

**MORGAN CITY HARBOR AND
TERMINAL DISTRICT**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Morgan City Harbor and Terminal District (hereinafter, “District”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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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 opinion.

Opinion

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 District as of June 30, 2017, and the respective changes in financial position, and 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 schedule of funding progress related to other postemployment benefits on page 24 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of cost of sales and services and the schedule of general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of cost of sales and services and the schedule of general and administrative expenses are the responsibility of management and was derived from and relate 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 cost of sales and services and the schedule of general and administrative expenses are 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 November 27, 2017, on our consideration of the District'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 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 District's internal control over financial reporting and compliance.

Dannall, Sikes, Gardes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
November 27, 2017

FINANCIAL SECTION

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Position
June 30, 2017

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,069,972
Receivables:	
Accounts	7,331
Intergovernmental - federal	12,170
Prepaid items	170,526
Other assets	<u>206</u>
Total current assets	5,260,205
Capital assets:	
Nondepreciable	3,578,674
Depreciable, net of accumulated depreciation	<u>28,498,877</u>
Total capital assets	<u>32,077,551</u>
Total assets	<u>\$ 37,337,756</u>

LIABILITIES

Accounts payable	\$ 129,873
Other accrued liabilities	27,993
Long-term liabilities, due within one year:	
Compensated absences	3,735
Portion due after one year:	
Deposits	125
Other postemployment benefit obligations	<u>81,971</u>
Total liabilities	243,697

NET POSITION

Net investment in capital assets	32,077,551
Unrestricted	<u>5,016,508</u>
Total net position	<u>37,094,059</u>
Total liabilities and net position	<u>\$ 37,337,756</u>

The accompanying notes are an integral part of these financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2017

Operating revenues:	
Charges for services	
Rentals	\$ 772,275
Other revenues	<u>23,150</u>
Total operating revenues	795,425
Operating expenses:	
Cost of sales and services	116,080
General and administrative	1,650,127
Depreciation	<u>1,455,043</u>
Total operating expenses	<u>3,221,250</u>
Operating loss	(2,425,825)
Nonoperating revenues:	
Ad valorem taxes	1,498,642
Intergovernmental revenue	457,438
Interest earnings	<u>10,354</u>
Total nonoperating revenues	<u>1,966,434</u>
Change in net position	(459,391)
Net position, beginning	<u>37,553,450</u>
Net position, ending	<u>\$ 37,094,059</u>

The accompanying notes are an integral part of these financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 795,701
Cash paid for goods and services	(1,530,847)
Payment for salaries and benefits	<u>(336,230)</u>
Net cash used by operating activities	(1,071,376)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	1,498,642
Intergovernmental	<u>620,823</u>
Net cash provided by noncapital financing activities	2,119,465
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(244,799)</u>
Net cash used by capital and related financing activities	(244,799)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>10,354</u>
Net cash provided by investing activities	<u>10,354</u>
Net increase in cash and cash equivalents	813,644
Cash and cash equivalents -- July 1, 2016	<u>4,256,328</u>
Cash and cash equivalents -- June 30, 2017	<u><u>\$ 5,069,972</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (2,425,825)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,455,043
Decrease in accounts receivable	10
Decrease in prepaid expenses	4,371
Decrease in accounts payable	(51,636)
Decrease in retainage payable	(66,562)
Increase in payroll related payables	12,957
Increase in other payables	<u>266</u>
Total adjustments	<u>1,354,449</u>
Net cash used by operating activities	<u><u>\$ (1,071,376)</u></u>

The accompanying notes are an integral part of these financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

INTRODUCTION

The Morgan City Harbor and Terminal District (the District) was created as a public corporation and political subdivision of the State of Louisiana under Louisiana Revised Statute 34:321. The District is governed by a Board of Commissioners consisting of nine members appointed by the Governor. The board has the power to regulate the commerce and traffic of the District in such manner as may be best for the public interest; and it is empowered to own and have charge of, to administer, construct, operate and maintain wharves, warehouses, landing, docks, sheds, belt and connection railroads, shipways, canals, channels, slips, basins, locks, elevators and other structures and facilities necessary and proper for the use and development of the business of the District.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of certain significant accounting policies:

Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability. GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board.
 - a. The ability of the reporting entity to impose its will on the organization.
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations which are fiscally dependent.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

The District is considered a related organization of the State of Louisiana. Although the Governor appoints the governing board, the State does not have a financial benefit or burden relationship with the District. Because the State does not have financial accountability for the District, the District is excluded from the reporting entity of the State. The nature of the State's relationship with the District is disclosed in the State's audited financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the State of Louisiana.

