

WEST CALCASIEU PORT
Sulphur, Louisiana

Financial Report
June 30, 2017

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**WEST CALCASIEU PORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017**

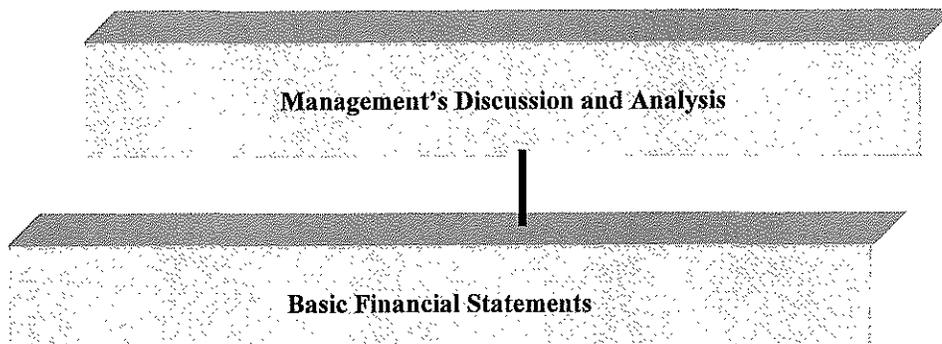
The Management's Discussion and Analysis of the West Calcasieu Port's financial performance presents a narrative overview and analysis of the Port's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts 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 2017 by \$12,658,162. Of this amount, \$3,298,884 may be used to meet the Port's ongoing obligations to its users and \$645,000 is restricted for debt service.
- The Port's operating revenue increased \$61,790 and the net operating income increased by \$51,909 from prior year. The income increase was due to increased tenant lease revenue. The change in net position decreased by \$740,866 as a result of decreased capital contributions 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, 2017**

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>06/17</u>	<u>06/16</u>
Current and other assets	\$3,323,441	\$ 3,019,864
Restricted Assets	38,611	39,169
Capital assets	<u>9,965,667</u>	<u>9,367,031</u>
Total Assets	<u>13,327,719</u>	<u>12,426,064</u>
Deferred Outflows of Resources	-	-
Current Liabilities	20,768	14,569
Current Liabilities Restricted Assets	98,789	99,348
Revenue Bonds Payable	<u>550,000</u>	<u>645,000</u>
Total Liabilities	<u>669,557</u>	<u>758,917</u>
Deferred Inflows of Resources	-	-
Net Position:		
Capital Net of Debt	9,965,667	9,367,031
Restricted for Debt Service	<645,000>	<740,000>
Debt Related to Unspent Funds	38,611	39,169
Unrestricted	<u>3,298,884</u>	<u>3,000,947</u>
Total Net Position	<u><u>12,658,162</u></u>	<u><u>11,667,147</u></u>

**WEST CALCASIEU PORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017**

	<u>06/17</u>	<u>06/16</u>
Operating Revenues	\$ 955,232	\$ 893,442
Operating Expenses	<553,459>	<543,578>
Net Operating Income/(Loss)	<u>401,773</u>	<u>349,864</u>
Non-operating Revenues	70,947	63,993
Non-operating (Expenses)	<16,832>	<18,976>
Net Non-operating Income/(Loss)	<u>54,115</u>	<u>45,017</u>
Income(Loss) before Contributions	455,888	394,881
Capital Contributions	535,127	1,337,000
Change In Net Position	<u>991,015</u>	<u>1,731,881</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, 2017, the Port had \$9,965,667, 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 \$598,636 over last year.

	<u>06/17</u>	<u>06/16</u>
Land and Right of Ways	\$ 1,718,989	\$ 1,718,989
Building and Terminal Improvements	9,520,810	9,520,810
Furniture, Fixtures, and Equipment	-	-
Construction-in-Progress	1,932,761	1,005,275
Less Accumulated Depreciation	<3,206,893>	<2,878,043>
Totals	<u>\$ 9,965,667</u>	<u>\$ 9,367,031</u>

Debt Administration

The 2013A series bond payable balance decreased \$95,000 as principal was paid on the bonds, decreasing the balance from \$740,000 to \$645,000.

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 downward by approximately 9% due to the loss of a port tenant.

Expenses should be approximately the same.

