

**LAKE CHARLES HARBOR AND TERMINAL DISTRICT
LAKE CHARLES, LOUISIANA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2012 AND 2011

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the parish clerk of court.

Release Date OCT 16 2013

Prepared by the
Staff of Administration and Finance
Lake Charles Harbor and Terminal District

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

FINANCIAL REPORT
December 31, 2012

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INTRODUCTORY SECTION

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June 17, 2013

Board of Commissioners
Lake Charles Harbor and Terminal District
PO Box 3753
Lake Charles, LA 70602



**Lake Charles
Harbor
& Terminal
District**

Post Office Box 3753
Lake Charles, LA 70602
Phone 337-439-3661
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Dear Commissioners.

The Comprehensive Annual Financial Report (CAFR) of the Lake Charles Harbor and Terminal District (District) for the year ended December 31, 2012 is hereby submitted for your review. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all note disclosures, rests with the District. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and have been independently audited in accordance with generally accepted auditing standards. The purpose of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. This transmittal letter should be read in conjunction with Management's Discussion and Analysis on pages 23-33. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities and operations have been included.

Certain demographic information and miscellaneous statistics included in the CAFR were not obtained from the financial records of the District but are presented for the CAFR user's information and understanding of the District and the environment in which the District operates.

The enclosed CAFR has been prepared in accordance with guidelines recommended by the Governmental Accounting Standards Board and the Government Finance Officers Association.

Overview of the Lake Charles Harbor and Terminal District

The District is an independent political subdivision of the State of Louisiana created by action of the Louisiana Legislature in 1924 and authorized by Louisiana Revised Statutes 34.201-217. The District operates a deep-water port on the Calcasieu Ship Channel and encompasses 203 square miles in Southwest Louisiana. Presently, the District owns and manages five public marine terminal facilities commonly designated as the Port of Lake Charles



The District provides the infrastructure for marine terminal facilities designed to accommodate a wide range of cargoes. Some of these facilities are owned and operated by the District; some are owned by the District and leased to private terminal operators.

Cargoes shipped through District facilities are classified into bulk cargoes, break-bulk cargoes and containerized cargoes. Bulk cargoes are dry bulk commodities such as petroleum coke, barite, rutile and grains. These cargoes are loaded through one of the District's bulk terminals, with the most active bulk terminal being Bulk Terminal No. 1. Break-bulk cargoes are unitized cargoes such as bagged flour, bagged rice, lumber, logs and linerboard. Break-bulk cargoes typically move through the transit sheds, berths and warehouses in the area of the District called the City Docks. Containerized cargo consists of break-bulk cargo shipments, which are loaded into self-contained shipping units that are handled through District-owned facilities, which are leased to a private operator

Local Economy

Southwest Louisiana's economic base can be classified into three primary categories: Petrochemical, Gaming, and Aircraft Maintenance and Repair

- According to research by the H. C. Drew Center for Economic Development; Manufacturing, Construction and Mining related activities, which includes the petrochemical plants and refineries, employ nearly 18,000 workers and provide for significant average annual wages in Southwest Louisiana. The mining sector provides an average annual wage of \$71,000, the manufacturing sector provides an average annual wage of \$76,000 and the construction sector provides an average annual wage of \$42,000. Calcasieu Parish is the home of approximately 25 petrochemical plants and refineries



- Lake Charles is currently home to two riverboat casinos. Pinnacle Entertainment completed construction of its riverboat casino in June 2005 on land leased from the District. Pinnacle's hotel and casino, L'Auberge, is the second largest single deck riverboat in the United States and the only single deck riverboat in Louisiana. The hotel is 26 stories with approximately 1,000 rooms, a 26,000 sq ft event center, a 14,000 sq ft ballroom and an 18-hole Tom Fazio-designed Golf Course.

- During the third quarter of 2010, the District awarded an option to lease approximately 220 acres of land for the development of a casino resort and hotel to Creative Casinos who was later awarded the final riverboat gaming license in the State of Louisiana. During the first quarter of 2012, Ameristar Casinos, Inc. announced an agreement to acquire all of the equity interests of Creative Casinos, LLC. The proposed resort will include a casino, a 700 room hotel and spa and an 18-hole golf course. The resort is expected to open in 2014 at an estimated cost of \$500 million.

- During the second quarter of 2008, Lake Charles Clean Energy, LLC (LCCE) issued \$1.0 billion in bonds to finance the construction of a petroleum coke and coal fueled poly-generation gasification facility to be built on property owned by the District. The District is leasing the site to LCCE pursuant to a long-term ground lease agreement. Upon completion, it is expected that the facility will produce methanol, sulfuric acid, argon and other industrial gases for the industrial commercial market. The initial feasibility work has been completed, including selection of the project's technology, project design and cost, and plans to commence front-end engineering and design (FEED) work which will allow LCCE to file for its environmental permits. LCCE expects to commence construction of the facility in 2014.

- Northrop Grumman and Aeroframe are located at the Chennault International Airport Authority where aircraft modification and maintenance is performed.

- During the first quarter of 2010, the Shaw Group completed construction of the first module fabrication and assembly facility focused on constructing components for new and modified nuclear reactors in the United States. The facility is expected to create 1,400 jobs in Lake Charles over the next several years at an average salary of \$50,000 plus benefits.

Dry Bulk Cargo Terminals

The District owns three dry bulk terminals specializing in commodities such as petroleum coke, barite, rutile, aggregate, grains, and caustic soda. These terminals are equipped with loading and unloading facilities that include ship loaders, ship unloaders, rail car rollover, truck and rail hoppers, pits and chutes, conveyor systems, scales, silos and open-air storage pads.



General Cargo Docks

The City Docks area has 13 transit sheds, 15 back warehouses and one open berth and can accommodate 12 ships in port simultaneously. The City Docks have approximately 18 million sq ft of covered storage. City Docks is an intermodal facility accessible via road, rail, or water.

Cargo Diversity

During 2010, the District was successful in attracting Francis Drilling Fluids (FDF) to City Docks. FDF imports frac sand from China which is used primarily in mining natural gas. The primary reasons FDF was attracted to the District related to the available transit shed space, access to deep water and inland distribution channel. Import tonnage through the District is estimated to be approximately 150,000 tons during 2012.

Real Estate

The District owns approximately 4,000 acres in Southwest Louisiana. These properties include leased acreage to both traditional and non-traditional port related tenants, spoil disposal sites, and acreage available for future development. During 2012, lease revenues accounted for approximately \$11.9 million, or 35% of total District operating revenues.

Security Initiatives

The District has been awarded various security related grants by the Department of Homeland Security to assist in undertaking necessary District security initiatives. The grants have provided resources to install long-range radars and cameras at various District Terminals and along the Calcasieu River Waterway, a command and control center at City Docks and to reconfigure the front entrance at City Docks to facilitate a more efficient flow of traffic while checking TWIC cards.



Long-Term Financial Planning

Over the next five years, the District's capital budget calls for approximately \$199.3 million in new construction and major improvements. The funding sources for these projects will be provided primarily by grant funding and District revenues.

Internal Controls

The management of the District is responsible for establishing and maintaining internal controls over its operations. These internal controls are designed to provide management with reasonable, though not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived there from and that the evaluation of the costs and benefits requires certain estimates and judgments by management.

Budgetary Control

The District prepares an annual budget that is based upon the expected cargo movements and rental activity of the District. The Board of Commissioners adopts the annual operating budget and capital budget, which establishes budgetary appropriations for the operation and capital improvements of the District

Awards and Acknowledgments

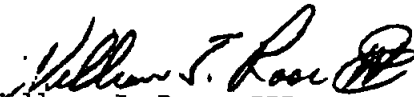
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Lake Charles Harbor and Terminal District for its comprehensive annual financial report for the fiscal year ended December 31, 2011. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both GAAP and applicable legal requirements.




A Certificate of Achievement is valid for one year only. We believe our current report continues to meet Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report could not have been accomplished without the efficient and dedicated efforts from the Administration and Finance Department staff.

Respectfully submitted,


William J. Rase, III
Executive Director


Richert L. Self
Director of Administration
and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lake Charles Harbor
and Terminal District
Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting



Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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EXECUTIVE DIRECTOR

William J. Rase, III

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FINANCIAL SECTION

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Carl W. Comeaux, CPA, Retired

CFE Certified Fraud Examiner
CFP Certified Financial Forensics
MT Masters of Taxation
CVA Certified Valuation Analyst
CFP Certified Financial Planner

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Lake Charles Harbor and Terminal District
Lake Charles, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Lake Charles Harbor and Terminal District (District), Lake Charles, Louisiana, as of and for the years ended December 31, 2012 and 2011, 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana as of December 31, 2012 and 2011, and the respective changes in financial position 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 management's discussion and analysis and schedule of funding progress on pages 23-33 and 68 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements

The budgetary comparison schedules and the insurance in force schedule are the responsibility of management and were 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana'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 Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's internal control over financial reporting and compliance.

