year of increased tonnage after a number of years of decline. Breakbulk increased 205,000 tons or 7.4 percent in Fiscal Year 2014. Thus, total Board-owned facilities' general cargo increased 516,000 tons or 7.6 percent in Fiscal Year 2014. In comparison, Port container tonnage decreased 172,000 tons or 4.1 percent in Fiscal Year 2013 versus Fiscal Year 2012. Breakbulk increased 80,000 tons or 2.9 percent. Thus, total Board-owned facilities general cargo decreased 92,000 tons or 1.3 percent in Fiscal Year 2013 compared to Fiscal Year 2012.

The cruise sector had slight decreases in passenger volumes in Fiscal Year 2014. The number of passengers decreased by approximately 12,000 or 1.2%. The lower volumes were offset by increased rates for Carnival Cruise Line as per a new agreement with the Port. Until Fiscal Year 2014 the passenger volumes experienced growth going back to Fiscal Year 2010. Passenger volumes increased by approximately 152,000 from Fiscal Year 2012 to Fiscal Year 2013 resulting in increases in passenger wharfage and parking revenue in Fiscal Year 2013.

In the area of real estate, two new leases and one lease with significant increases in variable rent resulted in a \$246,000 million addition in revenue as compared to Fiscal Year 2013. Increases in Fiscal Year 2013 were due to five new leases and increases in variable rent that resulted in higher revenue of \$1.6 million when compared to Fiscal Year 2012.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, the public, patrons, and other interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the funds received. If you have any questions about this report or need additional financial information, contact the Board at (504) 528-3346.

FINANCIAL STATEMENTS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
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STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
		(Restated)
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 50,025,319	\$ 52,549,250
Investments	32,102,843	21,908,484
Accounts receivable, less allowance for doubtful accounts of \$659,109 and \$626,308 at June 30, 2014 and 2013, respectively	4,906,599	5,145,470
Due from other governments	4,168,145	3,625,878
Stores inventory	5,077,099	5,454,618
Prepaid items	3,915,296	4,312,770
Total current assets	<u>100,195,301</u>	<u>92,996,470</u>
<u>NON-CURRENT ASSETS</u>		
Restricted cash, cash equivalents, and investments:		
Revenue bond covenant accounts	6,528,116	6,602,588
Deep draft lock escrow	10,895,023	20,759,044
Total restricted assets	<u>17,423,139</u>	<u>27,361,632</u>
Property - net	613,303,622	612,012,069
Other assets	217,911	250,456
Total non-current assets	<u>630,944,672</u>	<u>639,624,157</u>
TOTAL ASSETS	<u>731,139,973</u>	<u>732,620,627</u>
<u>DEFERRED OUTFLOWS</u>		
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred loss on bond refunding	1,212,126	1,251,301
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,212,126</u>	<u>1,251,301</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	7,878,994	10,847,006
Revenue bonds payable - current	2,645,000	1,520,000
Debt service assistance program loan payable - current	748,890	715,683
Capital leases payable - current	977,431	984,276
Accrued interest payable	1,253,689	1,282,832
Unearned income	1,929,459	2,097,554
Other liabilities	3,126,374	2,342,351
Total current liabilities	<u>18,559,837</u>	<u>19,789,702</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
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STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
		(Restated)
<u>LIABILITIES (continued)</u>		
<u>NON-CURRENT LIABILITIES</u>		
Revenue bonds payable	103,637,037	106,394,356
Debt service assistance program loan payable	12,216,440	12,966,050
Capital leases payable	637,212	1,586,612
Net pension obligation	4,634,454	3,639,799
Post-employment benefit obligation	2,418,074	2,166,915
Compensated absences payable	1,589,968	1,595,618
Total non-current liabilities	<u>125,133,185</u>	<u>128,349,350</u>
TOTAL LIABILITIES	<u>143,693,022</u>	<u>148,139,052</u>
<u>NET POSITION</u>		
<u>NET POSITION</u>		
Net investment in capital assets	505,406,942	501,526,825
Restricted for revenue bond debt service	6,528,116	6,602,588
Restricted for deep draft lock	10,895,023	20,759,044
Unrestricted	65,828,996	56,844,419
TOTAL NET POSITION	<u>\$ 588,659,077</u>	<u>\$ 585,732,876</u>

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>OPERATING REVENUES</u>		(Restated)
Terminal operations:		
Dockage	\$ 10,847,579	\$ 8,888,377
Rentals	18,994,127	19,837,070
Harbor fees	1,556,670	1,619,734
Container cranes	3,875,020	3,804,246
Other	1,528,806	1,062,613
Total terminal operations	<u>36,802,202</u>	<u>35,212,040</u>
Cruise and tourism	10,877,941	10,426,000
Real estate rentals	5,825,584	5,579,911
Total operating revenues	<u>53,505,727</u>	<u>51,217,951</u>
<u>OPERATING EXPENSES</u>		
Operations services:		
Port development	11,007,495	10,228,048
Port operations	13,902,066	13,309,276
Cruise and tourism	3,168,222	2,524,421
Marketing	2,355,389	2,218,632
Total operations services	<u>30,433,172</u>	<u>28,280,377</u>
Management services:		
Finance and information services	2,526,258	2,344,150
Administration Services	2,443,214	2,348,537
Legal and risk	2,000,424	2,141,083
Business development	710,234	716,442
Total management services	<u>7,680,130</u>	<u>7,550,212</u>

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CONTINUED
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013 (Restated)
Other operating:		
Executive	2,543,155	2,526,770
Workers' compensation and self insured claims	780,192	390,702
Total other operating	3,323,347	2,917,472
Depreciation	24,275,897	24,009,378
Total operating expenses	65,712,546	62,757,439
<u>OPERATING LOSS</u>	(12,206,819)	(11,539,488)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income	676,174	144,548
Interest expense	(4,542,601)	(5,776,122)
Hurricane gain (loss)	(365,319)	(273,046)
Gain on disposal of assets	2,166,710	1,564,554
Demolition costs	(231,673)	(631,498)
Miscellaneous - net	(315,187)	(182,640)
Total non-operating revenues (expenses)	(2,611,896)	(5,154,204)
<u>LOSS BEFORE CONTRIBUTIONS</u>	(14,818,715)	(16,693,692)
<u>CAPITAL CONTRIBUTIONS</u>	17,744,916	20,889,194
<u>CHANGE IN NET POSITION</u>	2,926,201	4,195,502
<u>NET POSITION, BEGINNING OF YEAR (Restated)</u>	585,732,876	581,537,374
<u>NET POSITION, END OF YEAR</u>	\$ 588,659,077	\$ 585,732,876

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
		(Restated)
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users	\$ 53,327,035	\$ 52,915,910
Payments to suppliers	(19,726,866)	(15,303,416)
Payments to employees	(17,698,023)	(17,182,192)
Payments of benefits on behalf of employees	(8,629,915)	(7,588,912)
Net cash provided by operating activities	7,272,231	12,841,390
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Expenditures for acquisition and construction of capital assets	(26,248,796)	(26,749,279)
Proceeds from sales of capital assets	2,166,710	1,564,554
Capital contributions from other governments	21,455,423	46,275,062
Proceeds from refinancing of bonds	-	44,010,000
Payment on refunded bonds	(1,520,000)	(60,485,000)
Repayments of principal borrowed to finance acquisition and construction of capital assets	(716,403)	(686,171)
Interest paid on amounts to finance acquisition and construction of capital assets	(4,474,026)	(3,982,633)
Payments for bond issuance costs	-	(778,486)
Demolition costs and other	(514,059)	(1,153,452)
Hurricane (costs) proceeds	(365,319)	(273,046)
Net cash used in capital and related financing activities	(10,216,470)	(2,258,451)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(11,759,758)	(12,194,286)
Proceeds from sales and maturities of investments	11,429,420	12,298,110
Investment income received	676,174	141,156
Net cash provided by investing activities	345,836	244,980