Fund Accounting

The accounts of the District are organized and operated on a fund basis (enterprise fund) whereby a separate self-balancing set of accounts that comprise assets, liabilities, net position, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The proprietary fund is accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal ongoing operating revenue of the District’s Enterprise Fund is charges for rental services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and interest-bearing demand deposits.

Accounts Receivable

Accounts receivable is stated at cost, net of any allowance for doubtful accounts. The District maintains allowances for doubtful accounts for estimated losses resulting from the failure of customers to make required payments. The District reviews the accounts receivable on a periodic basis and makes allowances where there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the District considers many factors, including the age of the balance, the customer's payment history, its current credit-worthiness and current economic trends.

Based on management's evaluation of each customer, the District considers all remaining accounts receivable to be fully collectable and, therefore, did not provide for an allowance for doubtful accounts.

Capital Assets

All capital assets are capitalized at historical cost or estimated historical cost for assets for which historical cost is not available. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets. Donated assets are reported at fair market value as of the date received. Additions and improvements that significantly extend the useful life of an asset are capitalized while other costs incurred for repairs and maintenance are expensed as incurred. All capital assets are depreciated using the straight line method over their estimated useful lives as follows:

Furniture and Fixtures	5-10 years
Land Improvements	5-39 years
Leasehold Improvements	5-39 years
Wharf, Dock, Sheet Piling, Marshalling Yard, Railroad Spur	5-40 years

Compensated Absences

Accumulated vacation and sick leave is accrued as an expense of the period in which incurred. Employees earn from 10 to 20 days of vacation and sick leave each year depending on the length of service with the District. Vacation time not used by the end of the year may be taken ninety days into the following calendar year. Upon termination of employment, unused vacation up to five days will be paid to employees at the employee's current rate of pay.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

Net position represents the difference between assets and liabilities. Net position is reported in three categories, as follows:

- a. Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position items with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – consists of the net amount of assets and liabilities that do not meet the definition of the above two components and is available for general use by the District.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Net Other Postemployment Benefit Obligations

The District applies GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement requires the District to calculate and recognize a net *other postemployment benefit* (OPEB) obligation at June 30, 2017. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2009. See Note 11 for further details.

Subsequent Event

The District has evaluated subsequent events through November 27, 2017, the date the financial statements were available to be issued.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 2 CASH AND CASH EQUIVALENTS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in the United States bonds, notes or bills as well as certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The carrying value of the District's cash and interest-bearing deposits with financial institutions at June 30, 2017 totaled \$5,069,972 and the bank balance was \$5,070,032. Federal deposit insurance covered \$516,414 of the deposits while the remaining deposits were covered by collateral held by the pledging bank's agent in the District's name in the amount of \$5,067,388. Cash and interest-bearing deposits are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Louisiana R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects property taxes for the District using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

For the year ended June 30, 2017, 4.48 mills were authorized and dedicated to the District.

Total taxes collected were \$1,498,642 for the year ended June 30, 2017.

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MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 4 INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the year ended June 30, 2017 consisted of the following:

Local Government:	
Flood Event	\$ 1,614
State of Louisiana:	
Revenue Sharing	40,173
Office of Facility Planning and Control	108,867
Federal Government:	
Homeland Security and Emergency Prep Grant	69,236
Port Security Grant	<u>237,548</u>
	<u>\$ 457,438</u>

NOTE 5 DEFERRED COMPENSATION PLAN

All full time employees of the District are allowed to participate in the State of Louisiana Public Employees Deferred Compensation Plan, adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, LA 70804-9397.

