

BOLES LAW FIRM –
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July 1, 2019

VIA ELECTRONIC MAIL
AND U.S. MAIL

Larry McNutt, Jr., Administrator
Louisiana Pilotage Fee Commission
Two United Plaza, Suite 702
Baton Rouge, Louisiana 70809

RE: Louisiana Pilotage Fee Commission No. P13-001
Filing of Audited Financial Statements – Fiscal year ended December 31, 2018
New Orleans-Baton Rouge Steamship Pilots Association
BLF File No. 5361

Dear Mr. McNutt:

Pursuant to the Commission Order P13-001, issued on November 14, 2013 in the above-referenced docket, and the expense true-up mechanism thereby implemented, renewal of which is pending in Docket No. P18-001, please find attached for filing the audited financial statements of the New Orleans-Baton Rouge Steamship Pilots Association for the fiscal year ended December 31, 2018.

With every good wish, I am,

Sincerely,



JANET S. BOLES
WILLIAM B. KIRTLAND

WBK

Enclosures

cc: Captain Stephen Hathorn
Captain Louis M. Wattigney, Jr.
Captain Johnny D. Doyle
Kevin Neyrey, CPA
Dennis Tizzard, CPA
Art Lentini, Esquire
John Litchfield, Esquire

**BEFORE THE
LOUISIANA PILOTAGE FEE COMMISSION**

**NEW ORLEANS - BATON ROUGE
STEAMSHIP PILOTS ASSOCIATION**

DOCKET NO. P13-001

In Re: Request for Action on Tariff Redesign Resulting in an Upward Adjustment to Recover an Increase in Target Compensation and other Recoverable Expenses pursuant to La R.S. 34: 1122, Elimination of Vessel Traffic Control Surcharge; Implementation of a True-Up Mechanism; Implementation of a Cost of Living Adjustment Mechanism; Increase in Transportation Tariff; Increase in Communication Surcharge; Implementation of a Charge for a Second Pilot on Ships of a Certain Scale; and for Related Relief.

FILED DIRECT TESTIMONY

OF

CAPTAIN STEPHEN HATHORN

ON BEHALF OF

**NEW ORLEANS – BATON ROUGE STEAMSHIP PILOTS
ASSOCIATION**

JULY 1, 2019

1 **Q1. Please state your name and business address.**

2 A. Stephen Hathorn, 2805 Harvard Avenue, Suite 102, Metairie, Louisiana 70006.

3 **Q2. Who do you represent and in what capacity?**

4 A. I represent the New Orleans - Baton Rouge Steamship Pilots Association (“NOBRA”), a
5 non-profit corporation, duly organized pursuant to La. R.S. 34:1043. Since 2013, I have
6 held the position of President of NOBRA. As President I oversee all operations of our
7 Association. I am also an appointed member of the Louisiana Pilotage Fee Commission
8 (“Fee Commission” or “LPFC”).

9 **Q3. Have you ever submitted testimony to a state regulatory agency before?**

10 A. Yes, to the Fee Commission.

11 **Q4. What is the purpose of your testimony in this proceeding?**

12 A. The purpose of my testimony in this proceeding is to introduce NOBRA’s 2018 year-end
13 audited financial statements, which are submitted as part of the true-up methodology
14 approved in LPFC Order No. P13-001 (the “Order”), dated November 14, 2013, and to
15 introduce the other witness providing testimony for NOBRA. LPFC Order No. P13-001
16 approved an annual true-up mechanism of NOBRA’s projected and actual expenses which
17 requires the filing of audited year-end expenses for the preceding year on or about July 1.
18 NOBRA has sought renewal of the true-up mechanism which is pending in Docket No.
19 P18-001. I will also testify about the variances between NOBRA’s projected and audited
20 expenses for 2018.

1 **Q5. Who else will testify for NOBRA?**

2 A. Kevin Neyrey, CPA, NOBRA's independent financial statement auditor, will provide more
3 detailed testimony regarding NOBRA's 2018 year-end audited financial statements.

4 **Q6. Please summarize NOBRA's submission of its 2018 year-end audited financial**
5 **statements?**

6 A. NOBRA's submission of its 2018 year-end audited financial statements is the final
7 submission in a series of filings made with respect to its 2018 expenses. NOBRA first
8 submitted its 2018 budget of projected expenses on November 1, 2017. NOBRA then
9 submitted 2018 year-end unaudited preliminary financials on February 15, 2019. NOBRA
10 now submits its 2018 year-end audited financial statements, as prepared by Mr. Neyrey,
11 which reveal that NOBRA's total expenses were \$404,958 more than its projected expenses
12 of \$12,877,130 for a total variance of 3.14%, as described in response to Question 7 below.

13 Mr. Neyrey, in his report, discusses his unqualified audit opinion that there are no material
14 misstatements in the year-end financials and that they are correct and accurate.

15 **Q7. Please describe the variances between the audited expenses for 2018 and the**
16 **projected expenses for 2018. Specifically, which expenses were less than the projected**
17 **amount and which exceeded the projected amount?**

18 A. The following expenses exceeded the projected amount: Group Hospitalization & Benefits;
19 Communications, Dispatch & IT; Professional Services; Boards of Commissioners &
20 Examiners; Taxes & Licenses; Depreciation Expense; and Extraordinary Items.

1 The following expenses were less than the projected amount: Employee Salaries, Wages
2 & P/R Taxes; Employee Pension Expense; Administrative Offices; General &
3 Administrative; Continuing Education & Training; Professional Dues; Risk Management
4 & Insurance; and Transportation Other.