MS Elroy Quirk & Busch

Lake Charles, Louisiana
June 14, 2013

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Management's Discussion and Analysis

The following is the Lake Charles Harbor and Terminal District's Management Discussion and Analysis (MD&A) of the financial activities and performance for the years ended December 31, 2012 and 2011. It provides an introduction to the District's 2012 and 2011 financial statements. Information contained in this MD&A has been prepared by District management and should be considered in conjunction with the financial statements.

Financial Highlights

- The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2012 by \$299.4 million (*net position*). Net position totaled \$282.4 million as of December 31, 2011.
- As a result of the excess revenues over expenses, the District's net position increased \$17.0 million during 2012 compared to a \$12.7 million increase during 2011.
- During 2012, operating revenues were \$33.6 million, a decrease of \$3.3 million (9%) from 2011. Operating expenses were \$30.8 million, a decrease of \$2.9 million (9%) compared to 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lake Charles Harbor and Terminal District's basic financial statements. The District is a special-purpose government engaged only in business type activities.

The basic financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include comparative statements of fund net position, comparative statements of revenues, expenses, and changes in fund net position, and comparative statements of cash flows.

- The comparative statements of fund net position present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The comparative statements of revenues, expenses, and changes in fund net position present information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

➤ The comparative statements of cash flows present changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of the earnings event, when obligations arise, or depreciation of capital assets.

The basic financial statements can be found on pages 36-41 of this report.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 42-66 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 70-105 of this report.

Financial Analysis of the District

The following table presents the condensed statements of fund net position as of December 31, 2012, 2011 and 2010:

Lake Charles Harbor and Terminal District
Comparative Condensed Statements of Fund Net Position

	2012 <u>(in thousands)</u>	2011 <u>(in thousands)</u>	2010 <u>(in thousands)</u>
Current and other assets	\$ 61,081	\$ 59,016	\$ 58,075
Capital assets	<u>252,609</u>	<u>235,220</u>	<u>232,425</u>
Total assets	<u>313,690</u>	<u>294,236</u>	<u>290,500</u>
Current liabilities	12,007	9,862	13,508
Non-current liabilities	<u>2,263</u>	<u>1,972</u>	<u>7,244</u>
Total liabilities	<u>14,270</u>	<u>11,834</u>	<u>20,752</u>
Net position			
Invested in capital assets, net			
of related debt	252,574	235,167	225,586
Restricted	-	55	2,032
Unrestricted	<u>46,846</u>	<u>47,180</u>	<u>42,130</u>
Total net position	<u>\$ 299,420</u>	<u>\$ 282,402</u>	<u>\$ 269,748</u>

2012.

The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2012 by \$299.4 million compared to \$282.4 million as of December 31, 2011 (net position)

The largest portion of the District's net position reflects its investment in capital assets in the amount of \$252.6 million as of December 31, 2012 compared to \$235.2 million as of December 31, 2011. These capital assets include land, buildings, improvements, equipment and construction in progress, less any related outstanding debt used to acquire those assets. These assets are not available for future spending. Although restricted net position total \$-0- and \$0.1 million for 2012 and 2011, respectively, it should be noted that the resources needed to repay the debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net position of \$-0- and \$0.1 million as of December 31, 2012 and 2011, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$18.4 million in unrestricted net position as of December 31, 2012 to be used for commitments on construction contracts compared to \$16.5 million in unrestricted net position as of December 31, 2011 to be used for commitments on construction contracts. The remaining \$28.4 million and \$30.7 million as of December 31, 2012 and 2011, respectively, of unrestricted net position may be used to meet the District's ongoing obligations to creditors.

2011.

The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2011 by \$282.4 million compared to \$269.7 million as of December 31, 2010 (net position).

The largest portion of the District's net position reflects its investment in capital assets in the amount of \$235.2 million as of December 31, 2011 compared to \$225.6 million as of December 31, 2010. These capital assets include land, buildings, improvements, equipment and construction in progress, less any related outstanding debt used to acquire those assets. These assets are not available for future spending. Although restricted net position total \$-0- and \$2.0 million for 2011 and 2010, respectively, it should be noted that the resources needed to repay the debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net position of \$0.1 and \$2.0 million as of December 31, 2011 and 2010, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$16.5 million in unrestricted net position as of December 31, 2011 to be used for commitments on construction contracts compared to \$8.2 million in unrestricted net

position as of December 31, 2010 to be used for commitments on construction contracts. The remaining \$30.7 million and \$33.9 million as of December 31, 2011 and 2010, respectively, of unrestricted net position may be used to meet the District's ongoing obligations to creditors.

The following table shows condensed revenue and expense data for the years ended December 31, 2012, 2011 and 2010:

Lake Charles Harbor and Terminal District
Comparative Statements of Revenues, Expenses,
and Changes in Fund Net Position

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues			
Vessel and cargo services	\$ 21,209,754	\$ 22,673,086	\$ 23,564,920
Rental of equipment and facilities	11,915,297	10,059,975	10,807,934
Other	<u>501,739</u>	<u>4,197,140</u>	<u>1,406,193</u>
Total operating revenues	<u>33,626,790</u>	<u>36,930,201</u>	<u>35,779,047</u>
Operating expenses			
Personnel services	9,866,485	10,344,600	9,727,094
Contractual services	4,157,185	4,361,893	4,477,504
Supplies, maintenance and operation of facilities	5,066,254	7,288,203	6,253,046
Heat, light and power	691,498	774,163	731,013
Depreciation and amortization	<u>10,983,984</u>	<u>10,868,415</u>	<u>10,694,862</u>
Total operating expenses	<u>30,765,406</u>	<u>33,637,274</u>	<u>31,883,519</u>
Operating income (loss)	<u>2,861,384</u>	<u>3,292,927</u>	<u>3,895,528</u>
Nonoperating revenues (expenses)			
Property taxes	2,812,823	2,623,133	2,634,642
Intergovernmental revenue	91,132	90,741	90,114
Interest income	241,935	248,971	280,535
Net increase (decrease) in fair value of investments	-	-	(11,094)
Interest expense and fiscal charges	(4,145)	(317,470)	(39,278)
Retirement of assets	(522,144)	1,754,190	(3,098)
Other	<u>(10,000)</u>	<u>(10,000)</u>	<u>695,579</u>
Net nonoperating revenues (expenses)	<u>2,609,601</u>	<u>4,389,565</u>	<u>3,647,400</u>
Net income before contributions	<u>\$ 5,470,985</u>	<u>\$ 7,682,492</u>	<u>\$ 7,542,928</u>

2012

- The District generates revenue utilizing marine terminal facilities designed to accommodate a wide range of bulk, break-bulk and containerized cargoes.

- Total operating revenues decreased \$3.3 million or 9% during 2012 as compared to 2011. The decrease is partially due to decreased volumes of petroleum coke at Bulk Terminal No. 1 for a customer that previously imported several different grades of petroleum coke. Importing several different grades of petroleum coke required segregation of the product which exceeded the amount of storage space available at the customer's facility and therefore, the customer utilized Bulk Terminal No. 1. During 2012, the customer imported similar grades of petroleum which did not require as much segregation and was therefore stored at the customer's facility. An additional contributing factor to the decreased volume of petroleum coke relates to a reduction in refining production at another customer's facility and a major maintenance project at a third customer's facility.

- An additional contributing factor to the decrease in revenues relates to a reduction in the volumes of bulk grains at the District's Bulk Terminal No. 2. This reduction in volume is the result of a major upgrade to the grain terminal which began in the latter portion of 2011 and continued throughout 2012.

- The final contributing factor to the decrease in revenues relates to the settlement of a claim during 2011 with Pinnacle Entertainment associated with the development of casino resort and hotel on property owned by the District. The District also settled two other claims during 2011 which contributed to the decline in revenues when comparing 2012 to 2011.

- Partially offsetting the decrease in revenues during 2012 is a new terminal services agreement with the stevedore that handles bagged USDA products at the District's City Docks facility. The new agreement provides for increased rates for receiving bagged USDA cargo as compared to the rates previously charged.

- An additional contributing factor partially offsetting the decrease in revenues is an increase in rental revenues associated with a customer at City Docks leasing additional transit shed space to handle ceramic sand. The ceramic sand is used in the drilling process for oil and natural gas.

