

LOUISIANA PILOTAGE FEE COMMISSION

JUNE 30, 2014

BATON ROUGE, LOUISIANA

LOUISIANA PILOTAGE FEE COMMISSION

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Independent Auditor's Report

To the Board of Commissioners
Louisiana Pilotage Fee Commission
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund (General Fund) of the Louisiana Pilotage Fee Commission, (the Commission), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 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 Commission'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 Commission'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 governmental activities and the major fund (the General Fund) of the Louisiana Pilotage Fee Commission as of June 30, 2014, and the respective changes in financial position for the year then ended, in conformity 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 information on pages 3 through 5, and the budgetary comparison schedule – general fund on Schedule 1 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2014, on our consideration of the Commission'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 and should be considered in assessing the results of our audit.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana Pilotage Fee Commission's financial statements. The schedule of per diem paid to commission members is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of per diem paid to commission members is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 per diem paid to commission members is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
December 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOUISIANA PILOTAGE FEE COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

Louisiana Pilotage Fee Commission (the “Commission”) is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis - For State and Local Governments* (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with the Commission’s financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets were \$631,095 as of June 30, 2014. The Commission had liabilities totaling \$28,277 resulting in net position of \$602,818.
- The majority of total assets (91.34%) was composed of Cash and Cash Equivalents.

Overview of Annual Financial Report

Management’s Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management’s examination and analysis of the Commission’s financial condition and performance.

The financial statements report information on the Commission using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the nature and amount of the Commission’s resources and obligations at year-end, and provides a basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

The Statement of Activities accounts for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the Commission’s operations in a format that can be used to determine if the Commission has recovered its costs through self generated revenues and other income.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the Commission’s accounting policies, significant account balances, and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes comparative budget schedules, key information schedules on operations of the Commission, and schedules detailing any findings and management’s response.

Financial Analysis

The purpose of financial analysis is to help determine whether the Commission is better off due to the current year's activities. In this analysis, data from the basic financial statements, the Statement of Net Position and the Statement of Activities, are presented below. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the Commission. The information for the prior year is included for comparative purposes.

Statement of Net Position

	Governmental Activities	
	Audited June 30, 2014	Reviewed June 30, 2013
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 576,455	\$ 621,112
Accounts Receivable	52,960	36,919
Capital Assets (Net of Accumulated Depreciation)	1,680	1,699
Total Assets	<u>\$ 631,095</u>	<u>\$ 659,730</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 6,012	\$ -
Long-Term Liabilities:		
Due Within One Year	5,566	7,783
Due in More than One Year	16,699	23,348
Total Liabilities	28,277	31,131
<u>NET POSITION</u>		
Invested in Capital Assets	1,680	1,699
Unrestricted	601,138	626,900
Total Net Position	<u>602,818</u>	<u>628,599</u>
Total Liabilities and Net Position	<u>\$ 631,095</u>	<u>\$ 659,730</u>

- This Commission's assets exceeded its liabilities by \$602,818 for the current year.
- For the year ended June 30, 2014, unrestricted net position of \$601,138 represents the portion available to maintain the Commission's obligation to both citizens and creditors.

Statement of Activities

	Governmental Activities	
	Audited	Reviewed
	June 30, 2014	June 30, 2013
General Revenues:		
Self-Generated	\$ 250,601	\$ 247,625
Interest and Other Income	1,405	1,445
Total General Revenues	252,006	249,070
Expenses:		
General Government	277,787	278,703
Change in Net Position	(25,781)	(29,633)
Net Position - Beginning of the Year	628,599	658,232
Net Position - End of the Year	\$ 602,818	\$ 628,599

Total general revenues increased \$2,936 (1.18%) reflecting an increase in the amount of vessel traffic over this period in FY 2013 and resulting increase in collection of surcharge fees. Total expenses decreased \$916 (.33%), from FY 2013 reflecting a decrease in costs. Overall, the Commission's change in net position was (\$25,781) for the year, which represents an increase of \$3,852 (13%) from the prior year.

