

WEST CALCASIEU PORT
Sulphur, Louisiana

Financial Report
June 30, 2018

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**WEST CALCASIEU PORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018**

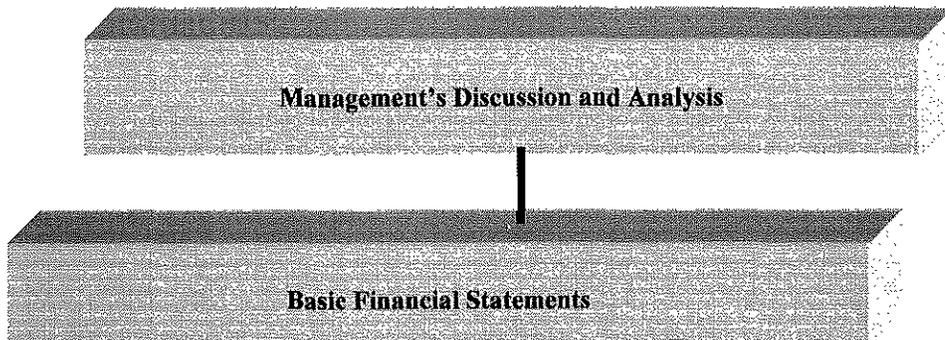
The Management's Discussion and Analysis of the West Calcasieu Port's financial performance presents a narrative overview and analysis of the Port's financial activities for the year ended June 30, 2018. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- The Port's assets exceeded its liabilities at the close of the fiscal year 2018 by \$13,017,644. Of this amount, \$3,342,354 may be used to meet the Port's ongoing obligations to its users and \$550,000 is restricted for debt service.
- The Port's operating revenue decreased \$48,344 and the net operating income decreased by \$120,094 from prior year. The operating revenue decrease was due to decreased tenant lease revenue. This along with increased depreciation and professional fees resulted in the decrease in operating income. The change in net position decreased by \$631,533 as a result of capital contributions and operating income this fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections: Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WEST CALCASIEU PORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018**

Basic Financial Statements

The basic financial statements present information for the Port as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows.

The Statement of Net Position (page 8) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Port is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position (page 9) presents information showing how the Port's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 10-11) presents information showing how the Port's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	<u>06/18</u>	<u>06/17</u>
Current and other assets	\$3,383,612	\$ 3,323,441
Restricted Assets	40,553	38,611
Capital assets	<u>10,184,737</u>	<u>9,965,667</u>
Total Assets	13,608,902	13,327,719
Deferred Outflows of Resources	-	-
Current Liabilities	38,027	20,768
Current Liabilities Restricted Assets	108,231	98,789
Revenue Bonds Payable	<u>445,000</u>	<u>550,000</u>
Total Liabilities	591,258	669,557
Deferred Inflows of Resources	-	-
Net Position:		
Capital Net of Debt	10,184,737	9,965,667
Restricted for Debt Service	<550,000>	<645,000>
Debt Related to Unspent Funds	40,553	38,611
Unrestricted	<u>3,342,354</u>	<u>3,298,884</u>
Total Net Position	<u>13,017,644</u>	<u>12,658,162</u>

**WEST CALCASIEU PORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018**

	<u>06/18</u>	<u>06/17</u>
Operating Revenues	\$ 906,888	\$ 955,232
Operating Expenses	<625,209>	<553,459>
Net Operating Income/(Loss)	<u>281,679</u>	<u>401,773</u>
Non-operating Revenues	65,635	70,947
Non-operating (Expenses)	<14,599>	<16,832>
Net Non-operating Income/(Loss)	<u>51,036</u>	<u>54,115</u>
Income (Loss) before Contributions	332,715	455,888
Capital Contributions	26,767	535,127
Change in Net Position	<u>359,482</u>	<u>991,015</u>

Operating Revenues consist of rentals and barge storage fees. Operating Expenses consist mainly of depreciation, professional fees and port director fees and reimbursements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the Port had \$10,184,737 net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, buildings, roads, terminal improvements, furniture, fixtures, equipment, and construction-in-progress. (See Table Below). This amount represents a net increase (including additions and deductions) of \$219,070 over last year.