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
		(Restated)
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(2,598,403)	10,827,919
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	<u>59,151,838</u>	<u>48,323,919</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 56,553,435</u>	<u>\$ 59,151,838</u>
<u>RECONCILIATION OF LOSS FROM OPERATIONS TO</u>		
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating loss	\$ (12,206,819)	\$ (11,539,488)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	24,275,897	24,009,378
Changes in assets and liabilities relating to operating activities:		
Accounts and insurance receivable	206,070	1,880,898
Stores inventories	377,519	30,655
Prepaid items	397,474	(171,486)
Other assets	(216,667)	(249,167)
Accounts payable	(6,925,768)	(2,182,568)
Unearned income	(168,095)	66,228
Other liabilities	292,456	(155,149)
Net pension obligation	994,655	981,687
Post-employment benefit obligation	251,159	277,397
Compensated absences payable	(5,650)	(106,995)
Net cash provided by operating activities	<u>\$ 7,272,231</u>	<u>\$ 12,841,390</u>
<u>RECONCILIATION TO STATEMENTS OF NET ASSETS:</u>		
Cash and cash equivalents for cash flow statements include:		
Cash and cash equivalents	50,025,319	52,549,250
Restricted assets:		
Restricted for revenue bond debt service	6,528,116	6,602,588
Total cash and cash equivalents	<u>\$ 56,553,435</u>	<u>\$ 59,151,838</u>
<u>SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:</u>		
Noncash capital acquisitions by lease	<u>\$ 3,418</u>	<u>\$ 738,267</u>
Noncash increase (decrease) in fair value of investments	<u>\$ (261,001)</u>	<u>\$ 398,826</u>

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Commissioners of the Port of New Orleans (the Port) is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:1-47. The Port is governed by a Board of Commissioners (the Board) consisting of seven members appointed by the Governor. The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port.

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB).

The Port is reported as a stand-alone entity as defined by GASB Statements No. 34 and 61, relating to the financial reporting entity. The Port is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

Measurement Focus, Basis Accounting and Financial Statement Presentation

The accounting policies of the Port conform to accounting principles generally accepted in the United States of America as applicable to governments. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Port's accounts are organized into a single proprietary fund. The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Measurement Focus, Basis Accounting and Financial Statement Presentation (continued)

Under the provisions of GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Port applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments of the Port, substantially all of which have original maturities of two years or less, are recorded at fair value. Fair value is based on quoted market prices.

Stores Inventory

The inventory of the Port consists of expendable materials, supplies and fuel and is valued at the lower of average cost or market.

Restricted Assets

Under an agreement with the U.S. Army Corps of Engineers (Corps) the proceeds of land sales to the Corps in 2002 and 2003 have been put into an escrow fund to be used to pay the Port's share of a deep draft lock on the Inner Harbor Navigation Canal. Gains on the sales of land of approximately \$10,100,000 and \$5,600,000 were recognized for the years ended June 30, 2003 and 2002 respectively. Interest income related to these restricted assets was \$281,328 and \$169,951 for the years ended June 30, 2014 and 2013, respectively.

Including investment income, the balance in this restricted account as of May 31, 2014 was \$20,947,524. In June of 2014, the Corps agreed to release \$17,015,810 of the funds in exchange for the Port foregoing its request for a deeper draft for the lock. As of June 30, 2014, only \$10,059,535 had completed transfer. The remaining \$6,956,275 was transferred in July of 2014.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Restricted Assets (continued)

Certain proceeds of the Port's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate investment accounts and their use is limited by applicable bond requirements.

Property and Depreciation

The Port capitalizes assets that have an individual cost of \$500 or more and an estimated useful life in excess of one year. Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.

Depreciation of property and amortization of capital lease assets is computed using the straight-line method over the following estimated useful lives:

Wharves and sheds	30 – 50 years
Roadways and drainage	20 years
Marshalling areas	15 years
Buildings	15 – 40 years
Machinery and equipment	3 – 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital asset and improvements are capitalized as projects are constructed. The Port's policy is to capitalize construction period interest, if any. For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing and ends when the asset is put into service.

Debt and Amortization

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

Unearned Income

Operating revenues include rental income derived from leasing Port-owned properties. Amounts due from certain lease agreements are billed in advance and recognition of the related revenue is deferred and recognized over the appropriate lease term.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Compensated Absences

Employees accumulate vacation and sick leave at varying rates according to years of service. Upon termination, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes.

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents consist of demand deposits with banks, overnight repurchase agreements, and money market mutual funds.

Deferred Inflows and Outflows

Deferred outflows of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding reported on the statements of net position results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

2. CASH AND INVESTMENTS

The Port's cash and investments consist primarily of deposits with financial institutions and investments in direct obligations of the United States Treasury or agencies thereof.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Port's name. At June 30, 2014 and 2013, the carrying amount of the Port's deposits (demand deposits and certificates of deposit) were \$51,025,319 and \$53,549,250 and the related bank balances were \$52,000,636 and \$54,234,505 respectively. Of the bank balances, \$513,473 and \$750,005 were covered by federal depository insurance and \$50,291,001 and \$53,472,403 were covered by collateral held by the pledging banks' trust department or agent in the Port's name at June 30, 2014 and 2013, respectively.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (continued)

Investments

The Port may invest idle funds as authorized by Louisiana Statutes and the Port's investment policy as follows:

- (a) United States bonds, treasury notes, certificates, or any other federally insured investment.
- (b) Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.
- (c) Debt instruments issued by the state of Louisiana or any of its political subdivisions with a rating of at least BBB- or higher by Standard and Poor and the final maturity can be no more than three years.
- (d) Bonds, debentures, notes or other indebtedness issued by a state of the United States of America other than Louisiana or any such state's political subdivisions with a minimum rating A- or higher by Standard and Poor and the final maturity can be no more than three years.
- (e) Top Tier A1/P1 rated Commercial Paper
- (f) Security Repurchase Agreements
- (g) Mutual or trust funds, 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 government or its agencies.

The Port invests monies with the Louisiana Asset Management Pool (LAMP). LAMP is a nonprofit corporation organized under the laws of the State of Louisiana formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investments policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP's portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average of portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined weekly to monitor any variances between amortized cost and market value. For purposes of determining participants' share, investments are valued at amortized cost. LAMP is designed to be highly liquid to provide immediate access to participants.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (continued)

Investments (continued)

Cash and investments were included in the Statements of Net Position as of June 30 as follows:

	2014	2013
Cash and cash equivalents	\$ 50,025,319	\$ 52,549,250
Investments -- current assets	32,102,843	21,908,484
Restricted assets	17,423,139	27,361,632
	<u>\$ 99,551,301</u>	<u>\$ 101,819,366</u>

Included in cash and investments at June 30, were the following:

	2014	2013
U.S. Treasury	\$ 6,608,231	\$ 6,602,157
U.S. Government Agency obligations	35,975,449	33,900,383
Money market mutual funds	3,931,714	5,757,144
LAMP	2,010,588	2,010,002
Deposits:		
Brokerage Cash Account	-	430
Certificates of deposit	1,000,000	1,000,000
Demand deposit with banks	50,025,319	52,549,250
Total cash and investments	<u>\$ 99,551,301</u>	<u>\$ 101,819,366</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Port has a formal investment policy that targets investment maturities equal to or less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, approximately 40% of the Port's portfolio shall be one year or less for liquidity reasons and interest rate volatility risk.

As of June 30, 2014, the Port had the following investments and maturities.

	Fair Value	Remaining Maturity (in Years)	
		Less Than One	1 - 5
U.S. Treasury Notes	\$ 6,608,231	\$ 6,608,231	\$ -
Certificates of Deposit	1,000,000	1,000,000	-
U.S. Government Agencies	35,975,449	17,015,393	18,960,056
Total	<u>\$ 43,583,680</u>	<u>\$ 24,623,624</u>	<u>\$ 18,960,056</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (continued)

Interest Rate Risk (continued)

As of June 30, 2013, the Port had the following investments and maturities.

