

ANNUAL FINANCIAL REPORT
NEW ORLEANS MUNICIPAL YACHT
HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)

NEW ORLEANS, LOUISIANA

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2017 AND 2016



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
<u>FINANCIAL SECTION</u>		
<u>INDEPENDENT AUDITORS' REPORT</u>		1 – 3
<u>REQUIRED SUPPLEMENTARY INFORMATION (PART 1)</u>		
Management’s Discussion and Analysis (Unaudited).....		4 – 6
<u>BASIC FINANCIAL STATEMENTS</u>		
Statements of Net Position	A	7
Statements of Revenues, Expenses and Changes in Net Position.....	B	8
Statements of Cash Flows.....	C	9
<u>NOTES TO FINANCIAL STATEMENTS</u>		10 – 19
<u>OTHER SUPPLEMENTARY INFORMATION</u>		
Schedule of Compensation, Benefits, and Other Payments to Agency Head	D	20
<u>OTHER REPORT REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i></u>		
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 <i>Government Auditing Standards</i>		21 – 22
Schedule of Findings and Responses		23
Summary Schedule of Prior Year Findings		24



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Municipal Yacht Harbor Management Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the New Orleans Municipal Yacht Harbor Management Corporation (NOMYHMC), a proprietary component unit of the City of New Orleans, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the NOMYHMC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide* 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.



New Orleans Municipal Yacht Harbor Management Corporation
April 11, 2018

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Orleans Municipal Yacht Harbor Management Corporation as of December 31, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Corporation as of December 31, 2016, were audited by other auditors whose report dated April 3, 2017, expressed an unmodified opinion on those statements.

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 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



New Orleans Municipal Yacht Harbor Management Corporation
April 11, 2018

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the New Orleans Municipal Yacht Harbor Management Corporation basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis as required by Act 706 of the 2016 Louisiana Legislative Session and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2018, on our consideration of the New Orleans Municipal Yacht Harbor Management Corporation'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 the Corporation's internal control over financial reporting and compliance.

April 11, 2018
New Orleans, Louisiana

A handwritten signature in black ink that reads "Ericksen Krentel, LLP".

Certified Public Accountants

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

As the financial manager of New Orleans Municipal Yacht Harbor Management Corporation (NOMYHMC), we offer the readers of the attached financial statements this narrative overview and analysis of the financial activities of NOMYHMC for the years ended December 31, 2017 and 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in NOMYHMC's financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

NOMYHMC's total net position decreased by \$4,911 or 0.2%. Other rental income decreased by \$180 mostly attributable to the combination of the following, boathouse transfer fee revenue decreased by \$25,713 or 22.53% and boathouse lease extension fees increased by \$25,000 or 100%. A 3% transfer fee is collected upon the transfer of a boathouse lease. There were nine and thirteen boathouse transfers for the years ended December 31, 2017 and 2016, respectively, with an average transfer fee of \$9,800 and \$8,800. A fee of \$5,000 is collected when a boathouse lease is extended. While the majority of leases were extended in 2013, there were five extensions in 2017 and as a result \$25,000 was recognized as lease extension revenue. Miscellaneous income decreased slightly by \$859.

On the expense side, general and administrative expenditures increased by \$11,658 or 1.7%. Professional services decreased by \$2,498 or .4%. In early 2016, a contract with a new vendor was executed for the maintenance of the green space in the West End Area at a substantial savings from the previous contract. Operation of the harbor continues to be adversely affected by the damage caused by Hurricane Katrina with only 25% of the boat slips available to lease and those at a discounted rate due to the absence of electricity and water for the tenants.

OVERVIEW OF THE FINANCIAL STATEMENTS

NOMYHMC's financial statements are comprised of the basic financial statements and the notes to the financial statements. Since NOMYHMC consists of a single enterprise fund, no fund level financial statements are shown.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of NOMYHMC's finances in a manner similar to a private-sector business.

