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MORGAN CITY HARBOR AND TERMINAL DISTRICT

STATE OF LOUISIANA

**GENERAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998
WITH SUPPLEMENTAL INFORMATION SCHEDULE**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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.

Release Date OCT 07 1998

**MCRIGHT & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

**11817 BRICKSOME AVE. SUITE E
BATON ROUGE, LOUISIANA**

MORGAN CITY HARBOR AND TERMINAL DISTRICT

STATE OF LOUISIANA

**GENERAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998
WITH SUPPLEMENTAL INFORMATION SCHEDULE**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Morgan City Harbor and
Terminal District
State of Louisiana
Morgan City, Louisiana

We have audited the accompanying general purpose financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Morgan City Harbor and Terminal District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Louisiana Governmental Auditing Guide. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Morgan City Harbor and Terminal District as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 1998 on our consideration of the Morgan City Harbor and Terminal District's internal control over financial reporting and our tests of its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The "schedule" listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Morgan City Harbor and Terminal District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

McRight & Associates

September 28, 1998

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998

	Governmental Fund Type <u>General Fund</u>	General Fixed <u>Assets</u>	General Long <u>Term Debt</u>	Total (Memo Only)
ASSETS				
Cash & Cash Equivalents	\$ 899,740			\$ 899,740
Investment - at cost	483,799			483,799
Receivable	74,139			74,139
Fixed Assets		\$10,146,255		10,146,255
Amt to be Provided for Retirement of Long Term Debt			\$1,639,374	1,639,374
Deposit	225			225
TOTAL ASSETS	<u>1,457,903</u>	<u>10,146,255</u>	<u>1,639,374</u>	<u>13,243,532</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 81,124			81,124
Retainage Payable	157,265			157,265
Accrued Liabilities	4,809			4,809
Cert. of Indebtedness			1,625,000	1,625,000
Compensated Absences			14,374	14,374
TOTAL LIABILITIES	<u>\$ 243,198</u>	<u>\$ -0-</u>	<u>\$1,639,374</u>	<u>\$1,882,572</u>
FUND EQUITY				
Investment in General Fixed Assets		10,146,255		10,146,255
Fund Balance:				
Debt Service	176,000			176,000
Corp of Engineers	402,050			402,050
Unreserved	636,655			636,655
TOTAL FUND EQUITY	<u>1,214,705</u>	<u>10,146,255</u>	<u>-0-</u>	<u>11,360,960</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,457,903</u>	<u>10,146,255</u>	<u>1,639,374</u>	<u>13,243,532</u>

The accompanying notes are an integral part of this statement

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	GENERAL FUND <u>1998</u>
REVENUES	
Ad valorem taxes	\$ 444,624
Intergovernmental revenue -	
State Revenue Sharing	52,510
State Construction Grant	1,239,532
Other	
Interest	93,714
Rental & Port Billings	306,161
Miscellaneous	824
	<hr/>
Total Revenues	<u>2,137,365</u>
 EXPENDITURES	
Salaries	184,832
Payroll Taxes	3,745
Contracted Services	93,229
Retirement	21,215
Insurance - group	12,462
Debt Service	235,080
Construction Contracts	2,358,653
Development - Engineering	281,707
Capital Outlay	19,021
Insurance - General	103,629
Rental	6,852
Repairs & Maintenance	73,404
Accounting	10,725
Advertising	5,446
Auto	10,352
Assessor's Compensation	13,919
Marketing & Promotion	21,926
Legal	38,196
Office Supplies	14,839
Lease Expense	542,479
Telephone	12,741
Engineering	13,528
All Other	38,732
	<hr/>
Total Expenses	<u>4,116,712</u>
Excess of Revenues over Expenditures	(1,979,347)
Fund Balance - Beginning	<u>3,194,052</u>
Fund Balance - Ending	<u><u>1,214,705</u></u>