General Fund Budgetary Highlights

The actual revenues were \$75,094 less than the budgeted amount for the year, which reflects an amount budgeted from reserves that was not needed and thus not applied. Expenses were \$38,866 less than the budgeted amount for the year due to the fact that fewer special hearings were required in FY 2014 than in 2013, and related costs for professional services were accordingly less.

Economic Factors and Next year's Budget

The primary source of revenue for the Commission during the year ended June 30, 2014 was proceeds from a dedicated surcharge paid by customers of pilotage services in Louisiana; namely, foreign flag vessels entering state waters via the Mississippi and Calcasieu rivers. This surcharge is established through state law (LA. R.S. 34:1122(B)(3)). The amount of this surcharge is adjusted annually by the Commission at the annual Budget Hearing, according to projections based on the total amount of surcharge revenue collected during the prior calendar year. Additionally, an amount is budgeted annually from the Commission's cash reserves to be used if needed.

These revenues are considered available if they are collected within 60 days after year-end.

Contacting the Commission

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the Commission at 8550 United Plaza Blvd., United Plaza, Suite 702, Baton Rouge, Louisiana 70809.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LOUISIANA PILOTAGE FEE COMMISSION

STATEMENT OF NET POSITION

AS OF JUNE 30, 2014

ASSETS

Cash and Cash Equivalents	\$ 576,455
Accounts Receivable	52,960
Capital Assets (Net of Accumulated Depreciation)	<u>1,680</u>
Total Assets	<u><u>\$ 631,095</u></u>

LIABILITIES

Accrued Liabilities	\$ 6,012
Long-Term Liabilities:	
Due Within One Year	5,566
Due in More than One Year	<u>16,699</u>
Total Liabilities	28,277

NET POSITION

Invested in Capital Assets	1,680
Unrestricted	<u>601,138</u>
Total Net Position	<u>602,818</u>
Total Liabilities and Net Position	<u><u>\$ 631,095</u></u>

The accompanying notes constitute an integral part of this statement.

LOUISIANA PILOTAGE FEE COMMISSION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total Governmental Activities Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General Government	<u>\$ 277,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (277,787)</u>
 Total Governmental Activities	 <u><u>\$ 277,787</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>(277,787)</u></u>
 General Revenues:				
Self-Generated				250,601
Interest and Other Income				<u>1,405</u>
Total General Revenues				<u>252,006</u>
Change in Net Position				(25,781)
 Net Position - Beginning of Year				 <u>628,599</u>
Net Position - End of Year				<u><u>\$ 602,818</u></u>

The accompanying notes constitute an integral part of this statement.

LOUISIANA PILOTAGE FEE COMMISSION

BALANCE SHEET -
GOVERNMENTAL FUND

AS OF JUNE 30, 2014

ASSETS

Cash and Cash Equivalents	\$ 576,455
Accounts Receivable	<u>52,960</u>
Total Assets	<u><u>\$ 629,415</u></u>

LIABILITIES AND FUND BALANCE**Liabilities:**

Accrued Liabilities	<u>\$ 6,012</u>
Total Liabilities	6,012

Fund Balance:

Unassigned	<u>623,403</u>
Total Fund Balance	<u>623,403</u>
Total Liabilities and Fund Balance	<u><u>\$ 629,415</u></u>

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

LOUISIANA PILOTAGE FEE COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION

AS OF JUNE 30, 2014

Total Fund Balance - Governmental Fund	\$ 623,403
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> <p style="padding-left: 20px;">Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Cost of Capital Assets	7,706
Less: Accumulated Depreciation	<u>(6,026)</u>
	1,680
<p>Long-Term Liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds:</p>	
Compensated Absences	<u>(22,265)</u>
Net Position - Governmental Activities	<u><u>\$ 602,818</u></u>

The accompanying notes constitute an integral part of this statement.