	<u>06/18</u>	<u>06/17</u>
Land and Right of Ways	\$ 1,755,725	\$ 1,718,989
Building and Terminal Improvements	11,572,898	9,520,810
Furniture, Fixtures, and Equipment	-	-
Construction-in-Progress	449,042	1,932,761
Less Accumulated Depreciation	<3,592,928>	<3,206,893>
Totals	<u>\$ 10,184,737</u>	<u>\$ 9,965,667</u>

Debt Administration

The 2013A series bond payable balance decreased \$95,000 as principal was paid on the bonds, decreasing the balance from \$645,000 to \$550,000.

The authority issued \$1,000,000 in Revenue Bonds, Series 2013A in April 2013, for capital infrastructure improvements.

ECONOMIC FACTORS AND FUTURE OUTLOOK

The following factors were considered in preparing the District's budget for the coming fiscal year: Tenant leases for the coming year were adjusted for the expected rental increase of a port tenant. Expenses should be approximately the same, other than depreciation which was budgeted with a 30% increase. The change in net position should remain positive.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Port's finances and to show the Port's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darla B. Perry, CPA, West Calcasieu Port.

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
West Calcasieu Port
Sulphur, Louisiana

We have audited the accompanying financial statements of the business-type activities of the West Calcasieu Port, a component unit of the State of Louisiana, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the West Calcasieu 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 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 respective financial position of the business-type activities of the West Calcasieu Port as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 2 through 5 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the West Calcasieu Port's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer 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 basic 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2018 on our consideration of the West Calcasieu 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 the 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 West Calcasieu Port's internal control over financial reporting and compliance.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs, LLC

Sulphur, Louisiana
December 16, 2018

WEST CALCASIEU PORT

Sulphur, Louisiana

Statement of Net Position

June 30, 2018

with Comparative Totals for June 30, 2017

ASSETS

CURRENT ASSETS	2018	2017
Cash and Cash Equivalents	\$ 253,805	\$ 508,014
Investments	3,057,727	2,741,564
Accounts Receivable	44,205	36,217
Prepaid Insurance	12,220	11,378
Total Current Assets	<u>3,367,957</u>	<u>3,297,173</u>
RESTRICTED ASSETS		
Cash and Cash Equivalents	40,553	38,611
Total Restricted Assets	<u>40,553</u>	<u>38,611</u>
PROPERTY, PLANT, AND EQUIPMENT		
Building and Terminal Improvements	11,572,898	9,520,810
Less Accumulated Depreciation	<u>(3,592,928)</u>	<u>(3,206,893)</u>
	7,979,970	6,313,917
Construction In Progress	449,042	1,932,761
Land	1,755,725	1,718,989
Net Property, Plant and Equipment	<u>10,184,737</u>	<u>9,965,667</u>
OTHER ASSETS		
Intangible Asset	51,209	51,209
Less Accumulated Amortization	(36,130)	(32,717)
Utility Deposits	576	7,776
Total Other Assets	<u>15,655</u>	<u>26,268</u>
TOTAL ASSETS	<u>13,608,902</u>	<u>13,327,719</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	22,297	16,768
Prepaid Revenue and Deposits	15,730	4,000
Total Current Liabilities	<u>38,027</u>	<u>20,768</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued Interest Revenue Bonds Payable	3,231	3,789
Revenue Bonds Payable	105,000	95,000
Total Current Liabilities (Payable Restricted Assets)	<u>108,231</u>	<u>98,789</u>
LONG TERM LIABILITIES		
Revenue Bonds Payable	445,000	550,000
Total Liabilities	<u>591,258</u>	<u>669,557</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION		
Invested in Capital Assets	10,184,737	9,965,667
Less:		
Revenue Bonds Payable, Net	(550,000)	(645,000)
Amount of Debt Related to Unspent Proceeds	40,553	38,611
Total Net Investment in Capital Assets	9,675,290	9,359,278
Unrestricted	3,342,354	3,298,884
Total Net Position	<u>\$ 13,017,644</u>	<u>\$ 12,658,162</u>

The notes to the financial statements are an integral part of this statement

WEST CALCASIEU PORT
Sulphur, Louisiana

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018
with Comparative Totals for June 30, 2017