Contributions are made voluntarily by the employee through payroll deductions, with the District contributing 10% of the participating employees' regular gross wages. The total employer contribution expense for the years ended June 30, 2017, 2016, and 2015 were \$21,966, \$22,423, and \$22,469, respectively.

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MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets and depreciation for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 3,578,674	\$ -	\$ -	\$ 3,578,674
Construction in progress	<u>692,377</u>	<u>-</u>	<u>(692,377)</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,271,051</u>	<u>-</u>	<u>(692,377)</u>	<u>3,578,674</u>
Capital assets being depreciated:				
Furniture and fixtures	1,012,711	-	-	1,012,711
GEOC Building	10,341,929	717,221	-	11,059,150
Wharf	4,905,623	-	-	4,905,623
Dock	8,721,639	219,955	-	8,941,594
Sheet piling	1,200,000	-	-	1,200,000
Land improvements	11,750,136	-	-	11,750,136
Leasehold improvements	568,529	-	-	568,529
Marshalling yard	256,826	-	-	256,826
Railroad spur	<u>852,158</u>	<u>-</u>	<u>-</u>	<u>852,158</u>
Total capital assets being depreciated	<u>39,609,551</u>	<u>937,176</u>	<u>-</u>	<u>40,546,727</u>
Less accumulated depreciation for:				
Furniture and fixtures	(269,297)	(151,569)	-	(420,866)
GEOC Building	(128,802)	(286,246)	-	(415,048)
Wharf	(2,453,729)	(112,521)	-	(2,566,250)
Dock	(4,194,948)	(376,593)	-	(4,571,541)
Sheet piling	(540,000)	(30,000)	-	(570,000)
Land improvements	(2,310,638)	(449,408)	-	(2,760,046)
Leasehold improvements	(178,741)	(20,981)	-	(199,722)
Marshalling yard	(109,155)	(6,421)	-	(115,576)
Railroad spur	<u>(407,497)</u>	<u>(21,304)</u>	<u>-</u>	<u>(428,801)</u>
Total accumulated depreciation	<u>(10,592,807)</u>	<u>(1,455,043)</u>	<u>-</u>	<u>(12,047,850)</u>
Capital assets, being depreciated, net	<u>29,016,744</u>	<u>(517,867)</u>	<u>-</u>	<u>28,498,877</u>
Capital assets, net	<u>\$33,287,795</u>	<u>\$ (517,867)</u>	<u>\$ (692,377)</u>	<u>\$32,077,551</u>

Depreciation charged to expense was \$1,455,043 for the year ended June 30, 2017.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN SHORT-TERM DEBT OBLIGATIONS

The following is a summary of the short-term debt obligation transactions during the year:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2017</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 3,735</u>	<u>\$ 17,392</u>	<u>\$ (17,392)</u>	<u>\$ 3,735</u>	<u>\$ 3,735</u>

NOTE 8 CHANGES IN LONG-TERM DEBT OBLIGATIONS

The following is a summary of the long-term debt obligation transactions during the year:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2017</u>	<u>Due Within One Year</u>
Other post- employment benefits	\$ 72,938	\$ 22,190	\$ (13,157)	\$ 81,971	\$ -
Deposits	<u>125</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>-</u>
Total	<u>\$ 73,063</u>	<u>\$ 22,190</u>	<u>\$ (13,157)</u>	<u>\$ 82,096</u>	<u>\$ -</u>

NOTE 9 OPERATING LEASE REVENUES

The District's revenues include the leasing of land and improvements under cancelable operating leases. The leases are accounted for using the operating method whereby the amount of revenue recognized in each accounting period is equivalent to the amount of rent receivable according to the provisions of the lease. The District also leases facilities and office space to tenants under non-cancelable operating leases with terms of five to twenty years.