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

The statements of net position present information on all of NOMYHMC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of NOMYHMC is improving or deteriorating. Net position increase when revenues exceed expenditures. Increases to assets without a corresponding increase to liabilities results in increased net position which indicates an improved financial position.

The statements of revenues, expenditures and changes in net position present information showing how NOMYHMC's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The cash flows statements show how NOMYHMC's changes in net position affect cash and cash equivalents, and breaks the analysis down to operating, investing, and financing activities. The statements capture both the current operating results and the accompanying changes in net position. The cash flows statements include only inflows and outflows of cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

BUDGETARY HIGHLIGHTS

NOMYHMC adopts an annual operating budget and an annual capital budget. The operating budget includes proposed expenditures and the means of financing them. NOMYHMC's operating budget remains in effect for the entire year.

FINANCIAL HIGHLIGHTS

NOMYHMC's assets exceeded liabilities by \$2,535,066 and \$2,539,977 as of December 31, 2017 and 2016, respectively; this represents a decrease of \$4,911 during 2017. The unrestricted net position were \$1,893,412 and \$1,895,555 for the years ended December 31, 2017 and 2016, respectively.

Total assets increased by \$58,534 from 2016 to 2017. The net increase is made up of an increase in cash of \$58,222. Total liabilities increased in 2017 by \$63,445 attributed mainly to increases in accrued payroll liabilities of \$25,169 and accrued bond interest of \$45,600 and increase in accounts payable of \$3,996.

The largest part of NOMYHMC's net position are held in cash and cash equivalents as the assets operated by NOMYHMC are owned by the City of New Orleans and leased to NOMYHMC.

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, net of depreciation were \$6,734 and \$9,502 as of December 31, 2017 and 2016, respectively. Capital assets include furniture, fixtures, equipment, and leasehold improvements. There were capital purchases of \$601 in 2017 related to the design of the boat launch.

Debt consists of a revenue bond in the amount of \$805,095 including accrued interest, as of December 31, 2017. This bond was issued in 1982 for major harbor repairs and is held by the National Oceanic and Atmospheric Administration (NOAA). This bond is in deferment as conditions caused by Hurricane Katrina made such deferment available and a request may be filed with NOAA to forgive this debt in accordance with the terms of the bond.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of NOMYHMC's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the New Orleans Municipal Yacht Harbor Management Corporation's Executive Director at 401 North Roadway, New Orleans, Louisiana 70124.

Exhibit "A"

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 3,422,868	\$ 3,364,646
Accounts receivable	4,632	2,981
Prepaid expenses	83,662	82,233
Third party reimbursements receivable	<u>10,260</u>	<u>10,260</u>
Total current assets	<u>3,521,422</u>	<u>3,460,120</u>
<u>NONCURRENT ASSETS:</u>		
Capital assets, net of accumulated depreciation	6,734	9,502
Security deposits	<u>850</u>	<u>850</u>
Total noncurrent assets	<u>7,584</u>	<u>10,352</u>
Total assets	<u>3,529,006</u>	<u>3,470,472</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	7,154	3,158
Accrued expenses	10,271	10,546
Accrued payroll liabilities	124,198	99,029
Unearned revenue	27,222	23,267
Rental deposits	20,000	35,000
Revenue bonds payable and accrued interest	<u>805,095</u>	<u>759,495</u>
Total current liabilities	<u>993,940</u>	<u>930,495</u>
<u>NET POSITION:</u>		
Restricted for revenue bond debt service	634,920	634,920
Net investment in capital assets	6,734	9,502
Unrestricted	<u>1,893,412</u>	<u>1,895,555</u>
Total net position	<u>\$ 2,535,066</u>	<u>\$ 2,539,977</u>