5 Modest variances were seen in the following expenses: Employee Salaries, Wages & P/R
6 Taxes (1.07% less than projected) and Employee Pension Expense (0.74% less than
7 projected).

8 Group Hospitalization & Benefits exceeded the projected amount by \$161,173 or 2.44%.
9 This is a variable expense.

10 Administrative Offices were \$2,544 or 1.70% less than the projected amount. This was the
11 result of a decrease in the utilities expense.

12 Communication, Dispatch, & IT exceeded the projected amount by \$218,246 or 15.41%.
13 This was primarily the result of an increased pilot compliment and maintenance and server
14 expenses. This is a variable expense.

15 General & Administrative expenses were \$11,281 or 4.56% less than the projected amount.
16 This reduction was primarily the result of decreased hurricane expenses.

17 Continuing Education & Training expenses were \$51,722 or 5.42% less than the projected
18 amount. This was primarily the result of costs associated with the attendance of pilot
19 continuing education being less than projected.

1 Professional Services expenses exceeded the projected amount by \$65,354 or 7.78%. To
2 provide additional clarity and transparency, certain expenses were reclassified under the
3 subcategory Regulatory. Professional Services Other has been removed from the expenses
4 recoverable under the general tariff and will not be recovered.

5 Professional Dues Expenses were \$8,124 or 2.82% less than the projected amount. This
6 was primarily the result of a decrease in subscriptions.

7 Risk Management and Insurance expenses were \$25,813 or 21.65% less than the projected
8 amount. This was primarily the result of a decrease in insurance premiums and the
9 reclassification of pilot license renewal and TWIC license renewal expenses to the expense
10 category Taxes and Licenses.

11 Transportation Other expenses were \$4,910 or 4.02% less than the projected amount.

12 Board of Commissioners & Examiners expenses exceeded the projected amount by
13 \$68,316 or 14.19%. This was primarily the result of increased expenses associated with
14 professional services.

15 Taxes and Licenses exceeded the projected amount by \$6,801 or 188.92%. This was
16 primarily the result of a reclassification of the pilot license renewal and TWIC license
17 renewal expense.

18 Depreciation Expense exceeded the projected amount by \$1,658 or 100.00%. This expense
19 is related to a computer server.

1 Extraordinary Items exceeded the projected amount by \$4,500 or 23.08%. This was the
2 result of expenses associated with apprentices.

3 **Q8. Is this the final submission by NOBRA with respect to its 2018 expenses?**

4 A. Yes. Absent further direction from the Fee Commission, this submission of NOBRA's
5 2018 year-end audited financial statements completes the reporting obligations with
6 respect to the 2018 expenses.

7 **Q9. Does this conclude your testimony?**

8 A. Yes.

BEFORE THE
LOUISIANA PILOTAGE FEE COMMISSION

NEW ORLEANS - BATON ROUGE
STEAMSHIP PILOTS ASSOCIATION

DOCKET NO. P13-001

In Re: Request for Action on Tariff Redesign Resulting in an Upward Adjustment to Recover an Increase in Target Compensation and other Recoverable Expenses pursuant to La R.S. 34: 1122, Elimination of Vessel Traffic Service Surcharge; Implementation of a True-Up Mechanism; Implementation of a Cost of Living Adjustment Mechanism; Increase in Transportation Tariff; Implementation of a Charge for a Second Pilot on Ships of a Certain Scale; and for Related Relief.

AFFIDAVIT

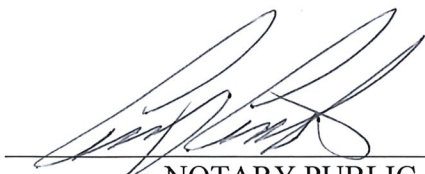
STATE OF LOUISIANA

PARISH OF JEFFERSON

I, Captain Stephen Hathorn, being first duly sworn, state that I have reviewed the above and foregoing Testimony, and that the Testimony is true and accurate to the best of my knowledge, information and belief.


CAPTAIN STEPHEN HATHORN

SWORN TO AND SUBSCRIBED before me on this 26 day of JUNE,
2019.


NOTARY PUBLIC ARTHUR S. LEMIN
No. LA. BAR # 08520
My Commission Expires: AS Death

**BEFORE THE
LOUISIANA PILOTAGE FEE COMMISSION**

**NEW ORLEANS - BATON ROUGE
STEAMSHIP PILOTS ASSOCIATION**

DOCKET NO. P13-001

In Re: Request for Action on Tariff Redesign Resulting in an Upward Adjustment to Recover an Increase in Target Compensation and other Recoverable Expenses pursuant to La R.S. 34: 1122, Elimination of Vessel Traffic Service Surcharge; Implementation of a True-Up Mechanism; Implementation of a Cost of Living Adjustment Mechanism; Increase in Transportation Tariff; Implementation of a Charge for a Second Pilot on Ships of a Certain Scale; and for Related Relief.

FILED DIRECT TESTIMONY

OF

KEVIN NEYREY, CPA

ON BEHALF OF

**NEW ORLEANS – BATON ROUGE STEAMSHIP PILOTS
ASSOCIATION**

July 1, 2019

1 **Q1. Please state your name and business address**

2 A. Kevin Neyrey, 4227 Canal Street, New Orleans, Louisiana 70119.

3 **Q2. What is your occupation?**

4 A. I am a Certified Public Accountant. I am the Managing Partner in the firm of Ericksen
5 Krentel, L.L.P., Certified Public Accountants and Consultants (“EK”).