	<u>Fair Value</u>	<u>Remaining Maturity (in Years)</u>	
		<u>Less Than One</u>	<u>1 - 5</u>
U.S. Treasury Notes	\$ 6,602,157	\$ 6,602,157	\$ -
Certificates of Deposit	1,000,000	1,000,000	-
U.S. Government Agencies	33,900,383	11,292,356	22,608,027
Total	\$ 41,502,540	\$ 18,894,513	\$ 22,608,027

Credit Risk

State law limits investments to instruments as described under "Investments" for the purpose of safety of principal. The Port's investment policy does not further limit its investment choices. LAMP has been rated AAA by Standard & Poor's Corporation. The Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank Consolidated Bonds and the Federal Farm Credit Banks are all rated AA+ by Standard & Poor's Corporation. The money market mutual funds and the Brokerage Cash Account are unrated accounts.

3. DUE FROM OTHER GOVERNMENTS

Due from other governments consists of 1) state funds from the Louisiana Department of Transportation and Development for facility planning and control projects, flood control projects and port priority projects and 2) federal funds receivable from the Federal Emergency Management Agency (FEMA). At June 30, 2014 and 2013, amounts due are as follows:

	<u>2014</u>	<u>2013</u>
Louisiana Department of Transportation and Development	\$ 2,607,784	\$ 2,923,295
U.S. Department of Transportation Maritime Administration	610,631	-
U.S. Department of Homeland Security	949,730	702,583
Total	\$ 4,168,145	\$ 3,625,878

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET

A summary of changes in property is as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Property not being depreciated:				
Land and improvements	\$ 72,688,479	\$ -	\$ (62,293)	\$ 72,626,186
Construction in progress	<u>54,301,711</u>	<u>21,361,112</u>	<u>(10,158,681)</u>	<u>65,504,142</u>
Total property not being depreciated	<u>126,990,190</u>	<u>21,361,112</u>	<u>(10,220,974)</u>	<u>138,130,328</u>
Property being depreciated:				
Property (wharves, buildings, etc.)	833,177,379	10,578,054	-	843,755,433
Furniture and fixtures	13,577,877	1,859,482	(120,753)	15,316,606
Equipment	<u>23,559,569</u>	<u>2,007,880</u>	<u>(43,357)</u>	<u>25,524,092</u>
Total property being depreciated	<u>870,314,825</u>	<u>14,445,416</u>	<u>(164,110)</u>	<u>884,596,131</u>
Less accumulated depreciation				
Property (wharves, buildings, etc.)	(366,939,011)	(22,063,588)	-	(389,002,599)
Furniture and fixtures	(9,089,279)	(931,152)	2,527	(10,017,904)
Equipment	<u>(9,264,656)</u>	<u>(1,281,157)</u>	<u>143,479</u>	<u>(10,402,334)</u>
Total accumulated depreciation	<u>(385,292,946)</u>	<u>(24,275,897)</u>	<u>146,006</u>	<u>(409,422,837)</u>
Total property being depreciated, net	<u>485,021,879</u>	<u>(9,830,481)</u>	<u>(18,104)</u>	<u>475,173,294</u>
Property, net	\$ <u>612,012,069</u>	\$ <u>11,530,631</u>	\$ <u>(10,239,078)</u>	\$ <u>613,303,622</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

A summary of changes in property is as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Property not being depreciated:				
Land and improvements	\$ 72,751,872	\$ -	\$ (63,393)	\$ 72,688,479
Construction in progress	<u>70,320,972</u>	<u>38,509,897</u>	<u>(54,529,158)</u>	<u>54,301,711</u>
Total property not being depreciated	<u>143,072,844</u>	<u>38,509,897</u>	<u>(54,592,551)</u>	<u>126,990,190</u>
Property being depreciated:				
Property (wharves, buildings, etc.)	793,651,321	39,675,944	(149,886)	833,177,379
Furniture and fixtures	12,261,086	1,391,405	(74,614)	13,577,877
Equipment	<u>24,225,587</u>	<u>401,152</u>	<u>(1,067,170)</u>	<u>23,559,569</u>
Total property being depreciated	<u>830,137,994</u>	<u>41,468,501</u>	<u>(1,291,670)</u>	<u>870,314,825</u>
Less accumulated depreciation				
Property (wharves, buildings, etc.)	(345,099,689)	(21,850,028)	10,706	(366,939,011)
Furniture and fixtures	(8,111,607)	(1,052,286)	74,614	(9,089,279)
Equipment	<u>(8,719,303)</u>	<u>(1,107,064)</u>	<u>561,711</u>	<u>(9,264,656)</u>
Total accumulated depreciation	<u>(361,930,599)</u>	<u>(24,009,378)</u>	<u>647,031</u>	<u>(385,292,946)</u>
Total property being depreciated, net	<u>468,207,395</u>	<u>17,459,123</u>	<u>(644,639)</u>	<u>485,021,879</u>
Property, net	\$ <u>611,280,239</u>	\$ <u>55,969,020</u>	\$ <u>(55,237,190)</u>	\$ <u>612,012,069</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

Construction in progress consists of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Hurricane Katrina Damages	\$ 9,045,573	\$ 11,279,620
Wharf, Shed, & Yard Rehabs	25,063,808	18,424,965
Reimbursable Damages	3,187,913	4,401,879
Hurricane Isaac Storm Damages	1,141,383	803,210
Roadways	143,709	8,608
Industrial Properties	459,726	242,235
Alabo Street Terminal Improvements	1,605	1,409
Fencing	67,657	1,262
Security	3,597,799	2,974,360
Drainage	269,053	20,156
Cranes	1,005,245	193,305
Cruise Terminal Improvements	16,286,928	13,481,638
Bridges	2,446,465	1,371,100
Utilities	742,579	652,969
Cold Storage	119,776	42,126
Other	1,924,923	402,869
Total	<u>\$ 65,504,142</u>	<u>\$ 54,301,711</u>

Total interest incurred by the Port was \$4,542,601 and \$5,776,122 for the years ended June 30, 2014 and 2013, respectively. There were no earnings on invested proceeds of the debt during the years ended June 30, 2014 and 2013, respectively. The differences between interest incurred on debt for capital assets and interest earnings on invested proceeds of the debt totaled \$4,542,601 and \$5,448,274 for the years ended June 30, 2014 and 2013, respectively. No amounts were included as part of the cost of capital assets under construction in progress for either of the years ended June 30, 2014 and 2013.

As part of the Port's long-term capital construction program, commitments related to such capital construction projects were approximately \$77.0 million and \$96.9 million as of June 30, 2014 and 2013, respectively.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES

Long-Term Debt

Long-term debt consists of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013(Restated)</u>
Revenue bonds payable	\$ 104,260,000	\$ 105,780,000
Premium and discounts	2,022,037	2,134,356
	<u>106,282,037</u>	<u>107,914,536</u>
Less current portion	(2,645,000)	(1,520,000)
Long-term debt noncurrent	<u>\$ 103,637,037</u>	<u>\$ 106,394,356</u>

On June 1, 2001, the Port issued \$30,800,000 Port Facility Revenue Bonds, Series 2001. The bonds mature in the year 2021. Proceeds from such bonds were expended for the acquisition, construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2001 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 4.25 percent to 5.63 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent. The Port Facility Revenue Bonds, Series 2001 was partially refunded in 2008 with Revenue Bonds, Series 2008; the Bonds were fully refunded with Revenue Bonds, Series 2011 on May 3, 2011 (see below).