The accompanying notes are an integral part of this statement

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUES:</u>		
Rental income - boat houses	\$ 485,620	\$ 485,253
Rental income - slips	112,127	113,041
Other rental income	138,386	138,566
Miscellaneous income	<u>5,102</u>	<u>5,961</u>
 Total operating revenues	 <u>741,235</u>	 <u>742,821</u>
<u>OPERATING EXPENSES:</u>		
General and administrative	643,280	631,622
Professional services	55,213	57,711
Supplies and materials	693	51
Depreciation	<u>3,369</u>	<u>5,402</u>
 Total operating expenses	 <u>702,555</u>	 <u>694,786</u>
 Operating income	 38,680	 48,035
<u>NON-OPERATING REVENUES (EXPENSES):</u>		
Interest income	2,009	17,230
Interest expense	<u>(45,600)</u>	<u>(42,960)</u>
 Total non-operating revenues (expenses)	 <u>(43,591)</u>	 <u>(25,730)</u>
 Change in net position	 (4,911)	 22,305
 Net position - beginning	 <u>2,539,977</u>	 <u>2,517,672</u>
 Net position - ending	 <u>\$ 2,535,066</u>	 <u>\$ 2,539,977</u>

The accompanying notes are an integral part of this statement

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from (used by) operating activities:		
Cash received from tenants	\$ 728,539	\$ 750,616
Cash paid to suppliers for goods and services	(293,135)	(516,154)
Cash paid to employees for services	<u>(378,590)</u>	<u>(216,445)</u>
Net cash from (used by) operating activities	<u>56,814</u>	<u>18,017</u>
Cash flows from (used by) capital and related financial activities:		
Payments for capital acquisitions	<u>(601)</u>	<u>(3,421)</u>
Net cash from (used by) capital and related financial activities	<u>(601)</u>	<u>(3,421)</u>
Cash flows from (used by) investing activities:		
Cash received for interest	<u>2,009</u>	<u>17,230</u>
Net cash from (used by) investing activities	<u>2,009</u>	<u>17,230</u>
Net increase in cash and cash equivalents	58,222	31,826
Cash and cash equivalents at beginning of year	<u>3,364,646</u>	<u>3,332,820</u>
Cash and cash equivalents at end of year	<u>\$3,422,868</u>	<u>\$3,364,646</u>
Reconciliation of change in operating income to net cash flows from operating activities:		
Change in operating income	\$ 38,680	\$ 48,035
Adjustments to reconcile change in operating income to net cash from (used by) by operating activities:		
Depreciation	3,369	5,402
(Increase) decrease in operating assets:		
Accounts receivable	(1,651)	(658)
Other receivables	-	(10,260)
Prepaid expenses	(1,429)	3,612
Increase (decrease) in operating liabilities:		
Accounts payable	3,996	(25,597)
Accrued expenses	(275)	(4,164)
Accrued payroll liabilities	25,169	(7,919)
Unearned revenue	3,955	(434)
Rental deposits	<u>(15,000)</u>	<u>10,000</u>
Net cash from (used by) operating activities	<u>\$ 56,814</u>	<u>\$ 18,017</u>

The accompanying notes are an integral part of this statement

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Orleans Municipal Yacht Harbor Management Corporation (NOMYHMC) was formed in 1972 by the City of New Orleans to operate the Municipal Yacht Harbor in the manner comparable to that of a private business enterprise; to provide a safe and secure environment for recreational boating; to ensure that the cost associated with providing services to the general public are financed or recovered through user fees and charges; and to place an emphasis on generating a sufficient amount of net operating revenues to be used for maintenance and capital improvement projects. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will. NOMYHMC is a non-profit corporation owned by the Mayor of the City of New Orleans and administered by a Board of Directors consisting of 11 members, 9 of which are appointed by the Mayor, subject to City Council approval, and are voting members. The other two members are from the City Council and are non-voting members.