6 **Q3. What is your educational and professional background?**

7 A. I am a 1977 graduate of Southeastern Louisiana University, where I received a Bachelor of
8 Science in Accounting. I received a Masters in Business Administration from Tulane
9 University in 1980 and a Master of Science in Accounting—Taxation Option from the
10 University of New Orleans in 1989. Before joining EK in 1984, I spent two (2) years
11 working with a local CPA firm in Denver, Colorado and two (2) years working for a
12 national CPA firm in New Orleans. I have extensive experience in the analysis of complex
13 tax and business issues in the real estate, oil and gas, and land fill industries. Additionally,
14 I provide business valuation, forensic accounting, commercial damage and general
15 business consulting services.

16 **Q4. Do you hold any professional certifications?**

17 A. Yes. I hold the following professional designations:

- 18 • C.P.A. Licensed in Louisiana in 1982;
- 19 • C.F.F. Designated as Certified in Financial Forensics by the American Institute
20 of Certified Public Accountants;
- 21 • P.F.S. Designated a Personal Financial Specialist by the American Institute of
22 Certified Public Accountants;
- 23 • A.E.P. Designated as Accredited Estate Planner by the National Association of
24 Estate Planners and Councils.

1 **Q5. Are you a member of any professional organizations?**

2 A. Yes. I am a former Chairman of the Litigation Services Committee—Louisiana Society of
3 CPAs; a member and past President of New Orleans Estate Planning Council; a former
4 Chairman of the New Orleans Chapter Louisiana Certified Public Accountants Taxation
5 Committee; and, a former member of the Board of the National Association of Estate
6 Planners and Councils.

7 **Q6. On whose behalf are you testifying?**

8 A. I am testifying on behalf of the New Orleans - Baton Rouge Steamship Pilots Association
9 (“NOBRA”).

10 **Q7. Have you ever provided testimony in any previous regulatory or legal proceedings?**

11 A. Yes, I have testified before the Louisiana Pilotage Fee Commission (“Fee Commission” or
12 “LPFC”) in LPFC Docket No. P13-001 and submitted testimony in LPFC Docket No. P16-
13 001. In addition, I have testified as an expert in the area of accounting in numerous cases
14 and have published articles and given speeches in the area of accounting. Attached as
15 *Exhibit “KN-1”* is my curriculum vitae, which outlines the proceedings in which I have
16 participated.

17 **Q8. What is the purpose of your testimony in this proceeding before the Fee Commission?**

18 A. As NOBRA’s independent financial statement auditor, my firm has audited NOBRA’s year-
19 end Financial Statements as of December 31, 2018 and we have issued an Independent
20 Auditor’s Report dated March 20, 2019, which is attached hereto as *Exhibit “KN-2”*.

1 **Q9. Please summarize your findings determined from NOBRA's year-end audited**
2 **financial statements?**

3 A. My firm issued an unqualified opinion in our Auditor's Report which is the highest level
4 of assurance that an independent financial statement auditor can provide with respect to the
5 management's presentation of its financial statements. In my firm's opinion, the financial
6 statements present fairly and in all material respects, NOBRA's financial position and the
7 results of its operations and cash flows in conformity with generally accepted accounting
8 principles ("GAAP").

9 **Q10. Please describe your efforts and methods in reaching the summary described**
10 **above?**

11 A. As stated in my firm's Auditor's Report (*Exhibit "KN-2"*), we conducted the audit in
12 accordance with the auditing standards generally accepted in the United States. These are
13 the standards promulgated by the American Institute of Certified Public Accountants
14 ("AICPA"). These standards require that reasonable assurance that the financial statements
15 do not have any material misstatements be obtained, that we examine (on a test basis) the
16 evidence supporting the financial statements and that we assess the accounting principles
17 used and applied by management. We have met those standards and have so stated in my
18 firm's report.

19 **Q11. Please describe *Exhibit "KN-3"*?**

20 A. As recommended by the Uniform Financial Review ("UFR") Committee and approved by
21 the Fee Commission, attached to my testimony as *Exhibit "KN-3"* is the New Orleans-

- 1 Baton Rouge Steamship Pilots Association, Inc. Schedule of Pilot Association Expenses
- 2 Recoverable Through General Tariff for the Year Ended December 31, 2018.

3 **Q12. Does this conclude your testimony?**

4 A. Yes.

BEFORE THE
LOUISIANA PILOTAGE FEE COMMISSION

NEW ORLEANS - BATON ROUGE
STEAMSHIP PILOTS ASSOCIATION

DOCKET NO. P13-001

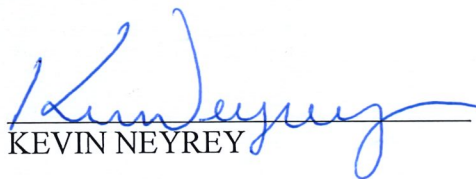
In Re: Request for Action on Tariff Redesign Resulting in an Upward Adjustment to Recover an Increase in Target Compensation and other Recoverable Expenses pursuant to La R.S. 34: 1122, Elimination of Vessel Traffic Service Surcharge; Implementation of a True-Up Mechanism; Implementation of a Cost of Living Adjustment Mechanism; Increase in Transportation Tariff; Implementation of a Charge for a Second Pilot on Ships of a Certain Scale; and for Related Relief.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF Orleans

I, Kevin Neyrey, Certified Public Accountant, being first duly sworn, state that I have reviewed the above and foregoing testimony and the exhibits attached thereto, and that the testimony and exhibits are true and accurate to the best of my knowledge, information and belief.


KEVIN NEYREY

SWORN TO AND SUBSCRIBED before me on this 27 day of June, 2019.