On August 1, 2002, the Port issued \$31,000,000 Port Facility Revenue Bonds, Series 2002. The bonds mature in the year 2032. Proceeds from such bonds were expended for the acquisition; construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2002 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 4.50 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent. The Port Facility Revenue Bonds, Series 2002 was partially refunded in 2008 with Revenue Bonds, Series 2008; the Bonds were fully refunded with proceeds of the Revenue Bonds, Series 2012 and 2013A&B (see below).

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

On July 15, 2003, the Port issued \$34,000,000 of Port Facility Revenue Bonds, Series 2003. The bonds mature in the year 2033. Proceeds from such bonds are to be used to finance certain capital improvements to the Port Complex, including but not limited to, the acquisition and construction of parking and cruise terminal facilities, and to reimburse the Board for certain capital expenditures previously made. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2003 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 5.00 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent. The Port Facility Revenue Bonds, Series 2003 was partially refunded in 2008 with Revenue Bonds, Series 2008; the Bonds were fully refunded in 2013 with Revenue Bonds, Series 2013A&B (see below).

On April 21, 2005, the Port issued \$19,355,000 of Port Facility Revenue Bonds, Series 2005. The bonds mature in the year 2034. Proceeds from such bonds are to be used to finance capital improvements to the Port Complex, including but not limited to, a cruise terminal complex on the Erato Street wharf, related parking and operational facilities, and other port facilities within its jurisdiction. Interest on the bonds is payable quarterly on March 1, June 1, September 1, and December 1. The interest rate varies with the Securities Industry and Financial Markets Association (SIFMA) index. The bonds are supported through a letter of credit agreement. The 2005 Series are subordinate to all other bond debt. The Port Facility Revenue Bonds, Series 2005 were refunded and replaced with Revenue Bonds, Series 2010 on September 1, 2010 (see below).

On May 29, 2008, the Port issued \$13,640,000 of Port Facility Refunding Revenue Bonds, Series 2008. The bonds mature in the year 2038. Proceeds were used to refund \$8,110,000, \$1,340,000 and \$1,775,000 of the Revenue Bonds Series 2001, 2002 and 2003, respectively. The bonds are limited obligations of the Port and are payable solely from and secured a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2008 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. The interest rate is fixed at 5.13 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture at par. The net proceeds from this issue were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded portions of Revenue Bonds Series 2001, 2002 and 2003 through April 1, 2014. The advance refunding met the requirements of an in-substance defeasance and the refunded bonds were removed from the Port's financial statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

The reacquisition price exceeded the net carrying amount on the bonds refunded resulting in a loss on refunding of \$844,578, which is being amortized over the life of the new issue using the effective interest method. This advance refunding was undertaken to reduce total debt service payments over 6 years by \$9,166,309 and resulted in an economic loss of \$1,257,288. At June 30, 2014, remaining principal on this defeased debt was \$0.

On September 1, 2010 the Port issued \$18,090,000 of Subordinate Lien Variable Rate Revenue Bonds, Series 2010. The purpose of the issue was to provide funds to refund the Board's Subordinate Lien Variable Rate Revenue Bonds, Series 2005, outstanding in the amount of \$18,095,000. The interest rate on the Series 2010 bonds varies with the Securities Industry and Financial Markets Association (SIFMA) index. The rate as of June 30, 2014 was 0.06 percent. These bonds are supported with a credit enhancement letter of credit by First NBC and a support letter of credit with the Federal Home Loan Bank of Dallas, Irving, Texas. Affirmative and negative covenants are outlined on pages twenty-two through twenty-six of the Reimbursement agreement between the Port and First NBC. The bond issue is subordinate to the 2013A&B, 2012, 2011 and 2008 Series Revenue Bonds. The Board advanced refunded the bonds to reduce the total gross debt service payments through April 1, 2021 by \$618,190 and to obtain an economic gain of \$511,031.

On May 3, 2011 the Port issued \$15,585,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2011. The purpose of the issue was to provide sufficient funds to refund all of the Port's outstanding Port Facility Revenue Bonds, Series 2001 in the outstanding amount of \$15,290,000. The Series 2011 bonds were purchased by Regions Bank through the placement agent, Morgan Keegan & Company, Inc. The interest rate is fixed at 4.22 percent. Covenants with Regions bank are contained in the commitment letter dated March 13, 2011. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds to reduce total gross debt service payments through June 30, 2021 by \$759,904 and to obtain an economic gain of \$648,821.

On June 27, 2012 the Port issued \$15,495,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2012. The purpose of the issue was to provide sufficient funds for a partial refund of the Port's outstanding Port Facility Revenue Bonds, Series 2002 in the outstanding amount of \$14,980,000; the outstanding balance of the 2002 bonds was refunded on July 6, 2012. The Series 2012 bonds were purchased by Regions Bank through the placement agent, Morgan Keegan & Company, Inc. The interest rate is fixed at 3.53 percent. Covenants with Regions bank are contained in the commitment letter dated May 31, 2012. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds to reduce total gross debt service payments through June 30, 2027 by \$1,785,929 and to obtain an economic gain of \$1,631,307.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

On January 1, 2013 the Port issued \$19,115,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2013A. The purpose of the issue was to provide sufficient funds to refund \$2,475,000 of the Port's Facility Revenue Bonds, Series 2002 and \$15,845,000 of Port's Facility Revenue Bonds, Series 2003. The refunding left an outstanding amount of \$11,190,000 in the Series 2002 and \$15,270,000 in Series 2003. The Series 2013A bonds were purchased by IBERIABANK through the placement agent, Raymond James & Associates. The interest rate is fixed at 3.25%. Covenants with IBERIABANK are contained in the commitment letter dated December 10, 2012. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds to reduce total gross debt service payments through June 30, 2028 by \$2,975,244 and to obtain an economic gain of \$2,317,088.

On February 21, 2013 the Port issued \$24,895,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2013B. The purpose of the issue was to provide sufficient funds to refund of the remaining Port's Facility Revenue Bonds, Series 2002 and Series 2003. The refunding was accomplished through a public offering. The interest rate is at an average of 4.25% with a maturity of April 1, 2033. The refunding was entered into for the reason of future interest savings. The Board advance refunded the bonds to reduce total gross debt service payments through June 30, 2033 by \$3,597,309 and to obtain an economic gain of \$2,117,638.

Operating revenues are pledged as security for all revenue bond issues.

Debt service requirements relating to bonds outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2015	\$ 2,645,000	\$ 3,748,319	\$ 6,393,319
2016	2,760,000	3,654,977	6,414,977
2017	3,225,000	3,557,585	6,782,585
2018	3,450,000	3,443,448	6,893,448
2019	7,980,000	3,321,497	11,301,497
2020 – 2024	25,905,000	14,654,334	40,559,334
2025 – 2029	14,235,000	11,268,988	25,503,988
2030 – 2034	26,325,000	6,196,294	32,521,294
2035 – 2038	17,735,000	2,174,210	19,909,210
	\$ 104,260,000	\$ 52,019,652	\$ 156,279,652

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Debt Service Assistance Program Loan Payable

In July 2006, the Port and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to \$14,365,679 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of revenue streams caused by Hurricanes Katrina and Rita. Loan payments in the amount of \$14,365,679 were made on behalf of the Port by the State as debt service became due. No principal or interest was payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan bears interest at a fixed rate of 4.64 percent. Principal payments on the bonds begin in July 2012 and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 which began in January 2012.

The loan may be prepaid without penalty or premium. The Port had the right to request one extension of its obligation to begin payments under the loan not to exceed five years. In October of 2011, the Port requested the extension from the State. The request was denied and the Port began interest payments on the debt in January of 2012.