Reporting Entity

As governing authority of Orleans Parish, for reporting purposes, the City of New Orleans (City) is the financial reporting entity. The financial reporting entity consists of the primary government (the City of New Orleans), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of New Orleans for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

- (1) Appointing a voting majority of an organization's governing body, and
 - (a) the ability of the primary government to impose its will on that organization and/or;
 - (b) the potential to provide specific financial benefits to or impose specific financial burdens on that organization.
- (2) Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
- (3) Organizations for which the reporting entity's financial statements would be misleading if data of the organization was not included.

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Based on the above criteria, NOMYHMC is considered to be a component unit of the City of New Orleans, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by NOMYHMC and do not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Basis of Presentation

NOMYHMC follows the provisions of Governmental Accounting Standards Board Statement No. 34, “Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments.” Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenditures and changes in net position, and a statement of cash flows. It requires the classification of net position into three components-invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* – This component of net position 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 attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted net position* – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The term basis of accounting is used to determine when a transaction or event is recognized on NOMYHMC's statement of revenues, expenses, and changes in net position. NOMYHMC used the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

NOMYHMC is authorized under state law to 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, and the laws of the United States. NOMYHMC may also invest in U.S. Treasury securities and other evidence of indebtedness issued or guaranteed by federal agencies and time certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent.

Restricted Assets

NOMYHMC, because of certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt.

Accounts Receivable

It is the practice of management to provide an allowance for any account in which management's opinion may not be collected based upon a review of the current status of existing receivables. Accounts receivable are shown net of an allowance for uncollectible accounts of \$41,812 and \$33,277 for the years ended December 31, 2017 and 2016, respectively.

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are carried at cost, if purchased or at fair market value at the date of the gift, if donated. Depreciation of capital assets is provided over the estimated useful lives of the assets using the straight-line method. Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When capital assets are retired, sold, or otherwise disposed of, the assets carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. The estimated useful lives of depreciable assets are:

	<u>Useful Lives</u>
Leasehold improvements	2 years
Vehicle	5 years
Safety equipment	7 years
Furniture and fixtures	7 years

Annual and Sick Leave

Employees may accrue a maximum of 45 days of annual leave and an unlimited number of days of sick leave. Upon termination of employment, an employee is paid for accrued annual leave based upon his or her current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued leave to additional days of service. Accrued leave as of December 31, 2017 and 2016 was \$72,525 and \$61,528, respectively.

Income Taxes

NOMYHMC is owned by the Mayor of the City of New Orleans, and as such, no federal or state income taxes are assessed.

Date of Management Review

Management has evaluated subsequent events through April 11, 2018 the date which the financial statements were available to be issued.

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

(2) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are included in the Statements of Net position as of December 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Non-interest-bearing demand deposits	<u>\$3,422,868</u>	<u>\$3,364,646</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 values 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.

As of December 31, 2017 and 2016, NOMYHMC had \$3,424,023 and \$3,368,400, respectively, in deposits (collected bank balances). December 31, 2017 and 2016 bank balance, \$3,174,023 and \$3,118,400, respectively, was covered by collateral held by the pledging banks' trust department or agent in NOMYHMC's name and \$250,000 was covered under federal depository insurance.

Custodial credit risk is the risk that in the event of a failure of financial institution or counterparty, NOMYHMC would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party.

(3) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Balance at January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2017</u>
Vehicles	\$ 18,169	\$ -	\$ -	\$ 18,169
Safety equipment	17,084	-	-	17,084
Leasehold improvements	6,720	-	-	6,720
Office furniture & fixtures	20,729	-	-	20,729
Infrastructure	3,420	601	-	4,020
Accumulated depreciation	<u>(56,620)</u>	<u>(3,369)</u>	<u>-</u>	<u>(59,988)</u>
 Total capital assets, net	 <u>\$ 9,502</u>	 <u>\$ (2,768)</u>	 <u>\$ -</u>	 <u>\$ 6,734</u>