NOTARY PUBLIC



OFFICIAL SEAL
WILLIAM BOLES KIRTLAND
BAR ROLL # 33220
STATE OF LOUISIANA
PARISH OF EAST BATON ROUGE
My Commission is for Life

CURRICULUM VITAE KEVIN M. NEYREY

BACKGROUND

Mr. Neyrey is the Managing Partner of Ericksen Krentel, LLP, Certified Public Accountants and Consultants, ("EK") and he is the Partner in charge of the Tax Services Section. Before joining EK in 1984, he spent two years working with a local CPA firm in Denver, Colorado and two years working for a national CPA firm in New Orleans. He is a Certified Public Accountant licensed to practice in Louisiana. Mr. Neyrey has extensive experience in the analysis of complex tax and business issues in a number of industries. He also has considerable experience with estate and trust tax and administrative matters. Additionally, he provides business valuation, forensic accounting, commercial damage and general business consulting services. Mr. Neyrey bills by the hour at the rate of \$270.00 per hour.

PROFESSIONAL DESIGNATIONS

- C.P.A. Licensed in Louisiana in 1982
- C.F.F. Designated as Certified in Financial Forensics by the American Institute of Certified Public Accountants
- P.F.S. Designated a Personal Financial Specialist by the American Institute of Certified Public Accountants
- A.E.P. Designated as Accredited Estate Planner by the National Association of Estate Planners and Councils

EDUCATION

- Master of Science in Accounting – Taxation Option – University of New Orleans, 1989
- Masters in Business Administration – Tulane University, 1980
- Bachelor of Science in Accounting – Southeastern Louisiana University, 1977

PROFESSIONAL ASSOCIATIONS

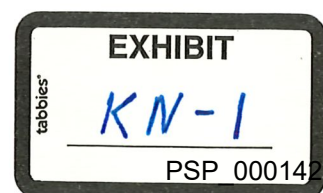
- American Institute of CPAs
- Louisiana Society of CPAs
- New Orleans Estate Planning Council
- National Association of Estate Planners and Councils

COMMITTEE AND BOARD APPOINTMENTS

- Former Chairman of the Litigation Services Committee – Louisiana Society of CPAs
- Former member of the Board - National Association of Estate Planners and Councils
- Member and past President New Orleans Estate Planning Council
- Former Chairman of the New Orleans Chapter LCPA Taxation Committee

PUBLICATIONS

- "Tax Savings on New Equipment," Ericksen, Krentel & LaPorte Newsletter, First Quarter, 2003
- "Lease or Buy," Work Boat Magazine, November 2001.
- "The Changing Face of the CPA Profession," Ericksen, Krentel, Canton & LaPorte Newsletter, Fall 2000.
- "How New Tax Law Changes Will Affect You!"; Louisiana Realtor Magazine, Winter 1994.



SELECTED SPEECHES

- "Making Sense of the Tax Cuts and Jobs Act", Client Seminar, February 27, 2018.
- "Planning After the American Taxpayer Relief Act", New Orleans Estate Planning Council, March 18, 2013.
- "Business Interruption Workshop," Louisiana CPA Society 2008 Litigation Services Workshop , November 6, 2008, Kenner, LA.
- "Business Interruption Losses," Louisiana Claims Association, 9th Annual Educational Conference and Trade Expo, May 16, 2003, New Orleans, LA.
- "Understanding and Using Business Valuations", American Society of Women Accountants, Continuing Education Seminar, November 9, 2001, New Orleans, LA.

TRIAL AND DEPOSITION APPEARANCES

Cases in which expert trial testimony was given:

- Mindy Brickman Patron v. David Lee Patron, 08-8548, Civil District Court, Parish of Orleans, State of Louisiana
- Drennan v. Drennan, 633-646, Twenty-Fourth Judicial District Court, Parish of Jefferson, State of Louisiana
- Colleen Castagnos Cheramie v. Craig A. Cheramie, 625-280, Twenty-Fourth Judicial District Court, Parish of Jefferson, State of Louisiana
- Audrey Reynaud v. Keith Reynaud, 09 NS 531, Juvenile Court, Parish of Jefferson, State of Louisiana
- Adib Eldayri v. Yousef Salem, et al, 05-2159, Civil District Court, Parish of Orleans, State of Louisiana
- Succession of Odel J. Romaine, 95-11854, Civil District Court, Parish of Orleans, State of Louisiana
- Simpson v. Goodman, 94-14073, Twenty-Second Judicial District Court, Parish of St. Tammany, State of Louisiana

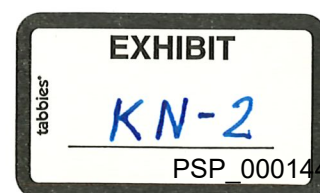
Cases in which expert deposition testimony was given:

- Chad Adams v. Christopher P. Adams, et al, 659-392, Twenty-Fourth Judicial District Court, Parish of Jefferson, State of Louisiana
- Drennan v. Drennan, 633-646, Twenty-Fourth Judicial District Court, Parish of Jefferson, State of Louisiana
- Janet V. Burch and Calvin M. Johnson, as Co-Curators, On Behalf of Vivian Gerard Burch v. George Burch and Bryan Burch, Twenty-Fourth Judicial District Court, Parish of Jefferson, State of Louisiana
- Coca-Cola Enterprises, Inc. v. Carl E. Woodward, et al, 635-290, Twenty-Fourth Judicial District Court, Parish of Jefferson, State of Louisiana
- Rodrigue Studios, L.L.C. v. America First Insurance Co., 06-8271, United States District Court, Eastern District of Louisiana, Section "J".
- Adib Eldayri v. Yousef Salem, et al, 05-2159, Civil District Court, Parish of Orleans, State of Louisiana
- James Presley, et al v. Air Products and Chemicals, Inc., Circuit Court of Santa Rosa County, Florida, Case No. 05-2159
- Owen M. Stanley, Jr. v. Jessie J. Anthony, Jr., et al, 98-134-"B", Thirty Fourth Judicial District Court, Parish of St. Bernard, State of Louisiana
- Dileo v. Dileo, 551-790, Twenty-Fourth Judicial District Court, Parish of Jefferson, State of Louisiana
- Succession of John W. Simpson, 11200 Twenty-Second Judicial District Court, Parish of St. Tammany, State of Louisiana

NEW ORLEANS – BATON ROUGE
STEAMSHIP PILOTS ASSOCIATION
METAIRIE, LOUISIANA
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017
AND SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017



ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



CONTENTS

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS:

Exhibit "A" Statements of Assets, Liabilities and Stockholders' Equity – Cash Basis

Exhibit "B" Statements of Revenues and Expenses – Cash Basis

Exhibit "C" Statements of Changes in Stockholders' Equity – Cash Basis

Exhibit "D" Statements of Cash Flows – Cash Basis

Notes to Financial Statements

SUPPLEMENTARY INFORMATION:

Schedule "1" Schedules of Piloting Revenue – Cash Basis



INDEPENDENT AUDITORS' REPORT

To the Directors and Association Members
 New Orleans - Baton Rouge Steamship Pilots Association
 Metairie, Louisiana

We have audited the accompanying financial statements of New Orleans - Baton Rouge Steamship Pilots Association (a Louisiana corporation), which comprise the statements of assets, liabilities and stockholders' equity – cash basis as of December 31, 2018 and 2017, and the related statements of revenues and expenses – cash basis, changes in stockholders' equity – cash basis, and cash flows – cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.



To the Directors and Association Members
New Orleans – Baton Rouge Steamship Pilots Association
March 20, 2019

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and stockholders' equity of New Orleans - Baton Rouge Steamship Pilots Association as of December 31, 2018 and 2017, and its revenue and expenses, changes in stockholders' equity, and cash flows for the years then ended, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedule "1" is presented for purposes of additional analysis 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 audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

New Orleans, Louisiana
March 20, 2019

A handwritten signature in black ink that reads "Erickson Krentel, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

Exhibit "A"

NEW ORLEANS - BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES AND
STOCKHOLDERS' EQUITY - CASH BASIS
DECEMBER 31, 2018 AND 2017

ASSETS

| | <u>2018</u> | <u>2017</u> |
|--|------------------|--------------------|
| <u>CURRENT ASSETS:</u> | | |
| Cash and cash equivalents | \$ 49,502 | \$ 26,911 |
| Advances receivable | 5,370 | 14,723 |
| | <u>54,872</u> | <u>41,634</u> |
| <u>FURNITURE AND EQUIPMENT:</u> | | |
| Furniture and fixtures | 61,076 | 61,076 |
| Communication equipment | 162,985 | 162,985 |
| Computer equipment | 32,295 | 916,590 |
| | <u>256,356</u> | <u>1,140,651</u> |
| Less: accumulated depreciation | <u>(253,852)</u> | <u>(1,136,489)</u> |
| | <u>2,504</u> | <u>4,162</u> |
| Net furniture and equipment | | |
| | <u>2,504</u> | <u>4,162</u> |
| Total assets | <u>\$ 57,376</u> | <u>\$ 45,796</u> |

See accompanying NOTES TO FINANCIAL STATEMENTS

Exhibit "A" (Cont'd)

NEW ORLEANS - BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES AND
STOCKHOLDERS' EQUITY - CASH BASIS
DECEMBER 31, 2018 AND 2017

LIABILITIES AND STOCKHOLDERS' EQUITY

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| <u>CURRENT LIABILITIES:</u> | | |
| Payroll taxes payable | \$ 6,207 | \$ 842 |
| 401(k) contributions payable | <u>12,266</u> | <u>12,699</u> |
| Total current liabilities | <u>18,473</u> | <u>13,541</u> |
| Total liabilities | <u>18,473</u> | <u>13,541</u> |
| | | |
| <u>STOCKHOLDERS' EQUITY:</u> | | |
| Common stock, par value \$100 per share, 150 shares authorized, 122 shares issued and outstanding in 2018, 114 shares issued and outstanding in 2017 | 12,200 | 11,400 |
| Accumulated earnings | <u>26,703</u> | <u>20,855</u> |
| Total stockholders' equity | <u>38,903</u> | <u>32,255</u> |
| Total liabilities and stockholders' equity | <u>\$ 57,376</u> | <u>\$ 45,796</u> |

See accompanying NOTES TO FINANCIAL STATEMENTS

Exhibit "B"