- Total operating expenses decreased \$2.9 million or 9% during 2012 as compared to 2011. One contributing factor to the decrease relates to a payment related to the automated terminal at City Docks associated with changes to the unloading contract at City Docks during 2011.
- An additional contributing factor relates to a decrease in dredging expenses associated with dredging Bulk Terminal No. 1, which occurred in 2011. The District did not dredge in 2012.
- Also contributing to the decrease in expenses is lower personnel services as a result of lower overall medical claims for the District's self-insured medical plan. During 2011 the District had two employees with significant health claims which contributed to higher costs for the year.
- The final contributing factors to the decrease in expenses relates to lower stevedoring expenses and other operating expenses associated with lower petroleum coke exports during 2012 as compared to 2011.
- Partially offsetting the decrease in expenses in 2012 as compared to 2011 is an increase in the required contribution by the District to the Louisiana State Employees' Retirement Systems (LASERS). The employer contribution to the plan increased from 25.6% during the first six months of 2012 to 29.1% during the final six months of 2012.
- The final contributing factor partially offsetting the decrease in expenses relates to an increase in depreciation expense associated with the completion of several capital projects during 2011 and 2012.
- Net nonoperating revenues decreased \$1.8 million during 2012 as compared to 2011. The decrease is due primarily to the sale of land adjacent to the existing L'auberge du lac Casino and the proposed Mojito Pointe Casino during 2011.
- Partially offsetting the decrease in net nonoperating revenues is a decrease in expenses associated with the payment of breakage fees in 2011 to JP Morgan Chase when the District called the remaining outstanding bonds in an effort to reduce the overall cash outflow in the form of interest payments.
- The District received \$11.5 million in Federal and State capital contributions for the year ended December 31, 2012 compared to \$5.0 million for the year ended 2011. The majority of the grant funding received in 2012 relates to the New Stacker and Reclaimer Project at Bulk Terminal No. 1, the Railroad Improvements Project at City Docks, and the Relocation of the Main Gate at City Docks. The contributions received during 2011 related to the Railroad Improvements Project at City Docks and the New Stacker and Reclaimer Project at Bulk Terminal No. 1.

- The District's net position increased \$17.0 million and \$12.7 million during the twelve months ended December 31, 2012 and 2011, respectively. The increase during 2012 as compared to 2011 is due partially to increased handling rates associated with the new terminal services agreement at City Docks, additional space leased by an existing customer at City Docks, and increases in grant revenue. Also increasing net position during 2012 is lower overall medical claims, lower dredging expenses as a result of dredging in 2011 and lower stevedoring expenses associated with lower petroleum coke tonnage. Partially offsetting these increases were declines in tonnage and related revenue for petroleum coke and commercial bulk grains. Also partially offsetting the increase in net position were increases in personnel services associated with increases in the employer contribution to LASERS and increased depreciation as a result of new capital projects. There is no assurance that capital contributions will continue in the future.

2011

- The District generates revenue utilizing marine terminal facilities designed to accommodate a wide range of bulk, break-bulk and containerized cargoes.
- Total operating revenues increased \$1.2 million or 3% during 2011 as compared to 2010. The increase is partially due to increased volumes of petroleum coke at Bulk Terminal No. 1 for a relatively new customer and a change in the mode of delivery on an existing customer, for which the District increased the handling rate. An additional contributing factor to the increase relates to the settlement of a claim during 2011 with Pinnacle Entertainment associated with the development of a casino resort and hotel on property owned by the District.
- Partially offsetting the increase in revenues is a decrease in bagged cargo and related revenue at City Docks as a result of a decline in tonnage in the United States Department of Agriculture (USDA) invitations. Tonnage on invitations issued by the USDA declined approximately 31% in 2011 as compared to 2010, as a result of the downturn in the United States economy.
- An additional contributing factor partially offsetting the increase in operating revenues is a decrease in rubber handled at City Docks. The District's customer utilizes several warehouses at City Docks for storage purposes. Because of demand for the commodity during 2011, the customer shipped the product direct from their facility which reduced the volume of rubber moving through City Docks.
- Also partially offsetting the increase in operating revenues is a decline in rental revenues as a result of receiving a favorable decision from the appeals court during 2010 associated with property involved in litigation with another governmental entity. The overall decrease in rental revenues in 2011 compared to 2010 is partially offset by increases in rental revenue associated with a new customer at City Docks who handles ceramic sand used in the drilling process for oil and natural gas.

- The final contributing factor partially offsetting the increase in revenues is a decrease in the volume of bulk grains handled at Bulk Terminal No. 2. During 2010, the District exported significant volumes of bulk grains through Bulk Terminal No. 2 to assist in the Haiti relief effort following the earthquake. The volumes handled through Bulk Terminal No. 2 during 2011 were more in line with annual volumes from previous years.

- Total operating expenses increased \$1.8 million or 6% during 2011 as compared to 2010. Contributing to the increase in expenses is higher personnel services as a result of a change in the mode of delivery of petroleum coke at Bulk Terminal No. 1. One of the District's primary exporters of petroleum coke changed the method of delivery from rail to truck. The change resulted in a more labor intensive activity which has increased payroll and other operating costs for handling petroleum coke for this customer.

- An additional contributing factor to the increase relates to the reinstatement of matching employee contributions, dollar-for-dollar up to 6% of the employee's salary, in the deferred compensation plan. The District did not match employee contributions in 2010.

- Also contributing to the increase in expenses in 2011 as compared to 2010 is an increase in the required contribution by the District to the Louisiana State Employees' Retirement System (LASERS). The employer contribution to the plan increased from 18.6% in 2010 to 25.6% in 2011.

- The final contributing factors to the increase relate to increases in dredging expenses associated with dredging Bulk Terminal No. 1, which occurred in 2011, a payment related to the automated terminal at City Docks associated with changes to the unloading contract, and increases in depreciation expense associated with the completion of several capital projects during 2011.

- Partially offsetting the increase in expenses is a decrease associated with projects that were originally expected to be capitalized but were expensed in 2010, when it was determined that the projects were no longer viable. The projects include Access Road and Bridge across Contraband Bayou, Corps of Engineers Anchorage Feasibility Study, new Maintenance Shop and Office at City Docks, and costs associated with a new 150,000 square foot warehouse for lumber. Also partially offsetting the increase is lower legal expenses in 2011 than 2010 as a result of the settlement of the Cameron Parish litigation in 2010.

- Net nonoperating revenues increased \$0.7 million or 20% during 2011 as compared to 2010. The increase is due primarily to the sale of land adjacent to the existing L'Auberge du lac Casino and the proposed Mojito Pointe Casino during 2011.

- Partially offsetting the increase is a reduction in other nonoperating revenues associated with the settlement in 2010 of litigation related to the construction of Transit Sheds 16 and 17. Also partially offsetting the increase in net nonoperating revenues is the payment of breakage fees in 2011 to JP Morgan Chase when the District called the remaining outstanding bonds in an effort to reduce the overall cash outflow in the form of interest payments

- The District received \$5.0 million in Federal and State capital contributions for the year ended December 31, 2011 compared to \$1.1 million for the year ended 2010. The majority of the grant funding received in 2011 related to the Railroad Improvements Project at City Docks and the New Stacker and Reclaimer Project at Bulk Terminal No. 1. The contributions received during 2010 related to the New Shop and Office at Bulk Terminal No. 1 and Security Enhancements Project

- The District's net position increased \$12.7 million and \$8.6 million during the twelve months ended December 31, 2011 and 2010, respectively. The increase during 2011 was due partially to increased volumes and handling rates of petroleum coke, the settlement of a dispute with Pinnacle, the addition of a new customer leasing space at City Docks, the sale of land, and increases in grant revenue. Partially offsetting these increases were declines in tonnage and related revenue for USDA bagged cargo, rubber, and bulk grains. Also partially offsetting the increase in net position were increases in personnel services associated with the matching contribution for the deferred compensation plan, increases in the employer contribution to LASERS, dredging expenses Bulk Terminal No. 1, the payment related to the automated terminal at City Docks associated with changes to the unloading contract, increased depreciation as a result of new capital projects, and the breakage fee associated with paying off the bonds early. There is no assurance that capital contributions will continue in the future.

Capital and Debt Administration

Capital assets. The District's capital assets were \$252.6 million and \$235.2 million (net of accumulated depreciation) as of December 31, 2012 and 2011, respectively. These balances include land, buildings, improvements, equipment, and construction in progress.

Major capital asset events during the year ended December 31, 2012 included the following.

- Construction continued on additional facilities for the District, construction in progress as of December 31, 2012 was \$43.0 million compared to \$25.0 million as of December 31, 2011.

- Two Komatsu material handlers were purchased during the third quarter of 2012.
- Construction on the Security Enhancement Project was completed during the fourth quarter of 2012

Major capital asset events during the year ended December 31, 2011 included the following

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2011 was \$25.0 million compared to \$18.0 million as of December 31, 2010
- Construction related to the New Concrete Storage Pad at Bulk Terminal No 1 was completed during the second quarter of 2011
- Construction related to the New Shop and Office at Bulk Terminal No. 1 was completed in the third quarter of 2011.
- Construction related to the Rail Project at Bulk Terminal No 1 was completed during the third quarter of 2011.