	2018	2017
OPERATING REVENUES		
Rentals / Barge Storage Fees	\$ 906,888	\$ 955,232
OPERATING EXPENSES		
Advertising	3,271	2,322
Amortization	3,414	3,414
Bank and Bond Service Fees	8	56
Board Per Diem	11,300	11,500
Depreciation	386,035	328,850
Dues and Subscriptions	10,609	4,085
Insurance	16,630	16,605
Office Expense	108	96
Other Expense	62	678
Port Director Fees and Reimbursements	80,117	83,702
Professional Fees	76,799	54,054
Recording Fees	3,075	8,050
Repairs and Maintenance	15,580	16,897
Storage Expense	576	576
Utilities	17,625	22,574
Total Operating Expenses	625,209	553,459
OPERATING INCOME	281,679	401,773
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	41,270	16,312
Other Income	24,365	54,635
Interest Expense	(14,599)	(16,832)
Total Non-Operating Revenues (Expenses)	51,036	54,115
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	332,715	455,888
Capital Contributions	26,767	535,127
CHANGE IN NET POSITION	359,482	991,015
NET POSITION, BEGINNING OF YEAR	12,658,162	11,667,147
NET POSITION, END OF YEAR	\$ 13,017,644	\$ 12,658,162

WEST CALCASIEU PORT
Sulphur, Louisiana

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
with Comparative Totals for June 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 917,830	\$ 953,811
Payments to Suppliers and Others	(150,956)	(140,100)
Payments to Directors	(80,117)	(83,702)
Net Cash Provided by Operating Activities	686,757	730,009
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(316,163)	(521,128)
Receipts of Interest	41,270	16,453
Net Cash (Used) by Investing Activities	(274,893)	(504,675)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for Building, Terminal Improvements and Construction In Progress	(605,105)	(927,486)
Bond Principal Payments	(95,000)	(95,000)
Bond Interest Payments	(15,158)	(17,391)
Decrease (Increase) in Restricted Cash	(1,942)	558
Receipts of Capital Grant	26,767	535,127
Net Cash (Used) by Capital and Related Financing Activities	(690,438)	(504,192)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts of Miscellaneous Income	24,365	54,635
Net Increase (Decrease) in Cash and Cash Equivalents	(254,209)	(224,223)
Cash and Cash Equivalents - Beginning of Year	508,014	732,237
Cash and Cash Equivalents - End of Year	\$ 253,805	\$ 508,014

Supplemental Disclosure

A non-cash transaction resulted from the equity interest in the gain of the Airport Authority of \$433,847 in 2017 and \$242,066 in 2018.

WEST CALCASIEU PORT
Sulphur, Louisiana

Statement of Cash Flows (continued)
For the Fiscal Year Ended June 30, 2018
with Comparative Totals for June 30, 2017

	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 281,679	\$ 401,773
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	386,035	328,850
Amortization	3,414	3,414
(Increase) Decrease in Prepaid Expenses	(842)	(1,216)
(Increase) Decrease in Utility Deposit	7,200	(7,050)
(Increase) Decrease in Receivables	(7,988)	(1,961)
(Decrease) Increase in Accounts Payable	5,529	6,739
(Decrease) Increase in Prepaid Revenue	11,730	(540)
Total Adjustments	405,078	328,236
Net Cash Provided by Operating Activities	\$ 686,757	\$ 730,009

The notes to the financial statements are an intergral part of this statement

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 1 – Organization and Summary of Significant Accounting Policies

The West Calcasieu Port was created through Act No. 68 of the Louisiana Legislature of 1964. A board of five commissioners governs the District.

The accounting policies of the West Calcasieu Port conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units. The following is a summary of the more significant policies:

A. Financial Reporting Entity

This report includes all funds that are controlled by or dependent on the Board of Commissioners. Control by or dependence on the Port was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body and other general oversight responsibility. The West Calcasieu Port is a component unit of the State of Louisiana.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounts of the West Calcasieu Port are organized on the basis of a proprietary fund. These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Basis of Accounting

Basis of accounting refers to when revenues or expense are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on statements of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The Port distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the entity's principal ongoing operations. The principal operating revenues of the Port are charges for rentals and barge storage fees.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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.

D. Fixed Assets

All fixed assets of the proprietary fund are recorded at historical costs or, if contributed property, at their estimated fair value at the time of contribution. Donated fixed assets include land valued at \$649,700 and leasehold improvements of \$519,008. Depreciation of all exhaustible fixed assets is charged as an expense *against their operations*. The costs of normal repairs and maintenance that do not add to the value of the assets or materially extend assets lives are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. The Port has a capitalization policy \$1,000.

Depreciation has been calculated using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10-40 years
Furniture, fixtures and equipment	5-10 years

Depreciation expense for the year ending June 30, 2018 totaled \$386,035.