Debt service requirements relating to the bonds and debt service assistance loan payable are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 748,890	\$ 584,246	\$ 1,333,136
2016	783,678	548,690	1,332,368
2017	820,041	511,484	1,331,525
2018	858,090	472,551	1,330,641
2019	897,906	431,812	1,329,718
2020 – 2024	5,154,505	1,478,656	6,633,161
2025 – 2027	3,702,220	262,910	3,965,130
	<u>\$ 12,965,330</u>	<u>\$ 4,290,349</u>	<u>\$ 17,255,679</u>

Capital Lease

Capital lease obligations consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Capital leases payable	\$ 1,614,643	\$ 2,570,888
Less current portion	(977,431)	(984,276)
Long-term portion	<u>\$ 637,212</u>	<u>\$ 1,586,612</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Capital Lease (continued)

Lease payments relating to capital leases outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2015	\$ 977,431	94,784	1,072,215
2016	632,359	41,307	673,666
2017	4,853	82	4,935
	<u>\$ 1,614,643</u>	<u>\$ 136,173</u>	<u>\$ 1,750,816</u>

On November 17, 2000, the Port entered into a capital lease agreement to purchase two new container cranes at an aggregate cost of \$12,500,000 at 5.75 percent interest. The cranes were placed in service during the year ended June 30, 2004. At June 30, 2014 and 2013, the gross capitalized cost including capitalized interest was \$11,857,545 with accumulated amortization of \$3,167,986 and \$2,838,421, respectively. There are thirty equal semi-annual payments of \$628,454 for principal and interest with the first payment due July 1, 2001. The remaining proceeds of the capital lease were applied to the outstanding principal balance of the capital lease during October, 2004. This reduced the remaining semi-annual payments to \$464,075 for principal and interest with the first payment due January 1, 2005.

During the year ended June 30, 2010, the Port entered into four capital lease agreements for computer equipment at an aggregate cost of \$408,467 at interest rates ranging from 4.07 percent to 7.59 percent. The monthly lease payments range from \$1,251 to \$3,417. CSI 6 is for thirty-six month period ending April 1, 2012. CSI 8 is for forty-eight month period ending June 1, 2013. CSI 10 is for the forty-eight month period ending February 1, 2014. CSI 11 is for the sixty month period ending February 1, 2015.

During the year ended June 30, 2011, the Port entered into capital lease agreements for an Allfax copier at an aggregate cost of \$24,250 at interest rate of 4.5%. The monthly lease payments are \$450 for sixty month period ending December 17, 2015. During the year ended June 30, 2014, the Port entered into capital lease agreements for an Allfax printer at an aggregate cost of \$3,418 at interest rate of 16.69%. The monthly lease payments are \$121 for thirty-six month period ending December 17, 2015.

During the year ended June 30, 2012, the Port entered into capital lease agreements for CSI and IBM computers at an aggregate cost of \$1,208,804 at interest rates ranging from 3 – 4.11%. The monthly lease payments for the IBM computers are \$8,215 for a thirty six month period ending August 1, 2014. The monthly lease payments for the CSI computers are \$7,934 for a sixty month period ending April 28, 2017.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Changes in Non-Current Liabilities

Non-current liabilities activity for the years ended June 30, 2013 and 2012 are as follows:

	<u>July 1, 2013</u> <u>(Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2014</u>	<u>Due within</u> <u>one year</u>
Bonds payable:					
Revenue bonds	\$ 105,780,000	\$ -	\$ (1,520,000)	\$ 104,260,000	\$ 2,645,000
Bond premium and discounts	2,134,356	-	(112,319)	2,022,037	-
Total bonds payable	107,914,356	-	(1,632,319)	106,282,037	2,645,000
Debt service assistance program	13,681,732	-	(716,402)	12,965,330	748,890
Capital leases payable	2,570,888	3,418	(959,663)	1,614,643	977,431
HPD pension liability	3,639,799	994,655	-	4,634,454	-
Net post employment benefit obligation	2,166,915	251,159	-	2,418,074	-
Compensated absences	1,700,618	202,456	(208,106)	1,694,968	105,000
	\$ 131,674,308	\$ 1,451,688	\$ (3,516,490)	\$ 129,609,506	\$ 4,476,321

	<u>July 1, 2012</u> <u>(Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u> <u>(Restated)</u>	<u>Due within</u> <u>one year</u>
Bonds payable:					
Revenue bonds	\$ 122,255,000	\$ 44,010,000	\$ (60,485,000)	\$ 105,780,000	\$ 1,520,000
Bond premium and discounts	(724,350)	2,537,197	321,509	2,134,356	-
Total bonds payable	121,530,650	46,547,197	(60,163,491)	107,914,356	1,520,000
Debt service assistance program	14,365,714	-	(683,982)	13,681,732	715,683
Capital leases payable	3,653,190	-	(1,082,302)	2,570,888	984,276
HPD pension liability	2,658,112	981,687	-	3,639,799	-
Net post employment benefit obligation	1,889,518	277,397	-	2,166,915	-
Compensated absences	1,807,613	165,357	(272,352)	1,700,618	105,000
	\$ 145,904,797	\$ 47,971,638	\$ (62,202,127)	\$ 131,674,308	\$ 3,324,959

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial liability and property insurance. The Port is self-insured for workers' compensation and general maritime claims ("Jones Act"). The Port continues to be liable for each such claim up to \$1,000,000, with judgments and settlements over the \$1,000,000 limit being covered by the Port's umbrella liability policy up to \$50,000,000 for each occurrence. For the years ended June 30, 2014 and 2013, the Port's expenses for workers' compensation and other liability claims were \$780,192 and \$390,702, respectively. There were no expenses related to police professional liability incurred during 2014 and 2013. For each of the past three years, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 2014, the Port has determined, through an analysis of historical experience, the adequacy of the liability recorded to cover all losses and claims, both incurred and reported and incurred but not reported, under its self-insurance programs. These amounts are not discounted.

A summary of activity in the liability for claims, which are included in other liabilities, is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 1,078,114	\$ 1,184,404	\$ 1,124,592
Provision for claims	194,269	-	336,036
Benefit payments, net of recoveries	<u>(52,933)</u>	<u>(106,290)</u>	<u>(276,224)</u>
Balance, end of year	<u>\$ 1,219,450</u>	<u>\$ 1,078,114</u>	<u>\$ 1,184,404</u>

The Port is a party to various legal proceedings incidental to its business. There are several lawsuits pending in which the Board is named as a defendant by longshoremen claiming asbestos-related injuries because the Board at one time had asbestos materials cross its wharves. Certain other claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port.

The Port is also a party to various legal proceedings related to Hurricane Katrina. Six cases remain based on alleged Board liability arising from the flooding that occurred after Katrina. Five have been inactive for several years and are in effect all but abandoned. The Board has been dismissed from one other case that is proceeding without it, but the plaintiff's right to appeal the dismissal will remain until the entire case is litigated. Outside counsel appointed by the Board's general liability underwriters continue to monitor all cases. No amounts have been provided relating to these legal proceedings.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS (continued)

The Port receives financial assistance directly from Federal agencies which are subject to audit and final acceptance by these agencies. In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on the Port's financial position.

7. REVENUES AND LEASES

Revenues of the Port are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to accounts receivable were \$659,109 and \$626,308 at June 30, 2014 and 2013, respectively.

The Port leases to others substantially all of its land, property and equipment under various operating lease agreements. For the year ended June 30, 2014, two lessees accounted for 22% and 18% of operating revenues, respectively. For the year ended June 30, 2013, two lessees accounted for 20% and 16% of operating revenues, respectively. Operating lease rental income was \$24,819,711 and \$25,416,981 during the years ended June 30, 2014 and 2013, respectively.

As of June 30, 2014, future minimum rental payments to be received under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

2015	\$	20,391,517
2016		17,144,436
2017		16,460,011
2018		15,870,048
2019		14,986,405
Thereafter		41,432,869
Total future minimum lease payments	\$	<u>126,285,286</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS") or the Harbor Police Employees' Retirement System ("HPERS"). LASERS and HPERS are both single employer defined benefit plans.