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MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 9 OPERATING LEASE REVENUES (CONTINUED)

The following is a schedule by years of future minimum rentals under the leases at June 30, 2017:

<u>Year Ending June 30,</u>	
2018	\$ 686,528
2019	614,834
2020	310,620
2021	54,421
2022	22,712
Thereafter	<u>137,711</u>
	<u>\$ 1,826,826</u>

NOTE 10 LEASE EXPENSE COMMITMENTS

The District leases land and buildings under non-cancelable operating leases. Total costs for such leases were \$106,770 for the year ended June 30, 2017. The estimated future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 110,680
2019	<u>55,340</u>
	<u>\$ 166,020</u>

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year in which it will be paid. The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. As a result, the District recognizes the cost of postemployment healthcare in the year in which the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Because the District adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description

The District provides post-employment health care and life insurance benefits for substantially all employees if they reach normal retirement age while working for the District. The District's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). Louisiana Revised Statute 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained on the Office of Statewide Reporting and Accounting Policy's website at www.doa.louisiana.gov/osrap.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by Louisiana Revised Statute 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage.

The District had two retirees and three employees receiving health benefits through the Office of Group Benefits as of June 30, 2017. One retiree was enrolled in Blue Cross Blue Shield Magnolia Open Access, one retiree was enrolled in Blue Cross Blue Shield Pelican HRA 1000, and the three employees were enrolled in Blue Cross Blue Shield Magnolia Local Plus. For the year ended June 30, 2017, the premiums contributed by the District for these benefits totaled \$13,157.

Employees with an OGB medical participation start date before January 1, 2002, pay approximately 25% of the cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Employees with an OGB medical participation start date after December 31, 2001, pay a percentage of the total contribution based on the following schedule:

<u>Service</u>	<u>Retiree Share</u>	<u>State Share</u>
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one-half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 22,131
Interest on net OPEB obligation	2,772
Adjustment to annual required contribution	<u>(2,713)</u>
Annual OPEB cost (expense)	22,190
Less: contributions made	<u>13,157</u>
Increase in net OPEB obligation	9,033
Net OPEB obligation - beginning of the year	<u>72,938</u>
Net OPEB obligation - end of the year	<u><u>\$ 81,971</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017, and the preceding fiscal years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 27,600	41.56%	\$ 59,208
6/30/2016	\$ 28,548	52.03%	\$ 72,938
6/30/2017	\$ 22,131	59.45%	\$ 81,971

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

The funded status of the plan, as determined by an actuary, as of June 30, 2017 was as follows:

Actuarial accrued liability (AAL)	\$ 358,997
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 358,997</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 225,321
UAAL as a percentage of covered payroll	159.33%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectation and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.8 percent discount rate. The valuation assumed an initial annual healthcare cost trend rate of 7% and 7% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 4.5% per year.

The unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2016, was twenty-three years.

NOTE 12 BOARD OF COMMISSIONERS

Members of the Morgan City Harbor and Terminal District board of commissioners at June 30, 2017:

Duane Lodrigue
Gary Duhon
Deborah Garber
Thomas Ackel
Joe Cain
Tim Mathews, Sr.
Ben Adams
Adam Mayon
Lee Dragna

No compensation was paid to these individuals during the year.

NOTE 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended June 30, 2017. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 14 COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

A detail of compensation, benefits, and other payments made to Agency Head, Raymond “Mac” Wade, for the year ended June 30, 2017 follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 140,266
Benefits - insurance	17,190
Benefits - retirement	12,335
Benefits - mileage	5,317
Car allowance	6,600
Travel	131
Conference travel	55
Special meals	660
Total	<u>\$ 182,554</u>

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**SUPPLEMENTARY
INFORMATION**

REQUIRED SUPPLEMENTARY INFORMATION

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Funding Progress – Other Postemployment Benefits
Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Project Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2014	\$ -	\$ 393,625	\$ 393,625	0.00%	\$ 175,800	223.91%
July 1, 2015	\$ -	\$ 406,217	\$ 406,217	0.00%	\$ 207,717	195.56%
July 1, 2016	\$ -	\$ 358,997	\$ 358,997	0.00%	\$ 225,321	159.33%