The accompanying notes are an integral part of this statement

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
BUDGET (GAAP) AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUES			
Ad valorem taxes	\$ 444,624	\$ 444,624	
Intergovernmental revenue -			
State Revenue Sharing	52,510	52,510	
State Construction Grant	1,239,532	1,239,532	
Other			
Interest	93,714	93,492	222
Rental	306,161	306,161	
Miscellaneous	824	824	
	<hr/>	<hr/>	
Total Revenues	<u>2,137,365</u>	<u>2,137,143</u>	<u>222</u>
EXPENDITURES			
Salaries	184,832	184,832	
Payroll Taxes	3,745	3,745	
Contracted Services	93,229	93,229	
Retirement	21,215	21,215	
Insurance - group	12,462	12,462	
Debt Service	235,080	235,080	
Construction Contracts	2,358,653	2,358,653	
Development - Engineering	281,707	281,707	
Capital Outlay	19,021	19,021	
Insurance - General	103,629	103,629	
Rental	6,852	6,852	
Repairs & Maintenance	73,404	73,404	
Accounting	10,725	10,725	
Advertising	5,446	5,446	
Auto	10,352	10,352	
Assessor's Compensation	13,919	13,919	
Marketing & Promotion	21,926	21,926	
Legal	38,196	38,196	
Office Supplies	14,839	14,839	
Lease Expense	542,479	542,479	
Telephone	12,741	12,741	
Engineering	13,528	13,528	
All Other	38,732	38,521	(211)
	<hr/>	<hr/>	
Total Expenses	<u>4,116,712</u>	<u>4,116,501</u>	<u>11</u>
Excess of Revenues			
Over Expenditures	(1,979,347)	(1,979,358)	11
Fund Balance - Beginning	<u>3,194,052</u>	<u>3,194,052</u>	
Fund Balance - Ending	<u>1,214,705</u>	<u>1,214,694</u>	<u>11</u>

The accompanying notes are an integral part of this statement

**MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

INTRODUCTION

The Morgan City Harbor and Terminal District was created by Louisiana Revised Statute (R.S.) 34:321(M) as a political subdivision of the State of Louisiana with a nine member board of commissioners appointed by the governor for terms of varying length. The District is responsible for the regulation of commerce and traffic within the district and the establishment, operation and maintenance of navigable waterway systems in the Atchafalaya River and other waters of the district.

The accounting and reporting policies of the Morgan City Harbor and Terminal District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, **Audits of State and Local Governmental Units**.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and reporting standards.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Harbor and Terminal District is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the board members and public service is rendered within the state's boundaries. The accompanying general purpose financial statements present information only as to the transactions of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana. Annually, the

**MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

C. FUND ACCOUNTING

The harbor and terminal district uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The harbor and terminal district has one fund (General Fund) that is classified as a governmental fund. The General Fund accounts for the harbor and terminal district's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The General Fund is the general operating fund of the harbor and terminal district and accounts for all financial resources.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement of the General Fund presents increases and decreases in net current assets. The General Fund uses the modified accrual basis of accounting and the following practices in recording revenues and expenditures:

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Revenues

Ad valorem taxes and other related state revenue sharing are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January, and February of the fiscal year.

Other sources of revenue include state revenue sharing and state and federal grants.

Interest income on time deposits is recorded when the time deposits have matured and the interest is available.

Substantially all other revenues are recorded when they become available.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual leave, which is recognized when paid.

Other Financing Sources

The proceeds from the sale of assets are accounted for as other financing sources as the underlying event occurs.

E. BUDGET PRACTICES

Annually, the district adopts a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget. The budget includes proposed expenditures and the means of financing them for the General Fund. The budget is prepared on the modified accrual basis of accounting. All unexpended appropriations lapse at year-end. The Harbor and Terminal District does not recognize encumbrances; therefore, encumbrances are not reflected for budgeting or accounting purposes. Budget amounts included in

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

the accompanying financial statements include the original adopted budget and all subsequent amendments. Formal budget integration (within the accounting records) is not employed as a management control device during the year. Changes or amendments within various budget classifications are made upon the approval of the board of commissioners. The budget practices of the Morgan City Harbor and Terminal District are subject to the provisions of R.S. 38:318.