Disclosures relating to these plans are as follows:

A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Funding policy - The LASERS is a defined benefit contributory pension plan to which employees contributed 7.5% of their salaries if hired prior to July 1, 2006 and 8.0% if hired after July 1, 2006. For the years ended June 30, 2014 and 2013, the Port contributed 31.3% and 29.1% of the employees' salaries toward future benefits respectively. Provisions for employer and employee contributions are in LRS 42:651; 712; 712.1; 712.3.

Ten-year historical trend information showing the LASERS's progress in accumulating sufficient assets to pay benefits when due is presented in the LASERS's June 30, 2013 audited financial reports. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, LA 70804-4213.

Total contributions for the years ended June 30, 2014 and 2013 were \$4,749,197 and \$4,206,513, respectively. These amounts are equal to the required contributions for each year. Contributions for the year ended June 30, 2014 consisted of employee contributions of \$928,412 and employer contributions of \$3,820,785. Contributions for the year ended June 30, 2013 consisted of employee contributions of \$870,151 and employer contributions of \$3,336,362.

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

Plan Description - All commissioned members and certain employees of the Harbor Police Department of the Port who are under the age of 50 on the date of employment are eligible to participate in the HPERS, established within Title 11 Chapter 3 of the Louisiana Revised Statutes, a single employer defined benefit pension plan administered by an eight member Board of Trustees.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

The Port's total payroll for the years ended June 30, 2014 and 2013 was \$17,820,230 and \$16,981,202, respectively, of which \$1,651,744 and \$1,614,737, in covered payroll, respectively, related to participants in the HPERS.

Member benefits are equal to 3 1/3% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. However, if a person retires before age 50, the benefit is 2 1/2% of average final compensation, as defined, multiplied by creditable service years, not to exceed 85% of final salary. Members are eligible to retire if hired before July 1, 2006 at any age with 30 years of service, at age 60 with 10 years of service and at age 45 with 20 years of service. If members are hired after July 1, 2006, members are eligible to retire at age 60 with 5 years of service or more. The HPERS also provides benefits for surviving spouses and disabled members. If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee without interest. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Board of Trustees subject to certain constraints.

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits HPERS members to continue working at their jobs for up to five years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

The HPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Harbor Police Retirement System, Post Office Box 60046, New Orleans, LA 70160.

Funding Policy - Employees are required to contribute 9.0% of their covered payroll to the HPERS. The Port is required to make contributions to the HPERS at actuarially determined rates expressed as a percentage of members' covered payroll, not to exceed 20.0%. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial method until assets exceed accrued actuarial liabilities, at which point the aggregate actuarial cost method is used. The Port funded (including fines) 13.54% and 12.91% of the members' covered payroll for fiscal years ended June 30, 2014 and 2013, respectively.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

Annual Pension Cost and Net Pension Obligation - The Port's annual pension cost and net pension obligation to HPERs are as follows:

	2014	2013
Annual required contribution	\$ 1,582,250	\$ 1,484,354
Interest on net pension obligation	254,786	186,068
Adjustment to annual required contribution	(476,888)	(344,952)
Annual pension cost	1,360,148	1,325,470
Contributions made	(365,493)	(343,783)
Increase in net pension obligation	994,655	981,687
Net pension obligation, beginning of year	3,639,799	2,658,112
Net pension obligation, end of year	\$ 4,634,454	\$ 3,639,799

The annual required contributions for 2014 and 2013 were determined based on actuarial valuations using the aggregate actuarial cost method. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the Plan. The actuarial assumptions included (a) the determination of life expectancy based on the 1971 Group Annuity Mortality Table, (b) the determination of participant retirements based on an expected retirement age of 63 years, (c) an assumed average rate of return on investment of 7.0%, and (d) projected salary increases of 5.0% per year (2.5% increase for inflation and 2.5% increase for seniority and merit raises).

The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

Three-Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
2012	\$ 1,229,744	28.0	\$ 2,658,112
2013	\$ 1,325,470	26.0	\$ 3,639,799
2014	\$ 1,360,148	26.0	\$ 4,634,454

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

As of June 30, 2014, the most recent actuarial valuation date, the plan was 56.7% funded. The actuarial accrued liability for benefits was \$18.1 million, and the actuarial value of assets was \$10.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.8 million.

The covered payroll (annual payroll of active employees covered by the plan) was \$1.7 million, and the ratio of the UAAL to the covered payroll was 474.2%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents current year information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Multiyear trend information will be presented in future years.

The following is a summary of the statement of plan net assets available for benefits as of June 30, 2014 and 2013 and changes in net assets for the years then ended:

<u>Statement of Plan Net Assets</u>	<u>2014</u>	<u>2013</u>
Investments at fair value	\$ 11,099,773	\$ 10,224,558
Cash equivalents – LAMP	254,344	302,540
Contributions receivable	43,767	66,610
Liabilities	(19,080)	(21,805)
Net assets available for benefits	<u>\$ 11,378,804</u>	<u>\$ 10,571,903</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

<u>Statement of Changes in Net Assets</u>	<u>2014</u>	<u>2013</u>
Additions:		
Contributions	\$ 533,119	\$ 588,711
Investment income including		
Unrealized gains	1,246,327	1,437,673
Total additions	<u>1,779,446</u>	<u>2,026,384</u>
Deductions:		
Benefits paid	782,808	795,369
DROP Benefit payments	83,491	283,794
Refunds and transfers of contributions	23,816	1,107
Administrative expenses	82,430	147,058
Total deductions	<u>972,545</u>	<u>1,227,328</u>
Increase in plan net assets	806,901	799,056
Net assets available for benefits:		
Beginning of year	10,571,903	9,772,847
End of year	<u>\$ 11,378,804</u>	<u>\$ 10,571,903</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description – The Port of New Orleans’ medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service. For employees hired on or after July 2, 2006, the retirement eligibility is age 60 and 10 years of service.

There is a closed group of 57 retirees for whom the employer currently pays approximately 80% of the premium; there will not be any additions to this group in the future. We have calculated the ARC for this group and included the results in Appendix I. You will note that the ARC is less than the current annual premiums which are being paid by the employer, thus generating a negative net ARC after crediting the employer paid retiree premiums. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

Contribution Rates – Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy – Until 2008, the Port of New Orleans recognized the cost of providing post-employment medical and life insurance benefits (the Port of New Orleans’ portion of the retiree medical and life insurance benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2014 and 2013, the Port of New Orleans’ portion of health care and life insurance funding cost for retired employees totaled \$910,898 and \$843,424, respectively.

Effective July 1, 2008, the Port of New Orleans implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution – The Port of New Orleans’ Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

	<u>2014</u>	<u>2013</u>
Normal Cost	\$ 306,115	\$ 294,341
30-year UAL amortization amount	894,578	860,171
Annual required contribution (ARC)	<u>\$ 1,200,692</u>	<u>\$ 1,154,512</u>

Net Post-employment Benefit Obligation (Asset) - The table below shows Port of New Orleans' Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30:

	<u>2014</u>	<u>2013</u>
Beginning Net OPEB Obligation	\$ 2,166,915	\$ 1,889,518
Annual required contribution	1,200,692	1,154,512
Interest on Net OPEB Obligation	86,677	75,581
ARC Adjustment	<u>(125,313)</u>	<u>(109,271)</u>
OPEB Cost	1,162,056	1,120,822
Contribution	-	-
Current year retiree premium	<u>(910,897)</u>	<u>(843,425)</u>
Change in Net OPEB Obligation	<u>251,159</u>	<u>277,397</u>
Ending Net OPEB Obligation	<u>\$ 2,418,074</u>	<u>\$ 2,166,915</u>

The following table shows the Port of New Orleans' annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability as June 30, 2014 and 2013:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Liability</u>
2014	\$ 1,162,056	78.39%	\$ 2,418,074
2013	\$ 1,120,822	75.25%	\$ 2,166,915

Funded Status and Funding Progress - In the fiscal years ending June 30, 2014 and 2013, the Port of New Orleans made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on July 1, 2012 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2014 was \$15,469,191, which is defined as that portion, as determined by a particular actuarial cost method (the Port of New Orleans uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

	2014	2013
Actuarial Accrued Liability (AAL)	\$ 15,469,191	\$ 14,874,222
Actuarial Value of Plan Assets	-	-
Unfunded Act. Accrued Liability (UAAL)	\$ 15,469,191	\$ 14,874,222
Funded Ratio (Act. Val. Assets/AAL)	-	-
Covered Payroll (active plan members)	\$ 15,055,215	\$ 14,240,698
UAAL as a percentage of covered payroll	102.75%	104.45%

Actuarial Methods and Assumptions. - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Port of New Orleans and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Port of New Orleans and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Port of New Orleans and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method - The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets - Since the OPEB obligation has not as yet been funded, there are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

Turnover Rate - An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10.0%.