Additional information on the Lake Charles Harbor and Terminal District's capital assets can be found in note 7 on page 54-55

Lake Charles Harbor and Terminal District
Capital Assets

	2012 <u>(in thousands)</u>	2011 <u>(in thousands)</u>	2010 <u>(in thousands)</u>
Land	\$ 30,335	\$ 27,811	\$ 29,666
Buildings and facilities	311,100	310,052	304,960
Equipment	28,250	26,555	26,664
Construction in progress	42,994	25,022	17,981
Accumulated depreciation	<u>(160,070)</u>	<u>(154,220)</u>	<u>(146,846)</u>
	<u>\$ 252,609</u>	<u>\$ 235,220</u>	<u>\$ 232,425</u>

Economic Factors

The following factors were considered in preparing the District's budget for 2013.

- A decrease in expected volume and related revenues associated with the demolition of Bulk Terminal No. 2 during 2012.

- Increases in depreciation expense associated with the completion of several capital projects during 2013 and 2012.

Requests for Information

This financial report is designed to provide a general overview of the Lake Charles Harbor and Terminal District's finances. Questions concerning this report or requests for additional information should be addressed to Richert Self, Director of Administration and Finance, Lake Charles Harbor and Terminal District, 751 Bayou Pines East, Suite P, Lake Charles, LA 70601

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BASIC FINANCIAL STATEMENTS

Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF NET POSITION
ENTERPRISE FUND
December 31, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 44,336,903	\$ 42,183,508
Restricted current assets:		
Cash and cash equivalents	-	53,599
Receivables:		
Trade, net of allowance for doubtful accounts	6,846,003	6,249,400
Intergovernmental	2,123,307	2,959,828
Other	-	1,750
Property taxes, net of allowance for doubtful accounts	2,784,026	2,643,868
Inventory	1,692,931	1,847,270
Prepaid expenses	367,791	318,375
Insurance deposits	<u>2,930,564</u>	<u>2,758,417</u>
Total current assets	<u>61,081,525</u>	<u>59,016,015</u>
NONCURRENT ASSETS		
Capital assets, net of depreciation	<u>252,608,590</u>	<u>235,220,049</u>
Total assets	<u>313,690,115</u>	<u>294,236,064</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF NET POSITION

ENTERPRISE FUND

December 31, 2012 and 2011

LIABILITIES	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES (payable from current assets)		
Current maturities of long-term debt	\$ 17,547	\$ 17,641
Accounts payable	647,678	1,041,760
Contracts payable	5,813,937	3,433,648
Claims payable	287,864	434,574
Accrued expenses	2,383,685	1,670,458
Unearned revenues	2,856,753	3,263,476
Total current liabilities (payable from current assets)	<u>12,007,464</u>	<u>9,861,557</u>
NONCURRENT LIABILITIES (payable from unrestricted assets)		
Compensated absences, less current portion	503,433	462,322
OPEB liability	1,562,362	1,246,701
Unearned revenues, less current portion	179,692	228,413
Long-term debt, less current maturities	17,362	34,723
Total noncurrent liabilities (payable from unrestricted assets)	<u>2,262,849</u>	<u>1,972,159</u>
Total liabilities	<u>14,270,313</u>	<u>11,833,716</u>
NET POSITION		
Net investments in capital assets	252,573,681	235,167,685
Restricted for cash deposits required by the Dredge Material Management Plan	-	53,599
Unrestricted	46,846,121	47,181,064
Total net position	<u>\$ 299,419,802</u>	<u>\$ 282,402,348</u>

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

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 ENTERPRISE FUND
 Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues		
Vessel and cargo services	\$ 21,209,754	\$ 22,673,086
Rental of equipment and facilities	11,915,297	10,059,975
Other	501,739	4,197,140
Total operating revenues	<u>33,626,790</u>	<u>36,930,201</u>
Operating expenses		
Personnel services	9,866,485	10,344,600
Contractual services	4,157,185	4,361,893
Supplies, maintenance and operation of facilities	5,066,254	7,288,203
Heat, light and power	691,498	774,163
Depreciation and amortization	10,983,984	10,868,415
Total operating expenses	<u>30,765,406</u>	<u>33,637,274</u>
Operating income (loss)	<u>2,861,384</u>	<u>3,292,927</u>
Nonoperating revenues (expenses)		
Property taxes	2,812,823	2,623,133
Intergovernmental revenue	91,132	90,741
Interest income	241,935	248,971
Interest expense and fiscal charges	(4,145)	(317,470)
Retirement of assets	(522,144)	1,754,190
Other	(10,000)	(10,000)
Net nonoperating revenues (expenses)	<u>2,609,601</u>	<u>4,389,565</u>
Net income before contributions	<u>5,470,985</u>	<u>7,682,492</u>
Capital contributions		
Federal government	1,692,016	544,248
State government	9,854,453	4,427,736
Total capital contributions	<u>11,546,469</u>	<u>4,971,984</u>
Change in net position	17,017,454	12,654,476
Net position, beginning of year	<u>282,402,348</u>	<u>269,747,872</u>
Net position, end of year	<u>\$ 299,419,802</u>	<u>\$ 282,402,348</u>

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

Exhibit 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS
ENTERPRISE FUND

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers and users	\$ 32,576,493	\$ 35,643,972
Payments to employees and related benefits	(9,396,612)	(9,978,427)
Payments to suppliers	(9,932,827)	(13,303,932)
Net cash provided by operating activities	<u>13,247,054</u>	<u>12,361,613</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies received from other governments	<u>91,132</u>	<u>90,741</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes collected	2,672,665	2,597,751
Capital grants collected	12,382,989	2,508,244
Payments for capital acquisitions	(26,577,918)	(14,664,507)
Proceeds from sale of capital assets	63,539	3,815,866
Principal payments on long-term debt	(17,455)	(6,787,454)
Interest and fiscal charges paid (net of amount capitalized)	<u>(4,145)</u>	<u>(272,015)</u>
Net cash (used in) capital and related financing activities	<u>(11,480,325)</u>	<u>(12,802,115)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	-	1,357,000
Receipts of interest	241,935	250,988
Payments for investments	-	(680,000)
Net cash provided by investing activities	<u>241,935</u>	<u>927,988</u>
Net increase in cash and cash equivalents	2,099,796	578,227
Cash and cash equivalents		
Beginning of year	<u>42,237,107</u>	<u>41,658,880</u>
End of year	<u>\$ 44,336,903</u>	<u>\$ 42,237,107</u>

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS
 ENTERPRISE FUND
 Years Ended December 31, 2012 and 2011
 (Continued)

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 2,861,384	\$ 3,292,927
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	10,983,984	10,868,415
Changes in assets and liabilities		
(Increase) decrease in customer receivables	(594,853)	1,773,987
(Increase) decrease in inventory	154,339	(702,631)
(Increase) decrease in prepaid expenses and other assets	(221,563)	228,720
Increase (decrease) in accounts payable and accrued expenses	529,207	(29,589)
(Decrease) in deferred revenue	(455,444)	(3,060,216)
Other	(10,000)	(10,000)
Total adjustments	<u>10,385,670</u>	<u>9,068,686</u>
Net cash provided by operating activities	<u>\$ 13,247,054</u>	<u>\$ 12,361,613</u>
 Schedule of noncash investing, capital, and financing activities		
(Decrease) in grants receivable	\$ (1,246,309)	\$ (2,295,480)
(Loss) on property dispositions	(585,682)	(168,320)

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

Note 1 Summary of Significant Accounting Policies

The Lake Charles Harbor and Terminal District operates a deep water port on the Calcasieu River Pass to the Gulf of Mexico and embraces all areas served by rail lines, highways, and waterways that converge on Lake Charles, Louisiana

The financial statements of the Lake Charles Harbor and Terminal District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below

A. Reporting Entity

The Lake Charles Harbor and Terminal District is an independent political subdivision of the State of Louisiana and is authorized by Louisiana Revised Statutes 34.201-217. Portions of these statutes were amended and reenacted on May 29, 2003, by Act No. 149 relative to the appointment and terms of the District's Board of Commissioners; to the Board's responsibility for management of the District; and to provide for the employment of a port director, and other matters.

In accordance with the provisions of Act No. 149, the District is governed by a Board of seven commissioners appointed by the Governor, subject to Senate confirmation. Except for initial appointments and terms, commissioners shall serve four year terms. The Governor shall appoint one commissioner each from nominees submitted by the City of Lake Charles, the Calcasieu Parish Police Jury, the Cameron Parish Police Jury, and the City of Westlake. The remaining three commissioners shall be appointed from nominees submitted jointly by the State Legislators who represent any part of the District. No member shall serve more than two consecutive terms. After having served two consecutive terms, a commissioner shall not be eligible for appointment to the Board for a period of eight years after completing the second term.