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, interest-bearing demand deposits, and time deposits. Under state law, the Morgan City Harbor and Terminal District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Harbor and Terminal District may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

G. INVENTORIES

Inventories are valued at the lower of cost or market, which approximates cost. Inventories in the General Fund are recorded as expenditures at the time of purchase. Year-end balances are offset by a fund balance reserve that indicates this portion of the fund balance does not constitute available spendable resources.

H. FIXED ASSETS

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. Buildings and equipment, which represent approximately 83 percent of total fixed assets, are valued at actual historical cost. Therefore, the budget is known as a nonappropriated budget.

**MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

I. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The costs of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund when leave is actually taken. The cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group. The liability for unused annual leave payable at June 30, 1998, computed in accordance with GASB Codification Section C60.105, is estimated to be \$13,604. This amount is recorded in the general long-term obligations account group.

J. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned. Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour for hour compensatory leave. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 1998, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$770. The leave payable, if any, is recorded within the general long-term obligations account group.

K. TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

2. CASH AND CASH EQUIVALENTS

At June 30, 1998, the Harbor and Terminal District has cash and cash equivalents (book balances) totaling \$899,740 as follows:

Interest-bearing demand deposits	\$ 323,740
Certificates of Deposit	<u>576,000</u>
Total	<u>\$ 899,740</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. AT June 30, 1998, the district has \$899,740 in deposits (collected bank balances). These deposits are secured from risk by \$676,000 of federal deposit insurance (GASB Risk Category 1) and \$223,740 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Risk Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

3. INVESTMENTS

The District's investments are categorized below to give an indication of the level of risk assumed by it at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments with securities held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

	Category 1	Carrying Amount	Market Value
U.S. Govt. Sec.	\$483,799	\$483,799	\$483,799

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance July 1, <u>1997</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>1998</u>
Equipment	\$ 109,446	19,021		\$ 128,467
Leasehold Imp.	19,237			19,237
Wharf Equipment	2,052,519			2,052,519
Wharf Facility	4,236,981			4,236,981
Const. In Prog.				
Transit Shed	1,230,988	1,443,130		2,674,118
Spur	82,119	915,523		997,642
Tidewater point	37,291			37,291
Total	<u>\$ 7,768,581</u>	<u>2,377,674</u>		<u>10,146,255</u>

The amount committed for construction in progress totaled \$4,022,091 of which \$3,709,051 has been expended by June 30, 1998. The committed funds consist of state grants along with matching funds of the District.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

5. PENSION PLAN

Substantially all employees of the district are members of the Louisiana State Employees Retirement System (System), a cost-sharing, multiple-employer public employee retirement system (PERS). The System is a statewide public retirement system, which is organized for the purpose of providing retirement and other benefits for employees of the state and its various departments and agencies and their beneficiaries, and is administered and controlled by a separate board of trustees. Contributions of participating state agencies are pooled within the System to fund accrued benefits, with contribution rates approved by the Louisiana Legislature.

All full-time district employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent of their highest consecutive 36-month average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. The System also provides death and disability benefits. Benefits are established by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 922-0600.

Covered employees are required by state statute to contribute 7.5 percent of gross salary and the district is required to contribute at an actuarially determined rate. The current rate is 12.4 percent of annual covered payroll. The contribution requirements of plan members and the district are established and may be amended by state statute. As provided by R.S. 11:102, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation from the prior fiscal year. The Morgan City Harbor and Terminal District contributions to the System for the years ending June 30, 1998, 1997, and 1996, were \$21,215, \$20,245, and \$17,291, respectively, equal to the required contributions for each year.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

6. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The district provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the district's employees become eligible for these benefits if they reach normal retirement age while working for the district. These benefits for retirees and similar benefits for active employees are provided through the Louisiana State Employees Group Benefits Program. Retirees' monthly premiums are paid jointly by the retiree and the district. Monthly premiums for active employees are paid by the district. The district recognizes the cost of providing these benefits (district's portion of premiums) as an expenditure when paid during the year, which was \$12,462 for the year ended June 30, 1998. The District did not have any retired employee receiving benefits for the year ended June 30, 1998.