NEW ORLEANS - BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
STATEMENTS OF REVENUES AND
EXPENSES - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| <u>REVENUE:</u> | | |
| Piloting revenue | \$ 97,809,035 | \$ 85,417,822 |
| Other tariffs and surcharges | 22,059,985 | 17,496,236 |
| Interest income | 14,058 | 9,542 |
| Miscellaneous income | 3,997 | - |
| | <u>119,887,075</u> | <u>102,923,600</u> |
| <u>EXPENSES:</u> | | |
| Employee salaries, wages and payroll taxes | 1,389,129 | 1,306,869 |
| Death and retirement benefits | 16,817,889 | 13,341,681 |
| Group hospitalization and benefits | 6,802,599 | 6,215,310 |
| Administrative offices | 147,524 | 146,747 |
| Communications, dispatch and information technology | 1,634,775 | 431,666 |
| General and administrative | 236,257 | 250,094 |
| Continuing education and training | 1,013,925 | 943,163 |
| Professional services | 1,406,354 | 1,645,245 |
| Professional dues | 279,656 | 271,629 |
| Risk management and insurance | 74,229 | 75,968 |
| General transportation | 5,005,305 | 4,379,306 |
| Boards of Commissioners and Examiners | 549,687 | 604,794 |
| Taxes and licenses | 6,000 | 1,310 |
| Depreciation | 1,658 | 247,835 |
| Advertising | 34,864 | 31,959 |
| Interest | - | 6,876 |
| Meals and entertainment | 97,909 | 83,737 |
| Other items | 24,000 | 58,500 |
| | <u>35,521,760</u> | <u>30,042,689</u> |
| Revenue in excess of expenses available for distribution | 84,365,315 | 72,880,911 |
| Revenue in excess of expenses distributed to members | <u>(84,359,467)</u> | <u>(72,826,696)</u> |
| Excess of revenues over expenses | <u>\$ 5,848</u> | <u>\$ 54,215</u> |

See accompanying NOTES TO FINANCIAL STATEMENTS

Exhibit "C"

NEW ORLEANS - BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | <u>Common Stock</u> | | <u>Accumulated</u> | <u>Total</u> |
|----------------------------------|----------------------|-------------------------|-------------------------------------|-------------------------|
| | <u>Issued Shares</u> | <u>Amount</u> | <u>Earnings</u> <u>(Deficit)</u> | |
| Balance, December 31, 2016 | 117 | \$ 11,700 | \$ (33,360) | \$ (21,660) |
| Excess of revenues over expenses | - | - | 54,215 | 54,215 |
| Issuance of common stock | - | - | - | - |
| Re-acquisition of common stock | (3) | (300) | - | (300) |
| Balance, December 31, 2017 | <u>114</u> | <u>11,400</u> | <u>20,855</u> | <u>32,255</u> |
| Excess of revenues over expenses | - | - | 5,848 | 5,848 |
| Issuance of common stock | 8 | 800 | - | 800 |
| Re-acquisition of common stock | - | - | - | - |
| Balance, December 31, 2018 | <u><u>122</u></u> | <u><u>\$ 12,200</u></u> | <u><u>\$ 26,703</u></u> | <u><u>\$ 38,903</u></u> |

See accompanying NOTES TO FINANCIAL STATEMENTS

Exhibit "D"

NEW ORLEANS - BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
STATEMENTS OF CASH FLOWS -
CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| <u>CASH FLOWS FROM (USED BY)</u> | | |
| <u>OPERATING ACTIVITIES:</u> | | |
| Excess of revenues over expenses | \$ 5,848 | \$ 54,215 |
| Adjustments to reconcile excess of revenues over expenses to net cash from/(used by) operating activities: | | |
| Depreciation | 1,658 | 247,835 |
| Decrease (Increase) in assets as follows: | | |
| Advances receivable | 9,353 | (11,669) |
| Increase (decrease) in liabilities as follows: | | |
| Payroll taxes payable | 5,365 | - |
| 401(k) contributions payable | (433) | 1,131 |
| | <u>21,791</u> | <u>291,512</u> |
| <u>CASH FLOWS FROM (USED BY)</u> | | |
| <u>FINANCING ACTIVITIES:</u> | | |
| Principal repayments of long-term debt | - | (299,859) |
| Net issuance (re-acquisition) of common stock | 800 | (300) |
| | <u>800</u> | <u>(300,159)</u> |
| Net cash from (used by) financing activities | <u>800</u> | <u>(300,159)</u> |
| Net increase (decrease) in cash and cash equivalents | 22,591 | (8,647) |
| Cash and cash equivalents at beginning of year | <u>26,911</u> | <u>35,558</u> |
| Cash and cash equivalents at end of year | <u>\$ 49,502</u> | <u>\$ 26,911</u> |

NON-CASH INVESTING ACTIVITY:

During the year ended December 31, 2018, the Company disposed of fully depreciated assets totaling \$884,295. There were no proceeds realized from the disposals.

See accompanying NOTES TO FINANCIAL STATEMENTS

NEW ORLEANS – BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

New Orleans – Baton Rouge Steamship Pilots Association (the Association) is a voluntary non-profit corporation chartered on March 30, 1943 in the Parish of Orleans, State of Louisiana. The Association was organized to perform administrative and communication services for self-employed pilots engaged in the business of piloting seagoing vessels on the Mississippi River, between the ports of New Orleans and Baton Rouge, and to shift vessels in the harbors of Harahan, Avondale, St. Rose, Destrehan, Good Hope, Norco, Reserve and other harbors to and including Baton Rouge, in return for fees covering pilotage, shifting, detention and other charges.

Basis of Accounting

The Association prepares its financial statements, maintains its records and reports to the taxing authorities on the cash basis of accounting but includes depreciation of capitalized assets and long-term debt. The cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, revenue and the related assets are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, accounts receivable and amounts due vendors and suppliers at December 31, 2018 and 2017 are not included in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Internal Revenue Service has privately ruled that the Association is in fact the agent of the self-employed pilots and all revenue collected and expenses paid by the Association are those of the self-employed pilots. Therefore, no income taxes are recorded in these financial statements.