The District is reported as a stand-alone entity as defined by GASB Statement No 14, *The Financial Reporting Entity*. The District is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the District.

B Fund Accounting

The Lake Charles Harbor and Terminal District uses a proprietary fund to report on its financial position and results of operations. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities provided to outside parties are accounted for by an enterprise fund type of the proprietary fund. The District is accounted for as an enterprise fund.

C. Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The District's accounts are organized into a single proprietary fund. The District's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the District applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

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

D. Budgets

Budgetary practices differ from generally accepted accounting principles (GAAP). Perspective differences result from the structure of financial information for budgetary purposes. Changes in fair market value of investment securities are not budgeted by the District. Capital contributions (grants) received by the District also are not budgeted.

During the year ended December 31, 2011, the District increased budgeted expenditures by \$2,000,000 for unanticipated dredging expenses and settlement of claims. During the year ended December 31, 2012, the District increased budgeted expenditures by \$200,000 for unanticipated expenditures incurred when relocating the District's administrative offices.

E Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and money market deposits

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the District has stated their investments at fair value at December 31, 2012 and 2011. Fair value was determined by obtaining "quoted" year end market prices. Cash and cash equivalents, which include cash, demand deposits, and money market deposits are stated at cost.

F Receivables

Trade receivables are carried at their estimated collectible amounts. Receivables are periodically evaluated for collectability based on past credit history with customers. Allowance for doubtful accounts is determined on the basis of the evaluation of collectability.

G. Property Taxes

Property taxes levied in any one year are recognized as revenues of that year. An allowance for uncollectible property taxes is based on historical experience in collecting property taxes.

H. Inventories

Inventories consist of parts, supplies, and fuel and are valued at the lower of cost (first-in, first-out) or market

I. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the current period are recorded as prepaid expenses and are recognized as expenses in the period benefited.

J Restricted Assets

Certain resources are set aside as part of the District's relationship with the U.S Army Corps of Engineers. As part of its Dredge Material Management Plan, certain amounts are required to be on deposit in designated bank accounts. These resources are classified as restricted assets on the balance sheet.

K Capital Assets

Property constructed or acquired by purchase is stated at cost or estimated historical cost if actual historical cost is not available. Donated property received by the District should be stated at the property's fair market value at the time of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Assets with an individual cost in excess of \$500 are generally capitalized.

Depreciation is computed using the straight-line method over the following useful lives

Buildings and marine construction	15 to 40 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 10 years

L Compensated Absences

Employees of the District earn annual leave and sick leave for each hour of regular duty, including time the employee is on paid leave or observing a paid holiday, based on the equivalent of years of full-time state service at varying rates. Employees may carry any unused accumulated annual and sick leave forward to succeeding years. As a result, there is no limit on the amount of such leave an individual may accumulate through the years of his employment. Upon his retirement or resignation, he must be paid at his current rate of pay, for all unused annual leave in an amount not to exceed 300 hours. An employee cannot be paid for any unused sick leave upon separation.

Effective July 12, 1989, employees who are required to perform overtime duty may, at the option of the District, be credited with compensatory leave for the hours they have been required to work. Upon separation from the District such employees will be paid for accumulated compensatory leave.

M. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively

N Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

O Net Position

Net position is displayed in three components.

- a Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets Constraints may be 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 - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position

P Cash Flows Statement

All short-term investments that are highly liquid are considered to be cash equivalents Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months

Q New Accounting Pronouncements

During the fiscal year ended December 31, 2012, the District adopted GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No 65, Items Previously Reported as Assets and Liabilities. The statement clarifies the appropriate reporting of deferred outflows of resources or deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB Nos. 65 must be implemented by the District for the year ending December 31, 2013. The effect of implementation on the District's financial statements has not yet been determined.

Note 2 Legal Compliance - Budget

The Executive Director prepares a proposed budget and submits same to the Board of Commissioners no later than fifteen days prior to the beginning of each fiscal year. The budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next year.

A summary of the proposed budget is published, a public hearing is held, and the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is adopted.

All changes in the budget must be approved by an affirmative vote of a majority of the Board of Commissioners

Expenditures may not legally exceed budget appropriations at the division level.

Note 3 Cash, Cash Equivalents and Investments

Interest rate risk. The District's investment policy is to not hold any investments with maturity greater than five years.

Credit risk. In accordance with state law, the Port limits investments to the following:

- a Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States with maturities less than five years.

- b United States federal instrumentalities, the principal and interest of which are fully guaranteed by the government of the United States, or United States government obligations, the principal and interest of which are guaranteed by any United States government agency or Government Sponsored Enterprise (GSE) with maturities less than five years.

- c Direct security repurchase agreements of any federal book entry only securities enumerated in subparagraphs 1 and 2. "Direct security repurchase agreement," means an agreement under which the political subdivision buys, holds for a specified time, and then sells back those securities and obligations enumerated in subparagraphs 1 and 2.

- d. Time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal offices in the State of Louisiana, savings accounts or shares of savings and loan associations and savings banks, as defined by LA. R S 6:703 and as authorized by LA. R.S. 6:949, or share accounts and share certificate accounts of federally or state chartered credit unions issuing time certificates of deposit For those funds made available for investment in time certificates of deposit, the rate of interest paid by the banks shall be established by contract between the bank and the political subdivision, however, the interest rate at the time of investment shall be a rate not less than fifty basis points below the prevailing market interest rate on direct obligations of the United States Treasury with a similar length of maturity.

- e. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies and which meet the requirements of applicable state law.

- f. Funds invested in accordance with the provisions of subsection 4 above shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution or in any one savings and loan association, unless the uninsured portion is collateralized by the pledge of securities in the manner provided by law.

- g. Guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financing program for political subdivisions which financing program is approved by the State Bond Commission and offered by a public trust having the state as its beneficiary, provided further that no such investment shall be for a term longer than eighteen months, and provided further that any such guaranteed investment contract shall contain a provision providing that in the event the issuer of the guaranteed investment contract is at any time no longer rated in either of the two highest short-term rating categories of Standard & Poor's Corporation or Moody's Investors Service, the investing unit of local government may either be released from the guaranteed investment contract without penalty, or be entitled to require that the guaranteed investment provider collateralize the guaranteed investment contract with any bonds or other obligations which as to principal and interest constitute direct general obligations of or are unconditionally guaranteed by, the United States of America, including obligations set forth in subparagraphs 1 and 2 to the extent unconditionally guaranteed by the United States of America
- h. In no event will any investment be selected and utilized until the Port Director is fully convinced that the appropriate District personnel have full familiarity with the nature and nuances of the specific investment vehicle. Furthermore, the Port Director will reasonably endeavor to make available whatever professional training is necessary to assist appropriate District personnel in the performance of their cash management duties and responsibilities.
- i. Generally, the District will invest in "money market instruments", which shall be those allowable investments outlined in the policy (see item IV, A, 1-8). An investment plan will be developed and carried out by the Port Director and/or his designee, which generally provides for investments with staggered maturity dates not exceeding five (5) years except in exceptional circumstances. The investment plan will provide for appropriate liquidity in accordance with the cash needs of the District while at the same time providing for an appropriate portion the District's investment portfolio to be invested on a staggered maturity basis in accordance with policy. Quarterly reports reflecting all investments, including cost and market value and yields shall be furnished to the Board of Commissioners
- j. Other forms of investments as may be authorized by law for the investment of public funds of political subdivisions of the State of Louisiana

As of December 31, 2012, all of the Port's investments were held according to policy.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure or a failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires that deposits in commercial banks and savings and loan associations be made only in those institutions that qualify to accept public-sector deposits that are protected or federally insured under the terms of prevailing laws. However, certain "sweep" or "automatic repo" accounts, and certain funds held under the terms of a "repurchase agreement" arrangement may not be protected or federally insured under the provisions of prevailing law. Therefore, such balances shall be protected through the appropriate application of securities safekeeping procedures, which will insure the reasonable safety and integrity of all District monies.

In accordance with a fiscal agency agreement that is approved by the Board of Commissioners, the District maintains demand and time deposits through an administrator bank at participating local depository banks that are members of the Federal Reserve System.

For reporting purposes, cash and cash equivalents include cash and demand deposits. Investments of the District include U S. Government Agencies securities, each having an original maturity in excess of three months from the date acquired

The District's deposits as of the balance sheet dates are entirely covered by FDIC insurance or by pledged collateral held by the District's agent banks in the District's name. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent.