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, 2017 and 2016, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 October 27, 2017 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

October 27, 2017

WEST CALCASIEU PORT

Sulphur, Louisiana

Statement of Net Position

June 30, 2017

with Comparative Totals for June 30, 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 508,014	\$ 732,237
Investments	2,741,564	2,220,436
Accounts Receivable	36,217	34,256
Accrued Interest Receivable	-	141
Prepaid Insurance	11,378	10,162
Total Current Assets	3,297,173	2,997,232
RESTRICTED ASSETS		
Cash and Cash Equivalents	38,611	39,169
Total Restricted Assets	38,611	39,169
PROPERTY, PLANT, AND EQUIPMENT		
Building and Terminal Improvements	9,520,810	9,520,810
Less Accumulated Depreciation	(3,206,893)	(2,878,043)
	6,313,917	6,642,767
Construction In Progress	1,932,761	1,005,275
Land	1,718,989	1,718,989
Net Property, Plant and Equipment	9,965,667	9,367,031
OTHER ASSETS		
Intangible Asset	51,209	51,209
Less Accumulated Amortization	(32,717)	(29,303)
Utility Deposits	7,776	726
Total Other Assets	26,268	22,632
TOTAL ASSETS	13,327,719	12,426,064
DEFERRED OUTFLOWS OF RESOURCES	-	-

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	16,768	10,029
Prepaid Revenue	4,000	4,540
Total Current Liabilities	20,768	14,569
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued Interest Revenue Bonds Payable	3,789	4,348
Revenue Bonds Payable	95,000	95,000
Total Current Liabilities (Payable Restricted Assets)	98,789	99,348
LONG TERM LIABILITIES		
Revenue Bonds Payable	550,000	645,000
Total Liabilities	669,557	758,917
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Invested in Capital Assets	9,965,667	9,367,031
Less:		
Revenue Bonds Payable, Net	(645,000)	(740,000)
Amount of Debt Related to Unspent Proceeds	38,611	39,169
Total Net Investment in Capital Assets	9,359,278	8,666,200
Unrestricted	3,298,884	3,000,947
Total Net Position	\$ 12,658,162	\$ 11,667,147

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, 2017
with Comparative Totals for June 30, 2016

	2017	2016
OPERATING REVENUES		
Rentals / Barge Storage Fees	\$ 955,232	\$ 893,442
OPERATING EXPENSES		
Advertising	2,322	6,560
Amortization	3,414	3,414
Bank and Bond Service Fees	56	-
Board Per Diem	11,500	12,200
Depreciation	328,850	321,369
Dues and Subscriptions	4,085	5,250
Insurance	16,605	14,684
Office Expense	96	235
Other Expense	678	-
Port Director Fees and Reimbursements	83,702	78,784
Professional Fees	54,054	53,919
Recording Fees	8,050	2,400
Repairs and Maintenance	16,897	22,620
Storage Expense	576	576
Utilities	22,574	21,567
Total Operating Expenses	553,459	543,578
OPERATING INCOME	401,773	349,864
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	16,312	5,184
Other Income	54,635	58,809
Interest Expense	(16,832)	(18,976)
Total Non-Operating Revenues (Expenses)	54,115	45,017
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	455,888	394,881
Capital Contributions	535,127	1,337,000
	535,127	1,337,000
CHANGE IN NET POSITION	991,015	1,731,881
NET POSITION, BEGINNING OF YEAR	11,667,147	9,935,266
NET POSITION, END OF YEAR	\$ 12,658,162	\$ 11,667,147

WEST CALCASIEU PORT

Sulphur, Louisiana

Statement of Cash FlowsFor the Fiscal Year Ended June 30, 2017
with Comparative Totals for June 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 953,811	\$ 949,851
Payments to Suppliers and Others	(140,100)	(139,305)
Payments to Directors	(83,702)	(78,784)
Net Cash Provided by Operating Activities	730,009	731,762
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Land & Buildings	-	(1,506,695)
Purchase of Investments	(521,128)	(304,549)
Receipts of Interest	16,453	5,184
Net Cash Provided (Used) by Investing Activities	(504,675)	(1,806,060)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for Building, Terminal Improvements and Construction In Progress	(927,486)	(902,562)
Bond Principal Payments	(95,000)	(90,000)
Bond Interest Payments	(17,391)	(18,976)
Decrease (Increase) in Restricted Cash	558	930,119
Receipts of Capital Grant	535,127	852,000
Net Cash (Used) by Capital and Related Financing Activities	(504,192)	770,581
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts of Miscellaneous Income	54,635	58,809
Net Increase (Decrease) in Cash and Cash Equivalents	(224,223)	(244,908)
Cash and Cash Equivalents - Beginning of Year	732,237	977,145
Cash and Cash Equivalents - End of Year	\$ <u>508,014</u>	\$ <u>732,237</u>

Supplemental Disclosure

A non-cash transaction resulted from the equity interest in the gain of the Airport Authority of \$ 354,039 in 2016 and \$433,847 in 2017.

A non-cash transaction resulted from the donation of two buildings valued at \$485,000 in 2016.