Post employment Benefit Plan Eligibility Requirements - It has been assumed that entitlement to benefits will commence upon actual retirement which, in turn, has been assumed to be four years after the initial retirement (D.R.O.P. entry) eligibility described in the section above entitled "Plan Description". This four years comprises three years in the D.R.O.P. plus one additional year. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate) - GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate - The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

Method of Determining Value of Benefits – The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 80% of the "base premium" (that is, not including the "buy up" additional portion) of the medical benefits for the retirees and dependents prior to Medicare eligibility at age 65. The medical rates provided applicable before Medicare eligibility at age 65 are "blended" rates for active and retired. Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" medical rates for retired before Medicare eligibility to be 130% of the blended rate. After Medicare eligibility, the employer pays 60% of the applicable premium for either the Hartford Senior Care Plan or the Humana HMO Medicare Advantage Plan. As of this valuation date, approximately 40% of the retirees over age 65 are in the Medicare Advantage Plan. It has been assumed that the same percentage will prevail in the future and that 40% of currently active employees and those currently retired who are before age 65 will elect the Medicare Advantage Plan. The Port of New Orleans has adopted a provision limiting the employer portion of the premium paid to 200% of the prevailing employer portion of the premium paid under the 2008 premium scale.

Inflation Rate - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases - This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal years:

	<u>OPEB Costs and Contributions</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPEB Cost	\$ 1,162,056	\$ 1,120,822	\$ 1,276,043
Contribution	-	-	-
Retiree premium	<u>910,898</u>	<u>843,424</u>	<u>965,895</u>
Total contribution and premium	<u>910,898</u>	<u>843,424</u>	<u>965,895</u>
Change in net OPEB obligation	<u>\$ 251,158</u>	<u>\$ 277,398</u>	<u>\$ 310,148</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	78.39%	75.25%	75.69%

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. CONDUIT DEBT

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

Port facility revenue bonds in the amount of \$3,700,000 were issued on June 8, 2000 for the account of New Orleans Steamboat Company for the purpose of constructing a facility within the jurisdiction of the Port as part of the public port. At June 30, 2014, \$2,200,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by First Bank and Trust in New Orleans and a confirming letter of credit of the Federal Home Loan Bank in New Orleans for the account of New Orleans Steamboat Company.

Port facility revenue bonds in the amount of \$7,500,000 were issued on November 1, 2002 for the account of New Orleans Cold Storage and Warehouse Company Limited (NOCS) for the purpose of constructing a cold storage facility. On June 7, 2012, NOCS restructured and reissued the bonds in a private placement with JPMorgan Chase Bank, N.A. Previous to this date, the bonds were secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of NOCS. This security was cancelled with the reissuance. At June 30, 2014, \$6,625,000 remains outstanding. The bonds are limited obligations of the Port.

In March 2005, the Port entered into a cooperative endeavor agreement with the Louisiana Department of Economic Development (DED) and CG Railway, Inc. to provide a portion of the financing for an approximately \$43,500,000 rail car cargo facility. Under the agreement, the DED provided \$15,000,000 of the project costs through the issue of special project revenue bonds. Special Project Revenue Bonds in the amount of \$16,670,000 were issued on May 24, 2005 for this purpose. The bonds are limited obligations of the Port, payable solely from and secured by the State of Louisiana. The outstanding principal of these bonds was refunded in February of 2013, see below.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. CONDUIT DEBT (continued)

The agreement was amended April 2006 as a result of the discontinuance of the dredging of siltation in and around the Mississippi River Gulf Outlet following Hurricane Katrina, which rendered many of the obligations under the agreement impossible and required that any items not needed by the Port for maritime commerce be sold and the proceeds turned over to the State of Louisiana to help defray the costs of the project. In September 2006, the Port sold some of the items declared as surplus to the Port's needs for maritime commerce to CG Railway, Inc. for \$2,500,000. This amount was submitted to the DED.

On February 1, 2013 the State of Louisiana and the Port issued \$3,310,000 of Board of Commissioners of the Port of New Orleans Port Facility Special Project Refunding Revenue Bonds (State/CG Railway, Inc. Project), Series 2013. The purpose of the issue was to provide sufficient funds to refund the remaining principal on the Series 2005 Board of Commissioners of the Port of New Orleans Special Project Revenue Bonds (State/CG Railway, Inc. Project) issued on May 24, 2005. The refunding was accomplished through a private placement with Capital One Public Funding, LLC. The interest rate is 1.40% with a maturity of August 15, 2014. The refunding was entered into for the reason of future interest savings. The State advanced refunded the bonds to reduce total gross debt service payments through June 30, 2014 by \$278,378 and to obtain an economic gain of \$273,934. At June 30, 2014, \$1,740,000 is outstanding.

11. NATURAL DISASTER

On August 29, 2005, the New Orleans region suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The Port of New Orleans did not suffer the devastation that other public entities realized in the area, but did sustain damage to facilities and loss of revenue. The Port facilities along the river suffered moderate damage. Facilities along the Industrial Canal suffered severe damage. The Port had insurance in place to cover most of the property damage and business interruption insurance to offset some of the revenue loss. For losses above the insurance receipts the Port is pursuing reimbursement through FEMA.

On August 28, 2012, Hurricane Isaac made landfall on the Louisiana and Mississippi coast causing severe flooding and wind damage to coastal areas. The Port of New Orleans suffered minor damages from Isaac. Emergency preparation and repairs were approximately \$814,000 of which FEMA reimbursed \$338,000. Other damage to port property was approximately \$2.0 million. The Port is pursuing additional claims with FEMA. As of the financial statement date it is unknown whether these claims will be successful.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

12. CHANGE IN ACCOUNTING PRINCIPLES

The Port has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources, required by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 65 also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues, expenses, or expenditures when incurred and not reported in statements of net position/balance sheets.

The Port implemented this statement effective July 1, 2013. The impact is as follows:

Previously reported net position as of June 30, 2012	\$ 585,120,807
Adjustment as a result of the implementation of GASB Statement No. 65	<u>(3,583,433)</u>
Net position as of June 30, 2012, as restated	\$ <u>581,537,374</u>
Previously reported change in net position for the year ended June 30, 2013	\$ 4,523,350
Adjustment as a result of the implementation of GASB Statement No. 65	<u>(327,848)</u>
Change in net position for the year ended June 30, 2013	\$ <u>4,195,502</u>
Net position as of June 30, 2013, as restated	\$ <u>585,732,876</u>

13. NEW PRONOUNCEMENTS

The GASB issued Statement No. 66, *Technical Corrections - 2012* in March 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for 2013. There was no impact to the Port with the implementation of this statement.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. NEW PRONOUNCEMENTS (continued)

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans* in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013.