Local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost, which approximates market and is equal to the value of the pool shares

Investments held at December 31, 2012 and 2011, consist of \$100,524 and \$100,378, respectively, in LAMP. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana

are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. This pool is rated AAAm by Standard & Poor's

At December 31, 2012 and 2011, cash equivalents and investments were restricted as shown below:

	<u>2012</u>	<u>2011</u>
Cash accounts required by the Dredge Material Management Plan	\$ -	\$ 53,599
Trust funds pursuant to the issuance of the 1994 Port Improvement Revenue Bonds:		
Principal Fund	-	-
Debt Service Reserve Fund	-	-
Depreciation Reserve Fund	-	-
	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ 53,599</u>

Note 4 Allowances for Doubtful Accounts

The changes in allowances for doubtful accounts during 2012 follow:

	<u>Trade Receivables</u>	<u>Property Taxes</u>
Balance January 1, 2012	\$ 48,110	\$ 26,706
Additions	-	1,415
Recoveries	<u>(48,110)</u>	<u>-</u>
Balance December 31, 2012	<u>\$ -</u>	<u>\$ 28,121</u>

The changes in allowances for doubtful accounts during 2011 follow:

	<u>Trade Receivables</u>	<u>Property Taxes</u>
Balance January 1, 2011	\$ 143,680	\$ 26,449
Additions	48,110	257
Recoveries	<u>(143,680)</u>	<u>-</u>
Balance December 31, 2011	<u>\$ 48,110</u>	<u>\$ 26,706</u>

Note 5 Property Taxes

The Lake Charles Harbor and Terminal District is authorized by Louisiana Revised Statute Number 34 209 to levy annually, when necessary, a property tax not to exceed 2.92 mills on the property subject to taxation situated within the District. All funds derived from this tax may be used for any lawful expenses or purposes by the Board. The 2012 assessed millage is 2 53 mills. The 2011 assessed millage was 2 60 mills.

Property taxes are levied on behalf of the District each November 15, the date the enforceable lien attaches, by the Tax Assessor for the Parish of Calcasieu. The levy is based on the assessed value listed as of June 1. Assessed values are established by the Tax Assessor and are approved and certified by the State Tax Commission. The tax levy is approved and certified by the Louisiana Legislative Auditor.

Total taxes levied for the year ended December 31, 2012 were \$2,903,024 on property with assessed valuation totaling \$1,301,345,201 less exempt valuation of \$153,911,075, for a net valuation of \$1,147,434,126

Total taxes levied for the year ended December 31, 2011 were \$2,751,501 on property with assessed valuation totaling \$1,211,750,104 less exempt valuation of \$152,017,521, for a net valuation of \$1,059,732,583.

The Sheriff and Tax Collector for the Parish of Calcasieu bills and collects taxes for the District. Taxes are due and payable on or before December 31. Interest charges are assessed on delinquent taxes at a rate of 15% per annum. Deductions from tax collections, for the billing and collection of taxes, totaled \$90,877 for 2012 and \$84,747 for 2011.

Note 6 Intergovernmental Receivable

Intergovernmental receivable represents amounts due from federal and state governments for the following.

	<u>2012</u>	<u>2011</u>
Department of Homeland Security-Port Security Grant	\$ 415,085	\$ -
FEMA Public Assistance Grant	200,383	311,485
Capital projects-State of Louisiana Ports Priority Program	<u>1,507,839</u>	<u>2,648,343</u>
	<u>\$ 2,123,307</u>	<u>\$ 2,959,828</u>

These amounts are shown on the statements of fund net position as.

	<u>2012</u>	<u>2011</u>
Intergovernmental receivable, current	\$ 2,123,307	\$ 2,959,828
Intergovernmental receivable, noncurrent	<u>-</u>	<u>-</u>
	<u>\$ 2,123,307</u>	<u>\$ 2,959,828</u>

Note 7. Capital Assets

A summary of changes in capital assets for the years ended December 31, 2012 and 2011 is as follows.

<u>2012</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated				
Land	\$ 27,810,684	\$ 2,535,171	\$ (10,507)	\$ 30,335,348
Construction in progress	<u>25,022,114</u>	<u>26,312,380</u>	<u>(8,340,866)</u>	<u>42,993,628</u>
Total capital assets not being depreciated	<u>52,832,798</u>	<u>28,847,551</u>	<u>(8,351,373)</u>	<u>73,328,976</u>
Capital assets being depreciated				
Buildings and operating facilities	310,051,603	6,507,044	(5,458,451)	311,100,196
Equipment, furniture and fixtures	<u>26,555,451</u>	<u>1,955,111</u>	<u>(260,738)</u>	<u>28,249,824</u>
Total capital assets being depreciated	<u>336,607,054</u>	<u>8,462,155</u>	<u>(5,719,189)</u>	<u>339,350,020</u>
Less accumulated depreciation for				
Buildings and operating facilities	135,808,721	9,589,942	(3,909,543)	141,489,120
Equipment, furniture and fixtures	<u>18,411,082</u>	<u>1,394,042</u>	<u>(1,223,838)</u>	<u>18,581,286</u>
Total accumulated depreciation	<u>154,219,803</u>	<u>10,983,984</u>	<u>(5,133,381)</u>	<u>160,070,406</u>
Total capital assets being depreciated, net	<u>182,387,251</u>	<u>(2,521,829)</u>	<u>(585,808)</u>	<u>179,279,614</u>
Total capital assets, net	<u>\$ 235,220,049</u>	<u>\$ 26,325,722</u>	<u>\$ (8,937,181)</u>	<u>\$ 252,608,590</u>

(continued on next page)

2011	Beginning Of Year	Additions	Reductions	End of Year
Capital assets not being depreciated				
Land	\$ 29,665,978	\$ 26,278	\$ (1,881,572)	\$ 27,810,684
Construction in progress	<u>17,980,773</u>	<u>15,739,507</u>	<u>(8,698,166)</u>	<u>25,022,114</u>
Total capital assets not being depreciated	<u>47,646,751</u>	<u>15,765,785</u>	<u>(10,579,738)</u>	<u>52,832,798</u>
Capital assets being depreciated				
Buildings and operating facilities	304,960,453	6,742,369	(1,651,219)	310,051,603
Equipment, furniture and fixtures	<u>26,663,797</u>	<u>1,914,658</u>	<u>(2,023,004)</u>	<u>26,555,451</u>
Total capital assets being depreciated	<u>331,624,250</u>	<u>8,657,027</u>	<u>(3,674,223)</u>	<u>336,607,054</u>
Less accumulated depreciation for				
Buildings and operating facilities	127,684,472	9,694,936	(1,570,687)	135,808,721
Equipment, furniture and fixtures	<u>19,161,037</u>	<u>1,173,479</u>	<u>(1,923,434)</u>	<u>18,411,082</u>
Total accumulated depreciation	<u>146,845,509</u>	<u>10,868,415</u>	<u>(3,494,121)</u>	<u>154,219,803</u>
Total capital assets being depreciated, net	<u>184,778,741</u>	<u>(2,211,388)</u>	<u>(180,102)</u>	<u>182,387,251</u>
Total capital assets, net	<u>\$ 232,425,492</u>	<u>\$ 13,554,397</u>	<u>\$ (10,759,840)</u>	<u>\$ 235,220,049</u>

Depreciation expense was \$10,983,984 for the year ended December 31, 2012 and \$10,868,415 for the year ended December 31, 2011.

Note 8 Operating Leases

Leases which the District has entered into as lessor are classified as operating leases. Following is a summary of property held for lease at December 31, 2012:

	2012	2011
Land	\$ 5,471,107	\$ 5,256,324
Buildings	<u>32,264,563</u>	<u>29,761,490</u>
	37,735,670	35,017,814
Less accumulated depreciation	<u>17,500,308</u>	<u>15,765,446</u>
	<u>\$ 20,235,362</u>	<u>\$ 19,252,368</u>

Minimum future rentals on operating leases having initial or remaining noncancelable lease terms in excess of one year are as follows:

2013	\$ 7,192,709
2014	6,709,565
2015	5,267,640
2016	4,254,643
2017	3,676,035
After 2017	<u>47,353,648</u>
	<u>\$ 74,454,240</u>

Of the above, the amount of \$228,413 was paid in full at the inception of the lease by the lessee, and is included in deferred revenues at December 31, 2012. The amount of \$277,131 is included in deferred revenues at December 31, 2011.

Note 9. Compensated Absences

Compensated absences are included in personnel services expenses for 2012. The District's liabilities for accumulated compensated absences as of December 31, 2012 and 2011 are as follows

		<u>2012</u>		
<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
\$ 513,691	\$ 80,995	\$ 35,316	\$ 559,370	\$ 55,937

		<u>2011</u>		
<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
\$ 515,787	\$ 43,086	\$ 45,182	\$ 513,691	\$ 51,369

Note 10. Noncurrent Liabilities

Certificates of Indebtedness:

The District entered into a certificate of indebtedness during 2008. The certificate was issued in the amount of \$104,167 payable in six (6) principal installments beginning in 2008 and bearing interest at a variable rate of no less than 7% or greater than 15%.