7. LEASE OBLIGATIONS

The District leases land and buildings under noncancelable operating leases. Total costs for such leases were \$61,937 for the year ended June 30, 1998. The future minimum lease payments for these leases are as follows:

Year ended <u>June 30,</u>	<u>Amount</u>
1999	\$ 61,937
2000	61,937
2001	61,937
2002	61,937
2003	61,937
thereafter	<u>371,622</u>
	681,307

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

8. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 1998.

Compensated absences payable at July 1, 1997	\$14,374
Deductions	000
	<hr/>
Compensated absences payable at June 30, 1998	\$14,374

9. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in September and are billed to the taxpayers by the Assessor in October. Billed taxes are due by December 31 becoming delinquent on January 1 of the following year.

Taxes are budgeted and revenue recognized in the year of the assessment, when the majority of the taxes are actually collected.

The taxes are based on assessed values determined by the Tax Assessor of St. Mary parish and are collected by the Sheriff. The taxes are remitted to the District net of deductions for Pension Fund contributions.

Total taxes levied during 1998 were \$444,624. There were no taxes receivable at June 30, 1998.

10. DESIGNATION OF FUND BALANCE

The District has designated \$500,000 of its fund balance for complete assurance to the United States Army Corps of Engineers. In the amended act of Assurance of Agreement and Designation dated August 14, 1973, the District has given continuing assurances to contribute 25% of the construction costs of the Atchafalaya River and Bayou Boeuf, Black and Chene Projects. Payments contributed in prior years toward these guarantees reduced the total amount designated at June 30, 1998 to \$402,050. As indicated in Note 11, the Board does not feel that this amount is due to the Corps of Engineers.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

In accordance with the grant agreements that the District has executed with the State of Louisiana, the District is required to fund a portion of the wharf construction projects. The State of Louisiana will fund 90% of the construction cost of the project up to specified limits. The District has designated \$1,700,000 of fund balance as a guarantee that the local matching funds are available. At June 30, 1998 the District had contributed its share to the project.

11. LITIGATION AND CLAIMS

There is no litigation pending against the district. The United States Army Corps of Engineers has billed the Port Commission \$456,000 as its share of the costs of reacquiring certain rights-of-ways in the Atchafalaya River, Bayou Chene, Bayou Boeuf and Bayou Black Projects. Management and legal counsel for the District are of the opinion that there is little, if any, liability thereunder. Therefore, this billing has not been accrued at June 30, 1998.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
SCHEDULE OF PER DIEM PAID BOARD MEMBERS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

<u>NAME</u>	<u>AMOUNT</u>
Alfred Lippman	\$-0-
Larry J. Doiron	-0-
Doyle Berry	-0-
Calvin Savoy	-0-
Gary Duhon	-0-
Bernie Hunter	-0-
Raymond Wade	-0-
Wallace Carline	-0-
Earl Hebert	-0-

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by Government Auditing Standards, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE BASED SOLELY ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

BOARD OF COMMISSIONERS
OF MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
MORGAN CITY, LOUISIANA

We have audited the general purpose financial statements of Morgan City Harbor and Terminal District, Morgan City, Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 28, 1998. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Morgan City Harbor and Terminal District general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under **Government Auditing Standards** which are described in the accompanying schedule of findings and questioned costs as Findings 2 and 3.

Internal Control Over Financial Reporting

In planning and performing our audit of the general purpose financial statements of Morgan City Harbor and Terminal District, Morgan City, Louisiana, for the year ended June 30, 1998, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal

control structure. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Finding 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions, we believe Finding 2 and Finding 3 to be a material weakness.

This report is intended for the information of the board of commissioners, management, and Legislative Auditor's Office. However, this report is a matter of public record, and its distribution is not limited.

McRynt & Associates

September 28, 1998

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
SCHEDULE OF INTERNAL CONTROL STRUCTURE REPORTABLE CONDITIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Finding 1 - Inadequate segregation of duties

Condition: The Commission is not large enough to permit an adequate segregation of employee duties for effective internal control over the purchasing (invoice approval, processing and general ledger) and reporting (journal entry preparation, approval and recordation) cycles.