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

WEST CALCASIEU PORT

Sulphur, Louisiana

Statement of Cash Flows (continued)
For the Fiscal Year Ended June 30, 2017
with Comparative Totals for June 30, 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 401,773	\$ 349,864
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	328,850	321,369
Amortization	3,414	3,414
(Increase) Decrease in Prepaid Expenses	(1,216)	(921)
(Increase) Decrease in Utility Deposit	(7,050)	(726)
(Increase) Decrease in Receivables	(1,961)	65,287
(Increase) Decrease in Accrued Interest Receivable	-	(141)
(Decrease) Increase in Interest Payable	-	(528)
(Decrease) Increase in Accounts Payable	6,739	2,881
(Decrease) Increase in Prepaid Revenue	(540)	(8,737)
Total Adjustments	<u>328,236</u>	<u>381,898</u>
Net Cash Provided by Operating Activities	<u>\$ 730,009</u>	<u>\$ 731,762</u>

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

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2017

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 in connection with the entity's 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, 2017

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. GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Port has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

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, 2017 totaled \$328,850.

Additions and deletions to property, plant, and equipment for the year ended June 30, 2017 were as follows:

	July 1, 2016	Additions	Deletions	June 30, 2017
Building & Terminal Improvements	\$ 9,520,810	\$ -	\$ -	\$ 9,520,810
Construction in Progress	1,005,275	927,486	-	1,932,761
Accumulated Depreciation	(2,878,043)	(328,850)	-	(3,206,893)
Land	1,718,989	-	-	1,718,989
Total	\$ 9,367,031	\$ 598,636	\$ -	\$ 9,965,667

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, 2017.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2017

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, 2017

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, 2017, management is not aware of any liability resulting from environmental matters.

Note 2 – Cash and Investments

At June 30, 2017, the Port has deposits with financial institutions (book balances) as follows:

Cash	
Demand deposits	\$ 508,014
Investments	
Louisiana Asset Management Pool	<u>2,741,564</u>
Total Cash and Investments	<u><u>\$ 3,249,578</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, 2017, the Port had \$537,744 in deposits (collected bank balances). These deposits are secured from risk by \$288,612 of federal deposit insurance and \$249,132 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, 2017

Note 2 – Cash and Investments (continued)

Investments held at June 30, 2017 consist of \$2,741,564 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, 2017 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, 2017

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, 2017:

Description	Amount of Original Issue	Maturity	Interest Rate	Balance 6/30/2016	Retired 6/30/2017	Balance 6/30/2017
2013A	\$ 1,000,000	2023	2.35	\$ 740,000	\$ 95,000	\$ 645,000

The annual requirements to amortize all debt outstanding as of June 30, 2017, are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	95,000	15,156	110,156
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	<u>\$ 645,000</u>	<u>\$ 53,461</u>	<u>\$ 698,461</u>

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, 2017 was \$38,611.

Note 5 – Major Customer

Rentals/barge storage fees from one major customer were approximately 47% of total rentals /barge storage fee income for the year ended June 30, 2017. The amount due from this customer, included in trade receivables, was \$47,757 or 100%, for the year ended June 30, 2017.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2017

Note 6 – Construction Commitments

The Port has three (3) active construction commitments as of June 30, 2017, consisting of the rehabilitation of an existing bulkhead, expected to cost \$1,790,398. The costs incurred as of June 30, 2017 total \$1,589,632, and the project is 89% complete. The second project under construction is the dredging of the west barge basin. The costs incurred as of June 30, 2017 total \$112,963 and the expected cost is \$1,534,440. The project was 7% complete as of June 30, 2017. The third commitment is the ramp road project. The costs incurred as of June 30, 2017 total \$29,400 and the expected cost is \$331,396. The project was 9% complete as of June 30, 2017.

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, 2017 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, 2017 is as follows:

July 1, 2012 Balance	\$	40,437
FYE June 30, 2013 Activity:		
Less: 50% share of net loss from joint venture		(40,437)
	\$	<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 financial statements of the West Calcasieu Airport can be obtained from Perry and Company, CPAs, 514 W. Napoleon Street, Sulphur, Louisiana 70663.

WEST CALCASIEU PORT
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2017

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, 2017 are as follows:

Dave Aguillard	\$	2,500
Dick Kennison		2,400
Scott Foreman		1,900
Timothy J. Dougherty		2,100
Wilmer Dugas		<u>2,600</u>
Total	\$	<u>11,500</u>

Note 10 – Subsequent Events

Subsequent events were evaluated through October 27, 2017 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, 2017**

Agency Head Name: Lynn Hohensee, Executive Director

Purpose	Amount
Salary - (contract fee)	\$67,045
Benefits- Insurance	\$0
Benefits- Retirement	\$0
Benefits- Other	\$0
Car Allowance	\$0
Vehicle provided by government	\$0
Per Diem	\$0
Reimbursements	\$16,657
Travel	\$0
Registration fees	\$0
Conference travel	\$0
Continuing professional education fess	\$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, 2017, 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 October 27, 2017.