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance at January 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2016</u>
Vehicles	\$ 18,169	\$ -	\$ -	\$ 18,169
Safety equipment	17,084	-	-	17,084
Leasehold improvements	6,720	-	-	6,720
Office furniture & fixtures	20,729	-	-	20,729
Infrastructure	-	3,420	-	3,420
Accumulated depreciation	<u>(51,218)</u>	<u>(5,402)</u>	<u>-</u>	<u>(56,620)</u>
Total capital assets, net	<u>\$ 11,484</u>	<u>\$ (1,982)</u>	<u>\$ -</u>	<u>\$ 9,502</u>

Depreciation expense for the year ended December 31, 2017 and 2016 was \$3,369 and \$5,402, respectively.

(4) RISK MANAGEMENT

NOMYHMC is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which NOMYHMC carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Management believes NOMYHMC has adequate insurance coverage.

(5) PENSION PLAN

The City of New Orleans annually charges NOMYHMC for pension costs incurred by its retirement system. Pension costs for the year ended December 31, 2017 and 2016 were \$44,121 and \$47,372, respectively. Employees of NOMYHMC are allowed to participate in the City of New Orleans Employees' Retirement System (the System) and NOMYHMC is allocated a percentage of the costs annually by the City.

The System does not make separate measurements of assets and pension liabilities for individual entities such as NOMYHMC and the actuarial/financial information as of December 31, 2017 and 2016 for the System was not available at the date of the report issuance. The City of New Orleans and NOMYHMC do not guarantee the benefits granted by the retirement system. Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's comprehensive annual financial report. The report may be obtained via contact with City of New Orleans Employee's Retirement System, 1300 Perdido Street, Room

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

(5) PENSION PLAN (Continued)

IE12, New Orleans, LA 70112. Telephone: (504) 658-1850; Fax: (504) 658-1602.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27. GASB 68 requires governments providing defined benefit plans to report the net pension liability in their statement of net position. This net pension liability is the difference between the present value of the pension liability and the fair value of pension assets, set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Due to the lack of separate measurements as described above, beginning January 1, 2016, GASB 68 has no effect on NOMYHMC's financial statements.

(6) OTHER POST-EMPLOYMENT BENEFITS

Other post-employment benefits are incurred and paid by the City of New Orleans; therefore, NOMYHMC does not accrue a liability related to those benefits.

(7) MINIMUM FUTURE RENTALS

NOMYHMC has entered into rental agreements which require the tenants to pay the Corporation monthly rental payments. These operating leases expire in various years through the year 2077. The rental income on the boathouse leases will increase on April 1, 2018 based on the Consumer Price Index, which is unknown at this time, and therefore not included in the minimum future rental income.

Minimum future rental to be received under the various operating leases as of December 31, 2017 for each of the next five years:

2018	\$ 510,500
2019	510,500
2020	511,200
2021	511,200
2022	<u>512,300</u>
	<u>\$ 2,555,700</u>

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

(8) REVENUE BOND PAYABLE

On February 8, 1982, NOMYHMC issued the United States Department of Commerce, National Oceanic and Atmospheric Administration (“NOAA”), Revenue Bonds, 1981 Series, of NOMYHMC in the amount of \$3,580,134, bearing interest at a rate of 6% per annum and maturing over a period of thirty (30) years. The bond was issued to construct and acquire extensions, renovations and improvements to the New Orleans Municipal Yacht Harbor, in the City of New Orleans, all to the benefit of the citizens of the City. Principal and interest on the bonds are payable semi-annually on January 25 and July 25.

NOMYHMC defaulted on the bonds in 2009 and was granted forbearance on the remaining principal and interest payments in early 2010. NOMYHMC is currently waiting on the final resolution of the Federal Emergency Management Agency (“FEMA”) claim to apply to NOAA for repayment assistance of the debt. At December 31, 2017 and 2016, NOMYHMC was not in compliance with requirements of the revenue bond covenants.