Debt service payments related to the certificates of indebtedness as of December 31, 2012 are as follows.

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 17,547	\$ 2,431
2014	<u>17,362</u>	<u>1,215</u>
	<u>\$ 34,909</u>	<u>\$ 3,646</u>

Changes in Noncurrent Liabilities

Noncurrent liabilities activity for the years ended December 31, 2012 and 2011 are as follows:

	<u>January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2012</u>	<u>Due Within One Year</u>
Certificates of indebtedness	\$ <u>52,364</u>	\$ <u>-</u>	\$ <u>(17,455)</u>	\$ <u>34,909</u>	\$ <u>17,547</u>

	<u>January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2011</u>	<u>Due Within One Year</u>
Bonds payable	\$ 6,770,000	\$ -	\$(6,770,000)	\$ -	\$ -
Certificates of indebtedness	<u>69,818</u>	<u>-</u>	<u>(17,454)</u>	<u>52,364</u>	<u>17,641</u>
	<u>\$ 6,839,818</u>	<u>\$ -</u>	<u>\$(6,787,454)</u>	<u>\$ 52,364</u>	<u>\$ 17,641</u>

Note 11 Port Facilities Revenue Bonds

On occasion, the District facilitates the issuance of tax-exempt bonds to finance the construction of industrial facilities within the District's boundaries. The facilities constructed or assets purchased with the bond proceeds are not owned by the District nor are the bonds themselves guaranteed in any manner by the District. These bonds are not included in the financial statements nor in the preceding schedules in Note 10 pertaining to noncurrent liabilities. The bonds and the interest coupons appertaining thereto do not constitute an indebtedness of the issuer within the meaning of any state constitutional or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the issuer or a charge against its general credit or taxing powers.

Following is a summary of port facilities revenue bonds outstanding at December 31, 2012 and 2011.

	2012	2011
Polycom-Huntsman, Inc. Project, Series 1995	\$ 8,000,000	\$ 8,000,000
Conoco, Inc Project, Series 1999A	-	20,900,000
Conoco, Inc Project, Series 1999B	-	3,400,000
Lake Charles Cogeneration, LLC, Series 2008	1,000,000,000	1,000,000,000
Lake Charles Cogeneration, LLC, Series 2010	90,000,000	90,000,000
Lake Charles Cogeneration, LLC, Series 2010A	161,000,000	161,000,000

Note 12 Retirement Benefits

Defined benefit pension plan:

Plan description:

The District contributes to the Louisiana State Employees' Retirement System (LASERS). The LASERS was established on July 1, 1947, and is the administrator of a cost-sharing multiple-employer public employee retirement system. The system was established and provided for within Title 11, Subtitle 11, Chapter 1 of the Louisiana Revised Statutes (LRS). Benefit provisions are authorized within LRS 11:441-501. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the LASERS, PO Box 44213, Baton Rouge, LA 70804-4213 or by calling 1-225-922-0600.

All District full-time employees, as defined, are eligible for membership to LASERS. Benefits vest after ten years of participation.

A person who is a member of LASERS prior to 7/1/2006 is eligible to retire after 10 years of service at age 60, 25 years at age 55, or after 30 years at any age. A person who becomes a member after 7/1/2006 is eligible to retire after ten (10) years of service at age 60. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% times the number of years of service times the average of the highest 3 consecutive years of creditable service. Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

Act 14 of the 1990 Louisiana Legislature provided for a new retirement option designated as the Deferred Retirement Option Plan (DROP) This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Funding policy:

Covered employees were required by Louisiana state statute to contribute 7.5% or 8%, depending on their hire date, of their salary to the plan. The current employer rate is 29.1% of annual covered payroll. Starting in 2011, Harbor police are treated as a separate group Harbor police are required to contribute 9.5% of their salary to the plan The current employer rate for Harbor police is 28% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The District's contributions to the Louisiana State Employees' Retirement System for each of the years ending December 31, 2012, 2011 and 2010 are presented below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Employer's contribution	\$ 1,415,173	\$ 1,239,376	\$ 1,044,532
Employees' contribution	<u>398,084</u>	<u>406,672</u>	<u>394,629</u>
Total	<u>\$ 1,813,257</u>	<u>\$ 1,646,048</u>	<u>\$ 1,439,161</u>

The required employer contribution percentage as of December 31, 2012, 2011 and 2010 were 29.1%, 25.6% and 22%, respectively. The required employer contribution percentage for Harbor police as of December 31, 2012 and 2011 was 28% and 23.1%, respectively. The required employee contribution percentage was 7.5% for employees hired before July 1, 2006. The required employee contribution for employees hired after July 1, 2006 was 8%. The required employee contribution percentage for Harbor police was 9.5%. The District's contributions equaled the required contribution for each of the three years.

Post-retirement benefits:

By action of the Board of Commissioners, in addition to the pension benefits described in Note 12, the District provides postretirement health care insurance benefits for retired employees. In 2011 and 2012, the District paid 0% of the retirees' and retirees' dependents' premiums

During 2012, twenty-four (24) retired employees were receiving benefits under this plan. During 2011, twenty-five (25) retired employees participated. These postretirement benefits are financed on a "pay-as-you-go basis" and the District recognizes the cost by expensing the annual insurance premiums. Total net cost to the District amounted to \$-0- for 2012 and \$-0- for 2011. The participants' share of the costs totaled \$134,034 for 2012 and \$142,188 for 2011

Deferred compensation plan:

Certain employees of Lake Charles Harbor and Terminal District participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the 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, PO Box 94397, Baton Rouge, Louisiana 70804-9397.

The contributions for the year ended December 31, 2012 consisted of \$222,394 from employees and \$202,398 from the District. Contributions for the year ended December 31, 2011 consisted of \$223,574 from employees and \$196,943 from the District

Note 13. Risk Management

In June, 2004, the District elected to enter into a joint cooperative agreement with the Calcasieu Parish Police Jury to implement a combined health and medical self-insurance plan for the employees of the District. The plan provides for both specific stop-loss and aggregate stop-loss coverage. For any one participant, the District is liable for the first \$200,000 of claims in any one calendar year. The aggregate stop-loss coverage will pay all claims over a maximum amount, which is calculated by multiplying the number of employees covered each month by the monthly stop-loss unit, which is determined by the insurance underwriter. Any claims not paid by the end of the calendar year will be considered in the calculation of next year's stop-loss coverage. In the aggregate, the amount of settlements has not exceeded insurance coverage since the inception of the plan. Nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments.

Changes in the balances of claims liabilities during the past two years are as follows

Unpaid claims, January 1, 2011	\$ 382,527
Incurred and adjusted claims	1,530,270
Claim payments	<u>(1,478,223)</u>
Unpaid claims, January 1, 2012	434,574
Incurred and adjusted claims	871,852
Claim payments	<u>(1,018,563)</u>
Total unpaid claims, December 31, 2012	<u>\$ 287,863</u>

The District's insurance reserves to fund future claims, on deposit with the Calcasieu Parish Police Jury, totaled \$2,930,564 and \$2,758,417 in 2012 and 2011, respectively

Note 14. Contingent Liabilities and Commitments

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 purchases commercial insurance for the risks of losses to which it is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and environmental.

At December 31, 2012, the District had committed approximately \$18.4 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities. Such commitments at December 31, 2011 totaled approximately \$16.5 million.

The District is involved in various lawsuits in the ordinary course of business. Management believes that the District's exposure will not exceed insurance coverage except for possible payment of insurance deductibles.

The District currently has two pending "Notice of Violations" and a warning letter from Louisiana Department of Environmental Quality (DEQ). This is simply an allegation of violations that is on appeal through a normal administrative hearing process before the DEQ.

Note 15. Unearned Revenue

The District has entered into several leases wherein the lessee has paid the total rentals due at the inception of the lease. Payment for the 2013 settlement of homestead exemption was received in 2012 and is shown as unearned revenue.

The District has also received and recorded as receivable certain amounts from FEMA and insurance that will not be earned until applicable repairs are made. These amounts are also reflected in unearned revenue.

	<u>Term Years</u>	<u>Total Rent</u>	<u>Unearned 12/31/12</u>	<u>Unearned 12/31/11</u>
Trunkline LNG land lease	40	\$ 741,907	\$ 74,190	\$ 92,738
Trunkline LNG land lease	40	1,208,430	154,220	184,393
Cash deposit on land - Pinnacle			1,993,908	2,500,000
Unearned grant			214,427	138,666
Various short-term leases			569,384	545,715
Homestead exemption settlement			<u>30,316</u>	<u>30,377</u>
Total			<u>\$ 3,036,445</u>	<u>\$ 3,491,889</u>

Note 16. Budgetary - GAAP Reporting Reconciliation

The accompanying Statements of Revenues, Expenses, and Changes in Net Position Budget and Actual (Budgetary Basis)-Enterprise Fund presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis. The change in fair value of investment securities was not budgeted. Capital contributions were also not budgeted. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), reconciliations of resultant basis and perspective differences in net income for the years ended December 31, 2012 and 2011 are presented on the budgetary comparison statement.