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*.

Members

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Louisiana Society of Certified Public Accountants

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

October 27, 2017

**WEST CALCASIEU PORT
Sulphur, Louisiana**

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2017

<u>Ref No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>
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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, 2017

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
West Calcasieu Port
Sulphur, Louisiana

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, 2016 through June 30, 2017. The Entity'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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
The Port currently has no 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 currently has no policies and procedures to address the purchasing function.
 - c) ***Disbursements***, including processing, reviewing, and approving
The Port currently has no policies and procedures to address the disbursements function.
 - d) ***Receipts***, including receiving, recording, and preparing deposits
The Port currently has no policies and procedures to address the receipts function.

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

The Port currently has no 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 currently has no 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, and (5) monitoring card usage

The Port currently has no 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 currently has no 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. Note: Ethics requirements are not applicable to nonprofits.

The Port currently has no policies and procedures to address the ethics function.

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

The Port currently has no policies and procedures to address the debt service function.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

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

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

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

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The Port's minutes include approval of contracts and disbursements in at least (1) one meeting during the fiscal year.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

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

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal year noting that bank reconciliations have been prepared.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank reconciliations do not include written evidence that a member of management or a board member reviewed each bank reconciliation.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

There were no reconciling items that have been outstanding for more than (6) six months as of the end of the fiscal year.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

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

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

In the one location the person responsible for collecting cash is bonded. In this location the person responsible for collecting cash also deposits the cash in the bank, record the related transactions and reconciles the related bank accounts.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The Port has no formal process to reconcile cash collections to the general ledger by a person who is not responsible for cash collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

No exceptions noted.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Daily cash collections are supported by collection documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

The Port does not have a process specifically defined to determine completeness of all collections by a person who is not responsible for cash collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Obtained the general ledger listing of disbursements and management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Examined supporting documentation for each of the 25 disbursements selected and found that no purchases were initiated using a purchase order system, as the Port does not use a purchase order/requisition system. Three (3) of the twenty five (25) disbursements examined did not have supporting documentation.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Examined supporting documentation for each of the 25 disbursements selected and found that no purchases were initiated using a purchase order system, as the Port does not use a purchase order/requisition system.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for each of the 25 disbursements selected and found that no purchases were initiated using a purchase order system, as the Port does not use a purchase order/requisition system. Three (3) of the twenty five (25) disbursements examined did not have supporting documentation.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The person responsible for processing payments can also add vendors.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The person with signatory authority also can initiate and record purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Inquiry and observation noted no exceptions.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Inquiry and observation noted no exceptions.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

The Port does not use credit cards, bank debit cards, fuel cards or P-cards; therefore this is not applicable.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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) Report whether finance charges and/or late fees were 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.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

➤ An original itemized receipt (i.e., identifies precisely what was purchased)

The Port does not use credit cards, bank debit cards, fuel cards or P-cards; therefore this is not applicable.

➤ Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

The Port does not use credit cards, bank debit cards, fuel cards, or P-cards; therefore this is not applicable.

➤ Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

The Port does not use credit cards, bank debit cards, fuel cards or P-cards; therefore this is not applicable.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

The Port does not use credit cards, bank debit cards, fuel cards or P-cards; therefore this is not applicable.

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The Port does not use credit cards, bank debit cards, fuel cards or P-cards; therefore this is not applicable.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

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

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The Port does not have written policies related to travel and expense reimbursements. No amounts listed exceeded GSA Rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

The expenses were compared to the GSA Rates and none exceeded those rates.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

It was noted that (2) two of the (9) nine expenses were not supported by an original itemized receipt.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

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

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Of the five (5) vendors selected a signed contract was not on file for three (3) of them. Two (2) of the vendors had formal/written approval in the board minutes.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Of the vendors selected subject to Louisiana Public Bid Law, the Port complied with all legal requirements.
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- No amendments noted.*
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- Of the five (5) vendors selected, three (3) payments could be compared to the terms and conditions to the contract. Two (2) payments could be compared to the formal/ written approval in the board minutes.*
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).
- Not applicable.*

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- The Port does not have any employees, therefore this is not applicable.*
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

The Port does not have any employees, therefore this is not applicable.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

The Port does not have any employees, therefore this is not applicable.
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Report whether 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 any employees, therefore this is not applicable.
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

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

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

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

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

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

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

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

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

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

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Based upon inquiries of management, no allegations were received during the fiscal year.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The Port made the scheduled debt service payments and maintained debt reserves as required by the bond agreement.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation 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.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

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 5, 2017