NEW ORLEANS – BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Furniture and Equipment

Furniture and equipment at December 31, 2018 and 2017 were stated at cost less accumulated depreciation using useful lives and methods as follows:

| <u>Description</u> | <u>Useful Life</u> | <u>Method</u> |
|--------------------------|--------------------|-------------------------------|
| Furniture and fixtures | 5 Years | Straight-line |
| Communicatinos equipment | 5-7 Years | Straight-line and Accelerated |
| Leasehold improvements | 18-31.5 Years | Straight-line |
| Computer system | 5 Years | Accelerated |

Distributions to Pilots

The pilot fees collected, net of expenses paid, have been consistently distributed to members each month in accordance with the following formula:

1. Monthly net collections are divided by the total number of days worked credited to all members of the Association during that month to determine a daily rate of collection. This rate is then multiplied by the number of days worked credited to each member of the Association during that month.
2. Under the foregoing formula, each member receives his distributive share of revenues in excess of expenses available for distribution to members for the month based on the number of days credited.

The average revenue in excess of expenses distributed to members, excluding initiation fees of new members, was as follows:

| <u>Average Number of Members</u> | | <u>Average Distribution</u> | |
|----------------------------------|-------------|-----------------------------|-------------|
| <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| 116 | 114 | \$ 727,837 | \$ 639,565 |

Advertising

The Association expenses all non direct-response advertising costs as incurred. Advertising expense for the years ended December 31, 2018 and 2017 was \$34,864 and \$31,959, respectively.

NEW ORLEANS – BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting 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 revenue and expenses during the reporting period. The actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through March 20, 2019, which is the date the financial statements were available to be issued.

(2) OPERATING LEASE

On March 1, 2007, the Association entered into a five-year lease of office space expiring on February 29, 2012 with a monthly payment of \$8,575. The Association had the option to renew this lease for two five-year option terms. In 2010, the Association renewed the lease through February 28, 2017. The lease requires the Association to make monthly payments of \$9,433 beginning March 1, 2012. In 2016, the Association renewed the lease through February 28, 2022. The second five-year option term requires the Association to make monthly payments of \$10,375 beginning March 1, 2017. The following is a schedule of future minimum lease payments required under the lease agreement at December 31, 2018:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|-------------------------------------|-------------------|
| 2019 | \$ 124,500 |
| 2020 | 124,500 |
| 2021 | 124,500 |
| 2022 | 20,750 |
| | <u>\$ 394,250</u> |

(3) GROUP INSURANCE

The Association administers group insurance benefits for active and retired members and employees. Substantially all of the Association's members and employees may become eligible for the benefits after retirement, if they reach normal retirement age while being members or employees of the Association. These benefits are provided through an insurance company whose premiums are based on the benefits paid during the year.

NEW ORLEANS – BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(4) RETIREMENT PLANS

In accordance with its articles of incorporation, the Association administers for its members' death and retirement benefits. All of the Association's members become eligible upon attaining certain years of membership requirements. The benefits are based on formulas which include years of membership. There are no prefunding arrangements with regard to these benefits and the total annual cost is paid each year out of current collections of pilotage fees. The total cost for the years ended December 31, 2018 and 2017 was \$14,931,729 and \$13,161,978, respectively.

The Association adopted a 401(k) plan on August 1, 2001, and contributes 15% of eligible employees' gross wages. Contributions for the years ended December 31, 2018 and 2017 were \$193,895 and \$179,703, respectively.

(5) CONTINGENCIES

The Association is a party to legal actions that arise in the ordinary course of its business activities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial condition or results of operations of the Association.

(6) CONCENTRATIONS OF CREDIT RISK

Approximately 30% of the Association's revenue was derived from three shipping agents for the year ended December 31, 2018, and 23% of the Association's revenue was derived from two shipping agents for the year ended December 31, 2017.

The Association has cash balances invested in checking accounts and overnight repurchase agreements. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018 and 2017 the Association had no amounts in excess of FDIC limits or invested in overnight repurchase agreements.

(7) GUARANTEES

On January 22, 2018, the Association facilitated the leasing of new portable pilot units for member pilots under a three-year agreement. Under this agreement, member pilots are responsible for the payments under the individual lease agreements with the third party. The Association unconditionally guarantees all payment obligations under the leases entered into by the pilots. Even though the likelihood of the Association having to make payments under this guarantee is remote, the maximum potential amount of the future payments remaining under the agreement totals approximately \$1,990,000.

Schedule "1"

NEW ORLEANS - BATON ROUGE STEAMSHIP PILOTS ASSOCIATION
SCHEDULES OF PILOTING REVENUE -
CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------------|-----------------------------|
| <u>PILOTING REVENUE:</u> | | |
| Draft | \$ 37,051,360 | \$ 32,302,036 |
| Detention charges | 2,623,691 | 2,212,883 |
| Shifting | 2,358,004 | 2,088,909 |
| Extra pilotage | 3,082,906 | 2,763,732 |
| Double pilotage | 2,212,604 | 1,612,526 |
| Tonnage | 23,940,374 | 20,637,836 |
| Dock, undock, headdown | 6,726,012 | 5,975,361 |
| Discharge | 503,674 | 453,454 |
| Mileage | 15,591,489 | 14,050,465 |
| Turning | 3,718,921 | 3,320,620 |
| | <u> </u> | <u> </u> |
| Total piloting revenue | <u>\$ 97,809,035</u> | <u>\$ 85,417,822</u> |
| <u>OTHER TARIFFS AND SURCHARGES:</u> | | |
| Communication system | \$ 109,589 | \$ 95,109 |
| Transportation | 5,192,143 | 4,487,421 |
| Pension surcharge | 16,758,253 | 12,913,706 |
| | <u> </u> | <u> </u> |
| Total other tariffs and surcharges | <u>\$ 22,059,985</u> | <u>\$ 17,496,236</u> |

(See Independent Auditors' Report)



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
 New Orleans - Baton Rouge Steamship Pilots Association
 Metairie, Louisiana

Management is responsible for the accompanying financial statement of New Orleans - Baton Rouge Steamship Pilots Association (a corporation), which comprises the pilot association's expenses recoverable through general tariff for the year ended December 31, 2018, included in the accompanying prescribed form. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statement included in the accompanying prescribed form, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the financial statement included in the accompanying prescribed form.