LOUISIANA PILOTAGE FEE COMMISSION

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

Revenues:

Local Sources:

Self-Generated	\$ 250,601
Interest Earnings and Other Income	1,405
	<hr/>
Total Revenues	252,006

Expenditures:

General Government:

Salaries and Allowances	194,862
Payroll Taxes	12,488
Employee Benefits	3,600
Computer Expense	1,749
Hearing Expense	8,674
Insurance	838
Legal and Accounting	31,337
Meals and Entertainment	328
Medical	9,123
Miscellaneous	421
Office Supplies	454
Payroll Services	1,942
Per Diem	2,100
Postage	126
Printing	783
Rent Expense	14,236
Telephone	3,439
Travel	134
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Total Expenditures	<hr/> 286,634
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Excess of Expenditures Over Revenues	(34,628)
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Fund Balance at Beginning of Year	<hr/> 658,031
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Fund Balance at End of Year	<hr/> <hr/> \$ 623,403
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The accompanying notes constitute an integral part of this statement.

LOUISIANA PILOTAGE FEE COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balance - Governmental Fund	\$ (34,628)
<p>Amounts Reported for Governmental Activities in the Statement of Activities are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital Outlays	1,141
Depreciation Expense	<u>(1,160)</u>
	(19)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.</p>	
Decrease in Compensated Absences Payable	<u>8,866</u>
Change in Net Position of Governmental Activities	<u><u>\$ (25,781)</u></u>

The accompanying notes constitute an integral part of this statement.

LOUISIANA PILOTAGE FEE COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

INTRODUCTION

The Louisiana Pilotage Fee Commission (the "Commission") was created by Act. No. 902 of the Louisiana 2004 Regular Session of the Legislature, effective January 1, 2005, to establish pilotage fees. The Commission consists of eleven members and seven alternates appointed by the governor as follows:

- i. Four members and four alternates to represent the industry.
- ii. Four members and three alternates to represent the associations all designated by the board of directors of the four pilot associations.
- iii. Three at-large members, and one alternate at-large.

Appointees shall be residents of the state of Louisiana and shall serve terms concurrent with that of the governor appointing them. All appointments are subject to confirmation by the Senate.

(1) Summary of Significant Accounting Policies -

A. Basis of Presentation

The accompanying financial statements of the Louisiana Pilotage Fee Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. During the fiscal year ended June 30, 2013, the Commission adopted the provisions of GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which required the Commission to use the term Net Position instead of Net Assets.

B. Reporting Entity

The Commission, for financial purposes, includes all of the funds relevant to the operations of the Commission. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Louisiana Pilotage Fee Commission.

The Louisiana Pilotage Fee Commission is a primary government and not a component unit or agency of the state government for financial reporting purposes.

LOUISIANA PILOTAGE FEE COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

C. Fund Accounting

- i. Government-wide Financial Statements (GWFS) - the Statement of Net Position and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods and services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

- ii. Fund financial statements - The accounts of the Commission are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purposes and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Commission maintains one fund, the general fund. It is categorized as a governmental fund. The emphasis on fund statements is on major governmental funds. The general fund is considered major because it is the primary operating fund of the entity. It is used to account for all financial resources except those required to be accounted for in another fund.

D. Measurement Focus/Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the Commission. The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

LOUISIANA PILOTAGE FEE COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense which can be specifically identified by function is included in the direct expenses of each function. The Commission does not allocate indirect expenses.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fund financial statements report detailed information about the Commission. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The major fund of the Commission is the General Fund.

The modified accrual basis of accounting is used by Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter (generally 60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. The Governmental Fund uses the following practices in recording revenues and expenditures:

Revenues

The primary source of revenue for the Commission during the year ended June 30, 2014, was pilotage surcharge fees. These revenues are considered available if they are collected within 60 days after year-end.

Expenditures

Salaries are recorded as expenditures when earned. Compensated absences are recognized as expenditures when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. All other expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

LOUISIANA PILOTAGE FEE COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

E. Budget Practices

The Commission adopts an annual budget for the General Fund.

The budget for the fiscal year ended June 30, 2014, was legally adopted by the Commission on May 1, 2013.