**OTHER
SUPPLEMENTARY
INFORMATION**

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Cost of Sales and Services
For the Year Ended June 30, 2017

Dock expenses:		
Security	\$	12,000
Contracted services		84,263
Equipment rental		1,225
Fuel		11,918
Repairs and maintenance		<u>6,674</u>
Total cost of sales and services	\$	<u>116,080</u>

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of General and Administrative Expenses
For the Year Ended June 30, 2017

Accounting	\$	26,450
Advertising		13,756
Bank charges		832
Car allowance		14,850
Parish pension deduction		50,334
Computer maintenance		17,351
Professional services		464,620
Dues and subscriptions		22,264
GEOC Building		125,218
Marketing and promotions		14,814
Insurance		155,497
Internet charges		4,973
Janitorial		6,330
Pest control		760
Office supplies		10,019
Postage		505
Lease expense		106,770
Repairs and maintenance		201,232
Salaries and benefits		349,187
Telephone		7,723
Conference and travel		30,823
Utilities		<u>25,819</u>
Total general and administrative expenses	\$	<u>1,650,127</u>

**INTERNAL CONTROL
AND
COMPLIANCE**

E. Larry Sikes, CPA/PFS, CVA, CFP®
 Danny P. Frederick, CPA
 Clayton E. Darnall, CPA, CVA
 Eugene H. Darnall, III, CPA
 Stephanie M. Higginbotham, CPA
 John P. Armato, CPA/PFS
 J. Stephen Gardes, CPA
 Jennifer S. Ziegler, CPA/PFS, CFP®
 Chris A. Miller, CPA, CVA
 Steven G. Moosa, CPA
 M. Rebecca Gardes, CPA
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 Jacob C. Roberie, CPA

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 Christy S. Dew, CPA, MPA
 Rachel W. Ashford, CPA
 Veronica L. LeBleu, CPA, MBA
 Christine Guidry Berwick, CPA, MBA
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 Brandon R. Dunphy, CPA
 Robert C. Darnall, CPA, CVA, M.S.



INDEPENDENT AUDITOR'S 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
 Morgan City Harbor and Terminal District
 Morgan City, 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 the Morgan City Harbor and Terminal District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-001, that we consider to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

The District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Louisiana Legislative Auditor as a public document; therefore, its distribution is not limited.

Darnall, Sikes, Gardes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
November 27, 2017

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
Year Ended June 30, 2017

2016-001 Finding: Inadequate Segregation of Accounting Functions
Status: This finding is unresolved. See current year finding 2017-001.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses
Year Ended June 30, 2017

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on the Morgan City Harbor and Terminal District's (the District's) financial statements as of and for the year ended June 30, 2017.

Deficiencies in Internal Control – Financial Reporting

Our consideration of internal control over financial reporting disclosed one instance of a deficiency in internal control which is required to be reported under *Government Auditing Standards* and is listed as item 2017-001 in Part 2. We consider the deficiency to be a material weakness.

Material Noncompliance and Other Matters – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended June 30, 2017.

MANAGEMENT LETTER

This section is not applicable for the fiscal year ended June 30, 2017.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2017-001 Inadequate Segregation of Accounting Functions

Criteria: Best practices for internal controls over accounting functions requires that adequate segregation of accounting functions be maintained.

Condition: Due to the small number of accounting personnel, the District did not have adequate segregation of functions within the accounting system.

Cause: The failure to design and implement policies and procedures necessary to achieve adequate internal control led to this condition.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Responses (Continued)
Year Ended June 30, 2017

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*
(Continued)

Effect: The likelihood that a material misstatement will not be prevented or detected and corrected on a timely basis is increased. The perpetration of fraudulent activity is easier to achieve under this condition.

Recommendation: Based upon the size of the operation and the cost-benefit consideration of additional personnel, it may not be feasible to achieve complete segregation of duties.

Views of Responsible Officials and Planned Corrective Actions: This information is reported in a separate schedule titled "Management's Corrective Action Plan for Current Year Findings."