Additions and deletions to property, plant, and equipment for the year ended June 30, 2018 were as follows:

	July 1, 2017	Additions	Deletions	June 30, 2018
Building & Terminal Improvements	\$ 9,520,810	\$ 2,060,688	\$ 8,600	\$ 11,572,898
Construction in Progress	1,932,761	-	1,483,719	449,042
Accumulated Depreciation	(3,206,893)	(386,035)	-	(3,592,928)
Land	1,718,989	36,736	-	1,755,725
Total	\$ 9,965,667	\$ 1,711,389	\$ 1,492,319	\$ 10,184,737

E. Bad Debts

The Port does not record an allowance for uncollectible amounts due for receivables, as it uses the direct write off method for any debts that are not collected. The Port incurred no bad debt expense for June 30, 2018.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

F. Cash

The Port considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

H. Restricted Net Position

In the statement of net position, equity is classified as net position and displayed in three components:

1. Investment in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
2. Restricted net position – net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. Unrestricted – all other net position is reported in this category.

The Port typically uses restricted funds first, followed by any unassigned funds when expenditure is incurred for purposes for which amounts in either of these classifications could be used.

I. Risk Management

The Port is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The Port has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three years.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 1 -- Organization and Summary of Significant Accounting Policies (continued)

J. Environmental Matters

The Port is subject to laws and regulations relating to the protection of the environment. The Port's policy is to accrue environmental and clean up related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the Port's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Port. At June 30, 2018, management is not aware of any liability resulting from environmental matters.

Note 2 -- Cash and Investments

At June 30, 2018, the Port has deposits with financial institutions (book balances) as follows:

Cash	
Demand deposits	\$ 284,318
Investments	
Louisiana Asset Management Pool	<u>3,057,727</u>
Total Cash and Investments	<u><u>\$ 3,342,045</u></u>

These deposits are stated at cost, which approximates fair value. 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 fair value of the pledged securities plus 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 agent banks in holding or custodial banks that are mutually acceptable to both parties. At June 30, 2018, the Port had \$351,830 in deposits (collected bank balances). These deposits are secured from risk by \$290,552 of federal deposit insurance and \$61,278 of pledged securities held by the custodial banks in the name of the fiscal agent banks (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1169 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 bank has failed to pay deposited funds upon demand.

Under state law, the Port may invest in United States bonds, treasury notes, or certificates. These are classified as investments. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer. The financial statements of the Louisiana Asset Management Pool, Inc. (LAMP) can be obtained by accessing their website.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 2 – Cash and Investments (continued)

Investments held at June 30, 2018 consist of \$3,057,727 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126 the investment in LAMP at June 30, 2018 is not categorized in the three risk categories provided by GASB Codification Section 150.126 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

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

GASB Statement No.40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest, and foreign currency risk for all public held entity investments.

Lamp is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days.
- Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 2 – Cash and Investments (continued)

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Note 3 – Bonds Payable

In 2013, the West Calcasieu Port issued \$1,000,000 Revenue Bonds, Series 2013 A; dated April 20, 2013; due in annual installments, including interest at 2.35%, of \$85,000 to \$120,000 through the year 2023.

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

Description	Amount of Original Issue	Maturity	Interest Rate	Balance 6/30/2017	Retired 6/30/2018	Balance 6/30/2018
2013A	\$ 1,000,000	2023	2.35	\$ 645,000	\$ 95,000	\$ 550,000

The annual requirements to amortize all debt outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	105,000	12,926	117,926
2020	105,000	10,456	115,456
2021	110,000	7,990	117,990
2022	110,000	4,113	114,113
2023	120,000	2,820	122,820
Total	\$ 550,000	\$ 38,305	\$ 588,305

The revenue bonds are to be retired from the income and revenues derived from any and all tolls, revenues, rates, fees, charges, rents, and other income and receipts, collected within the limits of the West Calcasieu Port.

Note 4 – Restricted Assets

Restricted assets consist of cash from the issuance of the Port's revenue bonds. The balance at June 30, 2018 was \$40,553.

Note 5 – Major Customer

Rentals/barge storage fees from one major customer were approximately 61% of total rentals /barge storage fee income for the year ended June 30, 2018. The amount due from this customer, included in trade receivables, was \$44,205 or 100%, for the year ended June 30, 2018.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 6 – Construction Commitments

The Port has three (3) active construction commitments as of June 30, 2018, consisting of the new bulkhead, expected to cost \$3,335,000. The costs incurred as of June 30, 2018 total \$26,620, and the project is 1% complete. The second project under construction is the dredging of the west barge basin. The costs incurred as of June 30, 2018 total \$213,423 and the expected cost is \$1,534,440. The project was 14% complete as of June 30, 2018. The third commitment is the ramp road project. The costs incurred as of June 30, 2018 total \$208,998 and the expected cost is \$331,396. The project was 63% complete as of June 30, 2018.