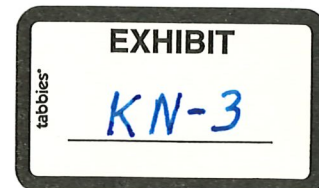
The financial statement included in the accompanying prescribed form is presented in accordance with the requirements of the Louisiana Pilotage Fee Commission and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of New Orleans-Baton Rouge Steamship Pilots Association and the Louisiana Pilotage Fee Commission and is not intended to be and should not be used by anyone other than these specified parties.

June 3, 2019
 New Orleans, Louisiana

Ericksen Krentel, LLP

Certified Public Accountants



NEW ORLEANS-BATON ROUGE STEAMSHIP PILOTS ASSOCIATION, INC.
SCHEDULE OF PILOT ASSOCIATION EXPENSES RECOVERABLE THROUGH GENERAL TARIFF
FOR THE YEAR ENDED DECEMBER 31, 2018
(See Independent Accountants' Compilation Report)

| Expenses Recoverable Through General Tariff | Sub-Category Amounts | Category Total |
|---|-------------------------|-------------------|
| 1. Pilot Compensation | | \$ - |
| 2. Employee Salaries, Wages & P/R Taxes | | 1,389,129 |
| 3. Pensions & Pension Plans | | 217,295 |
| a. Pilot pension expense ¹ | - | |
| b. Employee pension expense | 217,295 | |
| 4. Group Hospitalization & Benefits | | 6,772,998 |
| a. Pilot health insurance and benefits | 4,686,064 | |
| b. Employee health insurance and benefits | 517,636 | |
| c. Retiree health insurance and benefits | 1,569,298 | |
| 5. Pilot Stations | | - |
| a. Fuel for Generators | - | |
| b. Maintenance & Repairs | - | |
| c. Property Taxes | - | |
| d. Services | - | |
| e. Utilities | - | |
| f. Board & Lodging | - | |
| 6. Administrative Offices | | 147,524 |
| a. Rent & Leases | 124,500 | |
| b. Property Taxes | 8,449 | |
| c. Services | - | |
| d. Utilities | 14,575 | |
| e. Other | - | |
| 7. Vessel Expenses | | - |
| a. Fuel | - | |
| b. Maintenance & Repairs | - | |
| c. Property Taxes | - | |
| d. Operating Costs | - | |
| 8. Communications, Dispatch, & IT | | 1,634,775 |
| a. Pilot Laptops | 1,035,327 | |
| b. Other | 599,448 | |
| 9. General & Administrative | | 236,257 |
| 10. Continuing Education & Training | | 902,633 |
| 11. Professional Services | | 905,354 |
| a. Legal | 622,397 | |
| b. Regulatory | 147,218 | |
| c. Accounting & Auditing | 135,739 | |
| d. Other ² | - | |

NEW ORLEANS-BATON ROUGE STEAMSHIP PILOTS ASSOCIATION, INC.
SCHEDULE OF PILOT ASSOCIATION EXPENSES RECOVERABLE THROUGH GENERAL TARIFF
FOR THE YEAR ENDED DECEMBER 31, 2018
(See Independent Accountants' Compilation Report)

| Expenses Recoverable Through General Tariff | Sub-Category Amounts | Category Total |
|--|-------------------------|----------------------|
| 12. Professional Dues | | 279,656 |
| 13. Risk Management & Insurance | | 93,429 |
| a. Property Insurance | 9,334 | |
| b. Liability Insurance (includes Pilot License) | 16,230 | |
| c. Vessel Hull Insurance | - | |
| d. Other | 67,865 | |
| 14. Transportation | | 117,292 |
| a. Pilot Transportation ¹ | - | |
| b. Other | 117,292 | |
| 15. Boards of Commissioners & Examiners | | 549,687 |
| 16. Taxes & Licenses | | 10,401 |
| 17. Income Taxes | | - |
| 18. Rent & Lease Expense | | - |
| 19. Interest Expense | | - |
| 20. Depreciation Expense | | 1,658 |
| 21. Extraordinary Items | | 24,000 |
| Total Expenses Recoverable Through General Tariff | | 13,282,088 |
| Expenses Not Recoverable Through General Tariff | | |
| R1. Advertising | | 34,864 |
| R2. Meals & Entertainment | | 97,909 |
| R3. Professional Services - Other ² | | 501,000 |
| R4. Pilot Pension Expense ¹ | | 16,600,594 |
| R5. Pilot Transportation ¹ | | 5,005,305 |
| Total Expenses Not Recoverable Through General Tariff | | 22,239,672 |
| Total Expenses Per Audited Financial Statement | | \$ 35,521,760 |

Notes:

¹ This expense is covered by a separate surcharge or tariff and is therefore excluded from expenses recoverable through the general tariff

² Pursuant to LPFC Order No. P13-001 this expense has been excluded from expenses recoverable through the general tariff