Part 3: Findings and Questioned Costs Relating to Federal Programs

At June 30, 2017, Morgan City Harbor and Terminal District did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, this section is not applicable.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Management's Corrective Action Plan for Current Year Findings
Year Ended June 30, 2017

Response to Finding 2017-001:

The District's board is aware of the condition and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Name and Title of Contact Person: Duane Lodrigue, President



**Darnall, Sikes,
Gardes & Frederick**

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Management of the Morgan City Harbor and Terminal District and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Morgan City Harbor and Terminal District (Entity) 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 either 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
Written policies and procedures do not address the functions noted above.
 - 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.

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Written policies and procedures were obtained and address all functions noted above with the exception of (2) how vendors are added to the vendor list.

- c) **Disbursements**, including processing, reviewing, and approving

Written policies and procedures were obtained and address the functions noted above.

- d) **Receipts**, including receiving, recording, and preparing deposits

Written policies and procedures do not address the functions noted above.

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

Written policies and procedures address payroll processing; however, the policies and procedures only address the procedures for reviewing and approving time and attendance records for non-exempt employees.

- 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

Written policies and procedures do not address the functions noted above.

- 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

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-121; however, the policies and procedures do not address the remaining functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

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.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

- 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).

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes included monthly budget-to-actual comparisons for the major fund.

- 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.

Obtained and reviewed the minutes of the managing board for the fiscal period noting that the entity did not have a fund balance deficit.

- 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.)

Obtained and reviewed the minutes of the managing board for the fiscal period noting that there were approvals of contracts/disbursements.

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 from management and management's representation that 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 period noting that reconciliations have been prepared for all months.

- 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

Obtained bank statements and reconciliations for all months in the fiscal period noting evidence of independent review.

- 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.

Obtained bank statements and reconciliations for all months in the fiscal period noting no items that have been outstanding for more than 6 months.

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.

Written documentation was obtained and the following was noted: (1) the person responsible for collecting cash is bonded, (2) the person responsible for depositing cash in the bank is also responsible for recording the deposit and reconciling the bank statement, and (3) the person collecting cash does not share the same drawer with another employee.

- 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 individual responsible for cash collections is also the individual responsible for reconciling cash collections to the general ledger.

- 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.

Collection documentation was obtained and the deposits were made within one day of collection.

- 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.

Collection documentation was obtained and daily collections are supported by 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 individual responsible for collections is also responsible for determining the completeness of 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.

Listing of disbursements and management's representation that the listing is complete was obtained.

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 purchases were initiated using a purchase order system.

- 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 noted that the purchase orders were approved by the person who initiates the purchases.

- 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 and found all payments were processed with proper approval, receiving report (if applicable), and approved invoice.

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 is not prohibited from adding vendors to the entity's purchasing/disbursement system.

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 persons with signatory authority do not have responsibility for initiating or recording 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.

Unused checks are maintained in a locked location; however, access is not restricted to those persons that do not have signatory authority.

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.

A signature stamp or signature machine is not used in any instance.

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.

Listing of active credit cards, bank debit cards, fuel cards and name of person who maintains possession of cards and management's representation that the listing is complete was obtained.

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.

Listing was obtained and only included one card.

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.]

Monthly statement and supporting documentation was reviewed by the card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No finance and/or late fees were assessed on the selected statements.

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)
Monthly statement was obtained and address the functions noted above.
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
Monthly statement was obtained and address the functions noted above.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
Monthly statement was obtained and address the functions noted above.
- 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.
No exceptions noted.
- 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.
No exceptions noted.

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.
Listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained.
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.
Policies were obtained and no amounts listed exceed 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.

No exceptions noted.

- 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.]

No exceptions noted.

- 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.

There was one instance where the expense and related documentation was approved by the person receiving the 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.

Listing of all contracts in effect and management's representation that the listing is complete was obtained.

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.

No exceptions noted.

- 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)

No noncompliance noted.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

The entity did not solicit quotes as a best practice.

- 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 contract 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.

No noncompliance noted.

- 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).

Proper approval noted.

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:

Listing of employees with their related salaries and management’s representation that the listing is complete was obtained.

- 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.