Note 7 – Intangible Asset

The Port incurred costs of \$51,209 for a strategic plan project that was conducted for the entity during the year ended June 30, 2009. The cost is amortized over a 15 year period. Amortization expense for the year ended June 30, 2018 is \$3,414.

Note 8 – Investment in Joint Venture

On January 1, 2000, the West Calcasieu Port, the Calcasieu Parish Police Jury, and the Industrial Development Board of the City of Sulphur, Inc. entered into an amended joint service agreement with the West Calcasieu Airport Managing Board as to the development and operations of the West Calcasieu Airport, with the West Calcasieu Port and the Industrial Development Board of the City of Sulphur, Inc. each furnishing one-half (1/2) of the total cost of the project. The managing authority of the West Calcasieu Airport consists of a managing board appointed by the above owners. Members are appointed to the Board on a staggered basis, with each sponsor appointing two members to the Board. Members serve a three year term and can be reappointed with no limit. The West Calcasieu Port's investment in the West Calcasieu Airport has been recorded using the equity method of accounting and was shown as an investment in the Port's financial statements.

A summary of the changes in the Port's investment in the West Calcasieu Airport for the year ended June 30, 2018 is as follows:

July 1, 2012 Balance	\$ 40,437
FYE June 30, 2013 Activity:	
Less: 50% share of net loss from joint venture	<u>(40,437)</u>
	\$ <u>-</u>

The fifty percent (50%) share of the net change in net position from the joint venture for June 30, 2015 was \$6,607.

The fifty percent (50%) share of the change in net position from the joint venture for June 30, 2016 was \$354,039.

The fifty percent (50%) share of the change in net position from the joint venture for June 30, 2017 was \$433,847.

The fifty percent (50%) share of the change in net position from the joint venture for June 30, 2018 was \$242,066.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 8 – Investment in Joint Venture (continued)

The financial statements of the West Calcasieu Airport can be obtained from Perry and Company, CPAs, 514 W. Napoleon Street, Sulphur, Louisiana 70663.

Note 9 – Board of Commissioners' Compensation

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the year ended June 30, 2018 are as follows:

Dave Aguillard	\$	2,300
Dick Kennison		2,300
Scott Foreman		2,100
Timothy J. Dougherty		2,100
Wilmer Dugas		<u>2,500</u>
Total	\$	<u><u>11,300</u></u>

Note 10 – Subsequent Events

Subsequent events were evaluated through December 16, 2018 which is the date the financial statements were available to be issued.

WEST CALCASIEU PORT

**Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2018**

Agency Head Name: Lynn Hohensee, Executive Director

Purpose	Amount
Salary - (contract fee)	\$68,712
Benefits- Insurance	\$0
Benefits- Retirement	\$0
Benefits- Other	\$0
Car Allowance	\$0
Vehicle provided by government	\$0
Per Diem	\$0
Reimbursements	\$11,405
Travel	\$0
Registration fees	\$0
Conference travel	\$0
Continuing professional education fees	\$0
Housing	\$0
Unvouchered expenses	\$0
Special meals	\$0

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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***

To the Board of Commissioners
West Calcasieu Port
Sulphur, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of West Calcasieu Port, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise West Calcasieu Port's basic financial statements, and have issued our report thereon dated December 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Calcasieu 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 West Calcasieu Port's internal control. Accordingly, we do not express an opinion on the effectiveness of West Calcasieu 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Calcasieu Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any purpose.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs, LLC

Sulphur, Louisiana
December 16, 2018

WEST CALCASIEU PORT
Sulphur, Louisiana

Schedule of Findings
For the Year Ended June 30, 2018

We have audited the financial statements of West Calcasieu Port, a component unit of the State of Louisiana, as of and for the year ended June 30, 2018, and have issued our report thereon dated December 16, 2018. We have conducted our audit 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. Our audit of the financial statements as of June 30, 2018 resulted in an unmodified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes X No Significant Deficiencies Yes X No

Compliance

Compliance Material to Financial Statements Yes X No

Management Letter

 Yes X No

Section II - Financial Statement Findings

There were no current year findings.