Criteria: The processing of purchases and journal entries under the control of one person represents a failure to segregate the incompatible accounting activities.

Effect: The effect is such that errors, either intentional or unintentional, in the processing of purchases and journal entries could occur and not be detected in a timely manner and in the ordinary course of operations.

Cause: The size of the Commission and the limited number of employees does not permit an adequate segregation of incompatible duties.

Recommendation: Due to the size of the Commission's operations, it does not have sufficient staff to establish adequate segregation of duties. Therefore, the cost associated with reducing this deficiency in the design or operation of the internal control structure may not be considered justified.

Auditee response: Management has noted this condition and has determined that the cost necessary to establish adequate segregation of duties is not justifiable at the current time.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
SCHEDULE OF INTERNAL CONTROL STRUCTURE REPORTABLE CONDITIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Finding 2 - Purchase of alcohol with state funds

Condition: The Commission reimbursed travel and entertainment expenses that included the purchase of alcohol in violation of the State Constitution.

Criteria: The purchase of alcohol with state funds is prohibited by the State Constitution.

Effect: The effect is that the Commission is in violation of the State Constitution that prohibits the purchase of alcohol with state funds.

Cause: The Commission was not aware that the purchase of alcohol was not permitted.

Recommendation: The Commission should require that the individuals that were reimbursed for the alcohol should refund the costs to the commission. The staff responsible for the payment of expenses should be instructed that alcohol purchases will be eliminated from all reimbursements.

Auditee response: The Commission was relying on advise of its legal counsel when it allowed the reimbursement of the cost of alcohol as part of entertainment costs. The Commission will see that all costs related to alcohol purchases are repaid to the District. In addition, the Commission's has adopted a specific policy not to allow the purchase of alcohol with state funds.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
SCHEDULE OF INTERNAL CONTROL STRUCTURE REPORTABLE CONDITIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Finding 3 - Personal Expenditures on State Credit Card

Condition: On several occasions an employee of the Commission used his state credit card to make personal purchases. The Commission was reimbursed for all purchases. The employee indicated that the use of the credit card was an accident.

Criteria: Employees are issued state credit cards to make purchases related to state business.

Effect: If employees are allowed to make personal purchases with a state credit card, the purchase could be considered an advance to the employee. Advances to employees are not allowed.

Cause: The employee mistakenly used the state credit card instead of his own personal credit card.

Recommendation: Employees should not be allowed to use state credit cards to make personal purchases.

Auditee response: All state credit cards have been cancelled. Employees use their own credit cards and receive reimbursement for their business expenses.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
SCHEDULE OF INTERNAL CONTROL STRUCTURE REPORTABLE CONDITIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

**Finding 4 - Lack of Documentation for Travel and
Entertainment Expense**

Condition: On several occasions receipts for the travel and entertainment expenses were not adequate enough to support the business purpose of the expenses. Through discussions with responsible party, we were able to satisfy ourselves that the expenditures were justified.

Criteria: All Travel and Entertainment expenses should contain the minimum documentation required by the Internal Revenue Service.

Effect: If adequate documentation is not attached to the request for reimbursement, state funds cannot be used for expenditures.

Cause: Employees are reimbursed for expenses without proper documentation attached.

Recommendation: The Commission should require that all request for reimbursement contain adequate documentation to support the business purpose.

Auditee response: The Commission has instructed its staff that all reimbursements must meet the Internal Revenue Service guideline prior to a reimbursement check being issued. The commission has adopted a written policy requiring documentation for all reimbursements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
STATE OF LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

There were no prior year audit findings that required corrective actions.



Management and Correction Action Plan

Finding 2

The Board adopted a specific policy not to allow the purchase of alcohol with state funds. All employers have been informed about this policy.

Finding 3

The Port no longer has credit cards. Employees use their own credit cards and receive reimbursements for their business expenses. Proper documentation will be attached to the request for reimbursement.



Jerry L. Hoffbauer
Executive Director