F. Cash and Cash Equivalents

All cash-related items having maturing dates of three months or less from the original maturity dates are classified as cash and cash equivalents.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Useful lives are five years for computer equipment and seven years for furniture and fixtures.

H. Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt - The net investment in capital assets component of net position consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.
2. Restricted - The restricted component of net position is used when there are limitations imposed on their use of an asset by external parties such as creditors, grantors, laws or regulations of other governments.
3. Unrestricted - The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are

LOUISIANA PILOTAGE FEE COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

not included in the determination of net investment in capital assets or the restricted component of net position.

I. Fund Balance

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. Non-spendable fund balances are associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the Commissioners (the Commission's highest level of decision making authority),
4. Assigned fund balances are intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. Unassigned fund balances are the residual classification for the Commission's general fund and include all spendable amounts not contained in the other classifications.

The Commission's policy is to apply expenditures against non-spendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order, at the end of the fiscal year by adjusting journal entries.

The calculation of fund balance amounts begins with the determination of non-spendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts classified as unassigned fund balance.

As of June 30, 2014, the Commission did not have any non-spendable, restricted, committed, or assigned fund balances.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

LOUISIANA PILOTAGE FEE COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Compensated Absences

Employees earn and accumulate sick leave at various rates depending on their years of service. The amount of sick leave may be accumulated by each employee is unlimited.

L. Subsequent Events

The Commission evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 16, 2014, the date which the financial statements were available to be issued.

(2) Cash and Cash Equivalents -

At June 30, 2014, cash included amounts in interest bearing and non-interest bearing demand deposit accounts. The bank balance of the Commission's Cash and Cash Equivalents was \$581,334 with a carrying amount of \$576,455, at June 30, 2014. Cash and Cash Equivalents are stated at cost which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The following is a summary of cash (bank balances) at June 30, 2014, with the related federal deposit insurance and pledged securities:

Bank Balances:	
Insured (FDIC Insurance)	\$ 581,334
Uninsured and Collateralized:	
Collateral held by the pledging bank's trust department not in the Commission's name	-
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>\$ 581,334</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of June 30, 2014, none of the Commission's bank balances of \$581,334 was exposed to custodial credit risk because it was covered by FDIC insurance.

LOUISIANA PILOTAGE FEE COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

(3) Changes in Capital Assets -

Capital asset activity as of and for the year ended June 30, 2014 is as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Governmental Activities:</u>				
Capital Assets being Depreciated:				
Computer Equipment	\$ 5,382	\$ 1,141	\$ -	\$ 6,523
Furniture and Equipment	<u>1,183</u>	<u>-</u>	<u>-</u>	<u>1,183</u>
Total Capital Assets being Depreciated	6,565	1,141	-	7,706
Less: Accumulated Depreciation for:				
Computer Equipment	3,866	991	-	4,857
Furniture and Equipment	<u>1,000</u>	<u>169</u>	<u>-</u>	<u>1,169</u>
Total Accumulated Depreciation	<u>4,866</u>	<u>1,160</u>	<u>-</u>	<u>6,026</u>
Total Capital Assets being Depreciated, Net	<u>\$ 1,699</u>	<u>\$ (19)</u>	<u>\$ -</u>	<u>\$ 1,680</u>

Depreciation expense of \$1,160 for the year ended June 30, 2014 was charged to operations.

(4) Long-Term Obligation -

The following is a summary of the long-term obligation transactions for the year ended June 30, 2014:

	<u>Compensated</u> <u>Absences</u>
Long-Term Obligations - June 30, 2013	\$ 31,131
Additions	-
Deductions	<u>(8,866)</u>
Long-Term Obligations - June 30, 2014	<u>\$ 22,265</u>

LOUISIANA PILOTAGE FEE COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2014:

Current Portion	\$ 5,566
Long-Term Portion	<u>16,699</u>
Total	<u>\$ 22,265</u>
<u>Compensated Absences</u>	

At June 30, 2014, employees of the Commission have accumulated and vested \$22,265 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

Employees earn and accumulate sick leave at various rates depending on their years of service. The amount of sick leave that may be accumulated by each employee is unlimited.