The NOAA bond obligation requires NOMYHMC to maintain a variety of escrow funds to support the loan, \$1,440,015 and \$1,394,415, including the revenue bond payable, at December 31, 2017 and 2016, respectively. The amount of cash reserved as of December 31, 2017 and 2016 for debt service was \$1,140,054 and \$871,926, respectively.

Interest accrued and expensed on these revenue bonds was \$45,600 and \$42,960 for the years ended December 31, 2017 and 2016, respectively.

(9) OPERATING LEASE

NOMYHMC leases certain immovable property on the shores of Lake Pontchartrain in the Seventh District of the City of New Orleans, together with all of the buildings, improvements and component parts thereof and all rights, ways, privileges, servitudes, prescriptive rights and advantages. The lease expires in 2105. Minimum future rental payments under this lease as of December 31, 2017 are:

	Years ending Amount
2018	\$ 1
2019	1
2020	1
2021	1
2022	1
Thereafter	<u>84</u>
	<u>\$ 89</u>

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

(10) RELATED PARTY PAYABLES

NOMYHMC owes the City of New Orleans \$51,673 and \$37,501 as of December 31, 2017 and 2016, respectively for payroll liabilities. The balances are included in accrued payroll liabilities on the statements of net position. NOMYHMC also reimburses the City of New Orleans for their portion of the defined benefit pension plan, which totaled \$44,121 and \$47,372 for the years ended December 31, 2017 and 2016, respectively.

(11) COMMITMENTS AND CONTINGENCIES

NOMYHMC is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of NOMYHMC.

On August 16, 2013, NOMYHMC entered into a Cooperative Endeavor Agreement (“CEA”) with the City of New Orleans to reimburse the City 25% for any non-FEMA funded repair costs to the public facilities and infrastructure damage caused by Hurricane Isaac. Management estimates the reimbursement will exceed \$300,000.

During 2015, NOMYHMC entered into a CEA with the Department of Wildlife and Fisheries (“DWF”) to receive grant money through the Federal Aid in Sport Fish Restoration Act to be used to renovate the boat launch at West End. Total project cost is estimated to be approximately \$170,400, of which the State will reimburse NOMYHMC up to 75% of the allowable costs or a maximum of approximately \$127,800. NOMYHMC is required to provide a 25% match. NOMYHMC estimates its portion of the cost to be approximately \$42,600. As of December 31, 2017, NOMYHMC expended \$14,280 towards this project, of which, \$10,260 or 75% has been recorded as a third party reimbursements receivable. The renovation is expected to be completed during 2018.

**NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

(12) NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 76, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*” The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement did not have a material effect on NOMYHMC’s financial statements upon implementation.

The GASB has issued Statement No. 80, “*Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14.*” The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. This statement has no material effect to NOMYHMC’s financial statements.

The GASB has issued Statement No. 85, “*Omnibus 2017.*” The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. NOMYHMC plans to adopt this Statement as applicable by the effective date.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head Name: Taylor J. Casey, Executive Director

Salary	\$ 102,546
Benefits - Insurance	9,000
Benefits - Retirement	<u>22,037</u>
Total	<u>\$ 133,583</u>



**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 Directors
New Orleans Municipal Yacht Harbor Management Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, 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 New Orleans Municipal Yacht Harbor Management Corporation (the Corporation) (a proprietary component unit of the City of New Orleans), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated April 11, 2018.

Internal Control over Financial Reporting

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



New Orleans Municipal Yacht Harbor Management Corporation
April 11, 2018

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

April 11, 2018
New Orleans, Louisiana

A handwritten signature in black ink that reads "Erickson Krentel, LLP".

Certified Public Accountants

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the New Orleans Municipal Yacht Harbor Management Corporation.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements were reported in the 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*.
3. No instances of noncompliance material to the financial statements of the NOMYHC were reported in the 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*.
4. No management letter was issued for the year ended December 31, 2017.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

Not Applicable

MANAGEMENT LETTER

Not Applicable