No employment contract or pay rate structure noted in the entity’s files.

- 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.

Changes to salaries during the fiscal period were not approved in writing.

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.)

Daily attendance is not documented. Only vacation and sick time are documented and approved.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Daily attendance is not documented. Only vacation and sick time are documented and approved.

- 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.

No exceptions noted.

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.

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.

No exceptions noted.

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.

No exceptions noted

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.

Management asserted that they have received no allegations during the fiscal period.

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.

Not applicable.

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 entity did not have any 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.

Required notices were posted on the entity's 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.

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.

Dannall, Sikes, Gardes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

November 27, 2017



MORGAN CITY HARBOR AND TERMINAL DISTRICT
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Independent Accountant's Report on Applying Agreed-Upon Procedures Management Response

Written Policies and Procedures

1. a) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Budgeting, including preparing, adopting, monitoring, and amending the budget will be reviewed for inclusion in the revised policies and procedures.
1. b) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Purchasing, including (2) how vendors are added to the vendor list will be reviewed for inclusion in the revised policies and procedures.
1. d) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Receipts, including receiving, recording, and preparing deposits will be reviewed for inclusion in the revised policies and procedures.
1. e) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Payroll/ Personnel, including (2) reviewing and approving time and attendance records, including leave and overtime worked will be reviewed for inclusion in the revised policies and procedures.
1. f) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Contracting, including (1) types of services requiring written contracts; (2) standard terms and conditions; (3) legal review; (4) approval process; and (5) monitoring process will be reviewed for inclusion in the revised policies and procedures.
1. i) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Ethics, including (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 will be reviewed for inclusion in the revised policies and procedures.

Duane Lodrigue
President

Gary Duhon
Vice-President

Deborah Garber
Treasurer

Thomas Ackel
Secretary

Commissioners: **Ben Adams** • **Adam Mayon** • **Lee Dragna** • **Tim Matthews, Sr.** • **Joseph Cain**

Raymond "Mac" Wade, CPE
Executive Director

Collections

6. a) Management is aware of the inadequate segregation of accounting functions and has planned a thorough review of internal controls.
6. b) Management is aware of the inadequate segregation of accounting functions and has planned a thorough review of internal controls.
7. Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Collection policies and procedures including processes specifically defined to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions by a person who is not responsible for collections will be reviewed and enforced for compliance.

Disbursements – General

9. b) Management plans a review to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Disbursement policies including obtaining appropriate approval of purchase orders, or an electronic equivalent, by a person who did not initiate the purchase will be reviewed and enforced for compliance.
10. Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Disbursement policies and procedures including prohibiting the person responsible for processing payments from adding vendors to the entity's purchasing/disbursement system will be reviewed and enforced for compliance.
12. Management plans a thorough review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Disbursement policies and procedures including restriction of access to the supply of unused checks to persons that do not have signatory authority will be reviewed and enforced for compliance.

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

15. a) Management plans a thorough review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Credit card policies and procedures including approval and review of monthly statements by someone other than the authorized card holder will be reviewed and enforced for compliance.

Travel and Expense Reimbursement

19. d) Management plans a thorough review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Travel and expense reimbursement policies and procedures including review and approval, in writing, of reimbursements by someone other than the receiving employee will be reviewed and enforced for compliance.

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Contracts

21. b) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Contract policies and procedures including soliciting quotes as a best practice will be reviewed but management abides by public bid law and feels it does not need to solicit quotes.

Payroll and Personnel

22. a) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Payroll and personnel policies and procedures including adoption of a pay rate structure will be reviewed and enforced for compliance.
22. b) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Payroll and personnel policies and procedures including approval to changes in pay rates will be reviewed and enforced for compliance.
23. a) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Payroll and personnel policies and procedures including documentation and approval of daily attendance will be reviewed and enforced for compliance.
23. b) Management plans a review and update to the Morgan City Harbor and Terminal District's financial policies and procedures in the 2017-2018 fiscal year. Payroll and personnel policies and procedures including documentation and approval of daily attendance will be reviewed and enforced for compliance.

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