(5) Lease Commitments -

The Commission leases office space under a lease classified as an operating lease that expired on January 1, 2014 and was automatically renewed for six months. The lease automatically renewed for another six months as of June 30, 2014. Rental expense for this operating lease totaled \$14,236 for the year ended June 30, 2014. Future minimum rental payments required under the operating lease agreement total \$7,200.

(6) Pending Litigation -

There were no civil suits seeking damages against the Commission outstanding at June 30, 2014.

(7) Related Party Transactions -

The Commission had no identified related party transactions for the year ended June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA PILOTAGE FEE COMMISSION

BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget
Revenues:			
Self-Generated	\$ 248,600	\$ 250,601	\$ 2,001
Interest Earnings and Other Income	2,000	1,405	(595)
Contribution from Reserve Fund	76,500	-	(76,500)
Total Revenues	327,100	252,006	(75,094)
Expenditures:			
Salaries, Allowances and Related Costs	217,000	220,073	(3,073)
Office Supplies	1,000	454	546
Meals and Entertainment	400	328	72
Telephone and Internet Expense	3,000	3,439	(439)
Rent	15,000	14,236	764
Printing	700	783	(83)
Postage	200	126	74
Miscellaneous	500	421	79
Insurance	2,500	838	1,662
Payroll Services	2,000	1,942	58
Capital Outlay	2,000	-	2,000
Website Design, Hosting, and Maintenance	1,900	1,749	151
Professional Services	72,000	40,011	31,989
Meeting Expense	7,300	2,234	5,066
Total Expenditures	325,500	286,634	38,866
Excess (Deficiency) of Expenditures Over Revenues	1,600	(34,628)	(36,228)
Fund Balance at Beginning of Year	658,031	658,031	-
Fund Balance at End of Year	\$ 659,631	\$ 623,403	\$ (36,228)

The accompanying notes constitute an integral part of this statement.

SUPPLEMENTARY INFORMATION

LOUISIANA PILOTAGE FEE COMMISSION

SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS

FOR THE YEAR ENDED JUNE 30, 2014

<u>Name</u>	<u>Amount</u>
Alfred Lippman	\$ 750
Ann Trappey	600
Joe Spearman	<u>750</u>
	<u>\$ 2,100</u>

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT*
AUDITING STANDARDS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of Commissioners
Louisiana Pilotage Fee Commission
Baton Rouge, 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 governmental activities and each major fund of the Louisiana Pilotage Fee Commission, (the Commission), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 Commission'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. 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 the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
December 16, 2014

LOUISIANA PILOTAGE FEE COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2014

Current Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None

LOUISIANA PILOTAGE FEE COMMISSION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Prior Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None

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December 16, 2014

To the Board of Commissioners
Louisiana Pilotage Fee Commission
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of the Louisiana Pilotage Fee Commission (the "Commission"), as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

However, during our audit we became aware of various matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 16, 2014, on the financial statements of the Louisiana Pilotage Fee Commission.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the Commission's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform an additional study of these matters, or to assist you in implementing the recommendations.

Segregation of Duties

Internal controls are designed to safeguard assets and to help deter losses from employee dishonesty or error. A fundamental concept in a good system of internal controls is the segregation of duties. To the extent possible, duties should be segregated to serve as a check and balance on employee integrity and to maintain the best control system possible. The three duties that should be segregated whenever possible are (1) record keeping (access to general ledger, payroll records, reconciliations, etc.), (2) custody of assets (check signing ability, access to cash receipts, access to checks that have been signed, etc.) and (3) authorization (authority to order materials, hire employees, sign contracts, etc.). The basic premise is that no one employee has access to all phases of a transaction.

The following discusses the recommendations that could be implemented to strengthen existing internal controls:

Bank Statements

We noted during the current year that the Commission is reviewing the most recent bank statement that corresponds with the month of their meetings. We recommend that all bank statements be reviewed by the Finance and Budget committee or the Commission on a regular basis.