WEST CALCASIEU PORT
Sulphur, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2018

Ref No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken
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Section I - Internal Control and Compliance Material to the Financial Statements:

There were no prior year findings.

Section II - Management Letter:

There were no prior year management letter comments.

WEST CALCASIEU PORT
Sulphur, Louisiana

Statewide Agreed-Upon Procedures Report

June 30, 2018

McMullen and Mancuso
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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the
West Calcasieu Port and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by West Calcasieu Port and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Port's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below with for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
The Port adopted policies and procedures to address the budgeting function.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
The Port adopted policies and procedures to address the purchasing function.
 - c) ***Disbursements***, including processing, reviewing, and approving
The Port adopted policies and procedures to address the disbursements function.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The Port adopted policies and procedures to address the receipts function.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The Port adopted policies and procedures to address the payroll/personnel function.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

The Port adopted policies and procedures to address the contracting function.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases

The Port adopted policies and procedures to address the credit card function.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The Port adopted policies and procedures to address the travel and expense reimbursement function.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

The Port adopted policies and procedures to address the ethics function.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Port adopted policies and procedures to address the debt service function.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The Port Board of Commissioners met at least monthly throughout the fiscal year.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

The Port's minutes reference the monthly budget to actual comparison throughout the fiscal year.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Observed the Port's prior year audit and the total net position did not have a negative ending balance.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Obtained listing of client bank accounts and management's representation that the listing is complete.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

The bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

The bank reconciliations include evidence that a member of management or a board member reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

There were no reconciling items that have been outstanding for more than 12 months from the statement closing date.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained the listing of the cash collection location and management's representation that the listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

The only deposit site and collection location for the Port is the offices of Darla Perry, CPA, the Port's outside accounting firm.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

This function is handled by the outside accounting firm used by the Port.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

This function is handled by the outside accounting firm used by the Port.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

This function is handled by the outside accounting firm used by the Port.

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

This function is handled by the outside accounting firm used by the Port.

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

Inquired of management that all persons providing services is insured and noted the accountant's professional liability insurance policy held by Perry and Company, CPAs, APC.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

As the Port did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

All payments for the Port are processed at the offices of Darla Perry, CPA, the Port's outside accounting firm.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

The Port Director is involved in initiating purchases and the Port does not use a purchase order system.

- b) At least two employees are involved in processing and approving payments to vendors.

This function is handled by the outside accounting firm used by the Port.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

This function is handled by the outside accounting firm used by the Port.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The person with signatory authority signs the check but does not give the checks to the outside accounting firm who processes payments and mails the checks.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
No exceptions noted.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
The Port does not use credit cards, bank debit cards, fuel cards or P-cards; therefore, this is not applicable.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
The Port does not use credit cards, bank debit cards, fuel cards or P-cards; therefore, this is not applicable.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
The Port does not use credit cards, bank debit cards, fuel cards or P-cards; therefore, this is not applicable.

13. Using the monthly statements or combined statements selected under #12 above, **excluding fuel cards**, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).
The Port does not use credit cards, bank debit cards, fuel cards or P-cards; therefore, this is not applicable.

Travel and Expense Reimbursement

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Obtained the general ledger which listed all travel and expense reimbursements and management's representation that the general ledger is complete.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

There were exceptions noted, as not all reimbursements were supported by an original itemized receipt.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each expense and related documentation were reviewed but not approved in writing by someone other than the person receiving reimbursement.

Contracts

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Obtained the general ledger which listed all contract payments and management's representation that the general ledger is complete.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Of the vendors selected subject to Louisiana Public Bid Law, the Port complied with all legal requirements.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No amendments noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

The Port does not have employees; therefore, this is not applicable.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

The Port does not have employees; therefore, this is not applicable.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

The Port does not have employees; therefore, this is not applicable.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

The Port does not have employees; therefore, this is not applicable.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

The Port does not have employees; therefore, this is not applicable.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

The Port does not have employees; therefore, this is not applicable.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

The Port does not have employees; therefore, this is not applicable.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

The Port does not have employees; therefore, this is not applicable.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting

documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

No exceptions noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the Port had no misappropriations of public funds or assets.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The required notice is posted on the Port's premises but not the website. Subsequent to discussions with management the Port will post the required notice on its website.

Management has reviewed and noted the exceptions above to the agreed upon procedures and will take steps necessary to implement procedures that are appropriate for the entity.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs, LLC

Sulphur, Louisiana
December 16, 2018