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Management of the Port is currently assessing the impact of these new pronouncements on the financial statements.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 26, 2014, and determined no subsequent events require disclosure.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
06/30/2014	10,277,977	18,110,630	7,832,653	56.75%	1,651,744	474.2%
06/30/2013	10,057,231	17,445,466	7,388,235	57.65%	1,614,737	457.6%
06/30/2012	11,108,029	17,046,368	5,938,339	65.16%	1,618,944	366.8%
06/30/2011	12,182,061	16,461,720	4,279,659	74.00%	1,490,146	287.2%
06/30/2010	12,824,215	16,083,647	3,259,432	79.73%	1,678,247	194.2%

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

SCHEDULE OF FUNDING PROGRESS

RETIREE HEALTH AND LIFE INSURANCE BENEFITS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
06/30/2014	-	15,469,191	15,469,191	0.00%	15,055,215	102.7%
06/30/2013	-	14,874,222	14,874,222	0.00%	14,240,698	104.4%
06/30/2012	-	16,684,601	16,684,601	0.00%	13,627,640	122.4%
06/30/2011	-	16,042,886	16,042,886	0.00%	13,100,142	122.5%
06/30/2010	-	18,349,641	18,349,641	0.00%	13,127,850	139.8%

BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS

SINGLE AUDIT REPORTS

JUNE 30, 2014



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**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**

Single Audit Reports

June 30, 2014

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

The Board of Commissioners of the
Port of New Orleans:

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 Board of Commissioners of the Port of New Orleans (the Port), as of and for the year June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port'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 Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free of 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*.

We noted certain matters that we reported to management of the Port in a separate letter dated September 26, 2014.

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



Metairie, Louisiana
September 26, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Commissioners of the
Port of New Orleans:

Report on Compliance with Each Major Federal Program

We have audited the Port of New Orleans' (the Port) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended June 30, 2014. The Port's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Port's compliance.

Opinion on Each Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Port as of and for the year ended June 30, 2014, and have issued our report thereon dated September 26, 2014, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the Port, the Port's management and federal awarding agencies and pass-through entities, such as the Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Petthwarts + Pettenville

Metairie, Louisiana
September 26, 2014

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Program Title</u>	<u>CFDA No.</u>	<u>Federal Expenditures (1)</u>
<u>United States Department of Homeland Security -</u>		
Passed through the State of Louisiana Office of Homeland Security and Emergency Preparedness Disaster Grants - Public Assistance	97.036	8,812,970
Passed through the Office of State and Local Government Coordination and Preparedness Port Security Grant Program 2008 & 2011 Port Security Grant	97.056	<u>1,993,706</u>
Total United States Department of Homeland Security		<u>10,806,676</u>
<u>United States Department of Transportation -</u>		
Passed through the Louisiana Department of Transportation And Development FHWA Emergency Relief Program	20.205	1,988,211
Passed through the Louisiana Department of Transportation And Development TIGER Discretionary Grant	20.933	<u>559,782</u>
Total United States Department of Transportation		<u>2,547,993</u>
<u>United States Department of Housing and Urban Development -</u>		
Passed through the Office of Community Development - Disaster Recovery Unit Community Development Block Grant	14.228	<u>24,900</u>
Total United States Department of Housing and Urban Development		<u>24,900</u>
Total Federal Assistance Expended		<u>\$ 13,379,569</u>

FOOTNOTES

(1) Basis of Presentation

This schedule includes the federal grant activity of the Port of New Orleans and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I—SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements notes? Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

United States Department of Homeland Security, Office of Domestic Preparedness –
Federal Emergency Management Agency – FEMA (CFDA number 97.036)

United States Department of Transportation, Office of Federal Highway Administration –
Emergency Relief Grant (CFDA number 20.205)

United States Department of Transportation, Office of the Secretary (OST) Administration
Secretariat –Transportation Investment Generating Economic Recovery –
TIGER Discretionary Grant (CFDA number 20.933)

Dollar threshold used to distinguish between types A and B programs: \$401,387

Audit qualified as low-risk auditee: Yes No

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II-FINANCIAL STATEMENT FINDINGS

None

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2014 – 1: Discrepancies in billed rates and rate sheet per the contract agreement

Criteria: The contract agreement between the Port of New Orleans (the Port) and AECOM Technical Services, Inc. (AECOM) states that compensation for services provided by AECOM and its subcontractors shall be in accordance with the fee schedule and rate sheet shown on Exhibit E (Rate Sheet) of the agreement.

Condition: The Port and AECOM have a contract agreement in which AECOM is to render professional consulting services in connection with the Mississippi River Intermodal Terminal Improvements project. The Port and AECOM have agreed on a Rate Sheet which lists job title/position and the corresponding hourly rate. In performing the testing, seven invoices billed by AECOM to the Port totaling \$446,623.47 were examined. During the fiscal year 2014, it was noted that several job titles stated on the invoices that are not listed on the Rate Sheet. It was also noted that several job titles on the invoices were billed using rates which did not agree the rates stated on the Rate Sheet for the specific job titles.

Effect: Comparing the rates and positions based on Exhibit E (Rate Sheet) to the invoiced amounts on the seven invoices tested, the Port was billed \$5,590 less than the contract rate and \$34,583 more than the contract for unspecified positions which were not included in the contract. The net overbilling was \$28,993.

Cause: The reviewer of AECOM invoices did not adequately compare the billed rates and positions included on the invoices to Exhibit E (Rate Sheet) in the contract.

Recommendation: The Port should ensure that the procedures for reviewing invoices included comparisons to appropriate contract terms.

Management Response and Corrective Action: There were a number of issues with both contract Exhibits D and E which caused errors in invoicing by AECOM and approval by the Port. All past invoices will be reviewed. Any overpayments net of any underpayments will be deducted from future AECOM invoices.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2014

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2014 – 1: Discrepancies in billed rates and rate sheet per the contract agreement

Management Response and

Corrective Action (continued): The following will be implemented immediately:

- 1) Require contract administrators to verify each employee shown on the invoice with classification and rate prior to sending to the project managers for signature approval.
- 2) Require the contract administrator to review all AECOM invoices and compare to a complete listing of names for all employees that the Board has been invoiced at an hourly rate, and their respective classifications.
- 3) Place a hold on an invoice if there is not a current list that indicates all employee names, job classifications and corresponding approved hourly rates for employees.
- 4) Require the project managers to monitor and remind their consultants to update these sheets as employees are added and employees change classifications.

SECTION IV-STATUS OF PRIOR YEAR FINDINGS

None



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To the Board of Commissioners
Port of New Orleans

In planning and performing our audit of the financial statements of the Board of Commissioners of the Port of New Orleans as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Port's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

However, during our audit in the prior year we became aware of matters as listed in Attachment I that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Port's internal control in our *Government Auditing Standards* letter dated September 26, 2014. This letter does not affect our report dated September 26, 2014 on the financial statements of the Port.

We will review the status of these comments during our next audit engagement. We have discussed many of these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience.

This report is intended solely for the information and use of management, the Board of Commissioners, the State of Louisiana and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads 'Postlethwaite & Netterville'.

Metairie, Louisiana
September 26, 2014

BOARD OF COMMISSIONERS FOR THE PORT OF NEW ORLEANS

MANAGEMENT LETTER COMMENTS – PRIOR YEAR

FOR THE YEAR ENDED JUNE 30, 2014

2013-1 Brazil Financial Audit

Condition: The Port funds a bank demand deposit account in Brazil for the purpose of funding certain expenses related to its development and operating activities in South America. The account is periodically reimbursed for expenses submitted by its local representative. At the request of management, the expense reimbursement requests for 2002 through 2012 were reviewed by the Internal Audit department. The Port noted certain deficiencies in the local representative's recap of supporting documentation and inadequate procedures performed in the review process resulting in improper requests and approvals for reimbursements over the ten year period. The Port is requesting reimbursement of approximately \$68,000, of which almost \$13,000 has been paid.

Recommendation: We recommend that the Port establish and monitor a formal policy of reimbursement procedures for its branch offices, including monitoring professional contracts and related fees, reconciling imprest funds monthly, and obtaining proper and clearly documented supports of business expenses submitted for reimbursement.

Current status: Resolved.