Monthly/Quarterly Financial Statements

We noted the Commission is reviewing financial statements and a budget to actual comparison on an annual basis. We recommend that the Administrator compile monthly/quarterly financial statements with budget to actual comparisons to be reviewed by the Finance and Budget committee or the Commission on a regular basis. As a best practice, we further recommend that the Commission consider amending and approving an amended budget as deemed necessary.

Proposed Journal Entries

We noted during the current year that adjusting journal entries needed to be recorded to reconcile to prior year net position. We recommend that all audit adjustments be reviewed, approved, and recorded to the Commission's general ledger on a timely basis.

Accounting Software Backup

We noted during the current year that the Commission backs up its accounting software every 2 months. We recommend that the Commission back up its accounting software daily and that the backup file be stored off site.

We are confident these suggestions would improve your operating procedures and internal control structure. We wish to express our appreciation for the cooperation and courtesy extended to our representatives by your personnel during the course of this audit.

This report is intended solely for the use of the Board of Commissioners, management, and any cognizant agencies, and is not intended to be, and should not be, used for anyone other than these specified parties.

Respectfully submitted,

Hannis T. Bourgeois, LLP



ADMINISTRATOR
Larry E. McNutt, Jr.
mcnutt@lpfc.la.gov

STATE OF LOUISIANA
PILOTAGE FEE COMMISSION

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December 16, 2014

Hannis T. Bourgeois, LLP
2322 Tremont Drive
Baton Rouge, LA 70809

RE: LPFC Administrator's Response To Management Letter

I have reviewed the Management Letter issued by Hannis T. Bourgeois (HTB) dated December 16, 2014, in connection with its audit of the finances and practices of the Louisiana Pilotage Fee Commission (LPFC) and have the following responses to recommendations contained therein:

Bank Statements

The present practice of the LPFC, which has been in place for the past 9 years, is that bank statements reflecting the current balances in each of the LPFC's accounts are presented to the full commission along with a report by the Administrator at all regular meetings, which are generally held every two months. All other records, statements and documentation are always available to any commissioner or committee upon request made to the Administrator. In its management letter, HTB recommends: "all bank statements be reviewed by the finance and budget committee or the commission on a regular basis." As such, at LPFC regular meetings going forward, this office will present commissioners with copies of individual bank statements for all months rather than just the statement that reflects the current status.

Monthly/Quarterly Financial Statements

Presently, the LPFC issues a full financial statement annually, prepared by an accountant concurrent with its annual report to the Louisiana Legislative Auditor. HTB recommends that, in addition to this report, "the Administrator prepare monthly/quarterly financial statements with budget to actual comparisons to be reviewed by the Finance and Budget committee or the Commission on a regular basis." This office has always had the ability to compile and produce such reports, which have always been available to anyone upon request. In accordance with HTB's recommendation, going forward this office will present these to the commissioners on a quarterly basis as a matter of course.

Furthermore, HTB recommends that the Commission consider "amending and approving an amended budget as deemed necessary." This is presently the policy of the LPFC office and will continue to be in place.

Proposed Journal Entries

HTB's recommendation that all audit adjustments be "reviewed, approved, and recorded to the Commission's general ledger on a timely basis" has been noted and the communication error that led to this being an issue has been cleared up between the LPFC office and its auditor. As such, there should be no issue with this going forward.

Accounting Software Backup

HTB observes in its letter that the LPFC office "backs up its accounting software every 2 months" and indicates that the backup file has only been stored on site. Whereas the previous practice of this office was to store 2 months of back-up data discs on site at its office in Baton Rouge (with other digital copies stored at a second site located in New Orleans), this office has since switched its system to accommodate continuous data back-up via a "cloud" service and as such this will not be an issue going forward.

The Administrator and staff of the LPFC wish to express their thanks to the HTB auditors for making this process an efficient one and providing us with much valuable advice and insight throughout. We look forward to working with you again in future!

Sincerely,



Larry E. McNutt, Jr.
Administrator