Note 17 Major Customers

A significant portion of the District's operating revenue has been derived from two major customers in 2012 and two in 2011.

each of the two customers accounted for 22% and 9%, respectively, in 2012,

each of the two customers accounted for 22% and 9%, respectively, in 2011

Trade receivables due from these customers as of December 31, 2012 and 2011 represented the following percentage of total trade receivables

each of the two customers accounted for 21% and 12%, respectively, in 2012,

each of the two customers accounted for 11% and 22%, respectively, in 2011

Note 18. Postemployment Healthcare Plan

Plan description

As noted in Note 12, the District participates in a combined health and medical self-insurance plan with the Calcasieu Parish Police Jury. The arrangement may be classified as an Agent Multiple-Employer Defined Benefit Healthcare Plan in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. By action of the Board of Commissioners, the District provides postemployment health care insurance benefits for retired employees. A separate financial report is not issued by the plan.

Funding policy:

The contribution requirements are determined by the District. Members receiving benefits contribute \$440 per month for retiree-only coverage and \$690 per month for retiree and spouse coverage to age 65, and \$238 and \$476 per month, respectively, thereafter.

The District funds the plan on a pay as you go basis, and therefore, does not contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 80.0 percent of annual covered payroll.

Annual OPEB cost and Net OPEB obligations:

The District's annual OPEB costs were 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 which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the January 1, 2011 actuarial valuation performed by an outside actuary consultant. The following table shows the components of the District's annual OPEB costs for the year and the amount estimated to have been contributed to the plan during the year.

Table 1

Annual required contribution	\$ 503,662
Interest on net OPEB obligation	37,242
Adjustment to ARC	<u>(57,015)</u>
Annual OPEB cost	483,889
District contributions made	<u>(168,228)</u>
Increase in net OPEB obligation	315,661
Net OPEB obligation - beginning of year	<u>1,246,701</u>
Net OPEB obligation - end of year	<u>\$ 1,562,362</u>

Table 2

Year Ended	Trend Information for OPEB Plan		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/10	\$ 310,280	0%	\$ 931,040
12/31/11	483,889	34.77%	1,246,701
12/31/12	483,889	34.77%	1,562,362

Table 3

Funding Status and Funding Progress

The following is a Schedule of Funding Status and Funding Progress for the OPEB Plan based on the current actuarial valuation

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2009	-	3,748,446	3,748,446	0%	6,111,309	61.3%
1/1/2011	-	5,367,308	5,367,308	0%	6,708,135	80.0%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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.

Actuarial methods and assumptions.

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 to include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The ARC for the plan was determined as part of the January 1, 2011 actuarial valuation using the following methods and assumptions.

Actuarial cost method	Projected unit credit
Amortization method	Level annual payments, closed
Remaining amortization period	25 years
Discount rate for valuing liabilities	4%
Health care cost trend rate	6.9%

Note 19 Reclassification

Certain transactions have been made to the 2011 financial statements to be in conformity with the 2012 method of presentation. The reclassifications had no effect on the change in net position or net position for the year ended December 31, 2011.

Note 20 Subsequent Events

Subsequent to December 31, 2012, the District awarded an exclusive terminal services and stevedoring services contract to Federal Marine Terminals (FMT). The four year contract with FMT provides for a minimum annual tonnage guarantee along with terminal and automated terminal fees.

On March 5, 2013, Lake Charles Stevedores, LLC filed suit in 14th Judicial Court against Defendants, Lake Charles Harbor and Terminal District, Cooper/T. Smith Stevedoring Corporation, Cavalair Corporation, Inc, Ports American Services, Inc and Ports America, Inc. seeking, inter alia, declaratory relief and damages from Defendants arising out of the termination of the Agreement between the Lake Charles Harbor and Terminal District and Lake Charles Stevedores seeking liquidated damages of approximately \$5.0 million and declaratory relief from the court declaring that an Assignment of Lake Charles Stevedores' rights to Liquidated Damages from the Lake Charles Harbor and Terminal District be declared null and void. The suit is in its initial stages and discovery has only recently commenced, however, the Lake Charles Harbor and Terminal District contests all claims by Lake Charles Stevedores and will vigorously defend the claim.

Subsequent events have been evaluated through June 14, 2013, the date the financial statements were available to be issued

REQUIRED SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR LAKE CHARLES HARBOR
AND TERMINAL DISTRICT'S RETIREE HEALTH PLAN
Year Ended December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of Percentage of Covered Payroll ((b-a)/c)
1/1/09	-	\$ 3,748,446	\$ 3,748,446	0%	\$ 6,111,309	61.3%
1/1/11	-	5,367,308	5,367,308	0%	6,708,135	80.0%

Only two years of trend information is available for presentation since 2009 was the first year for implementation of Government Accounting Standards Board (GASB) Statement No 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", and actuarial valuations are only required every two years

SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
 Years Ended December 31, 2012 and 2011

	2012			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Operating revenue				
Vessel and cargo services	\$ 21,096,094	\$ 21,096,112	\$ 21,209,754	\$ 113,642
Rental of equipment and facilities	10,182,172	10,182,168	11,915,297	1,733,129
Other	562,000	562,000	501,739	(60,261)
Total operating revenue	<u>31,840,266</u>	<u>31,840,280</u>	<u>33,626,790</u>	<u>1,786,510</u>
Operating expenses				
Personnel services	10,181,803	10,177,014	9,866,485	310,529
Contractual services	4,750,432	4,756,186	4,157,185	599,001
Supplies, maintenance and operation of facilities	4,943,923	5,145,755	4,466,254	679,501
Heat, light and power	831,174	831,180	691,498	139,682
Depreciation and amortization	11,826,392	11,826,397	10,983,984	842,413
Dredging	600,000	599,997	600,000	(3)
Total operating expenses	<u>33,133,724</u>	<u>33,336,529</u>	<u>30,765,406</u>	<u>2,571,123</u>
Operating income (loss)	<u>(1,293,458)</u>	<u>(1,496,249)</u>	<u>2,861,384</u>	<u>4,357,633</u>
Nonoperating revenue (expenses)				
Property taxes	2,694,000	2,694,000	2,812,823	118,823
Intergovernmental revenue	-	-	91,132	91,132
Interest income	210,000	210,000	241,935	31,935
Interest expense and fiscal charges	(57,600)	(57,600)	(4,145)	53,455
Retirement/impairment of assets	-	-	(522,144)	(522,144)
Other	(9,000)	(9,000)	(10,000)	(1,000)
Net nonoperating revenue (expenses)	<u>2,837,400</u>	<u>2,837,400</u>	<u>2,609,601</u>	<u>(227,799)</u>
Net income (loss) before contributions (budget basis)	1,543,942	1,341,151	5,470,985	<u>\$ 4,129,834</u>

2011

Budgeted Amounts		Actual	Variance With Final Budget
Original	Final		
\$ 20,929,173	\$ 20,929,173	\$ 22,673,086	\$ 1,743,913
9,400,469	9,400,469	10,059,975	659,506
491,800	491,800	4,197,140	3,705,340
<u>30,821,442</u>	<u>30,821,442</u>	<u>36,930,201</u>	<u>6,108,759</u>
10,055,934	10,055,934	10,344,600	(288,666)
4,536,498	4,536,498	4,361,893	174,605
4,140,320	5,440,320	6,117,109	(676,789)
732,742	732,742	774,163	(41,421)
11,579,023	11,579,023	10,868,415	710,608
<u>325,000</u>	<u>1,025,000</u>	<u>1,171,094</u>	<u>(146,094)</u>
<u>31,369,517</u>	<u>33,369,517</u>	<u>33,637,274</u>	<u>(267,757)</u>
<u>(548,075)</u>	<u>(2,548,075)</u>	<u>3,292,927</u>	<u>5,841,002</u>
2,400,000	2,400,000	2,623,133	223,133
90,000	90,000	90,741	741
246,000	246,000	248,971	2,971
(55,200)	(55,200)	(317,470)	(262,270)
(1,509,000)	(1,509,000)	1,754,190	3,263,190
-	-	(10,000)	(10,000)
<u>1,171,800</u>	<u>1,171,800</u>	<u>4,389,565</u>	<u>3,217,765</u>
623,725	(1,376,275)	7,682,492	<u>\$ 9,058,767</u>

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
 Years Ended December 31, 2012 and 2011
 (Continued)

	2012			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Net income (loss) before contributions (budget basis)	<u>\$ 1,543,942</u>	<u>\$ 1,341,151</u>	5,470,985	<u>\$ 4,129,834</u>
Capital contributions			<u>11,546,469</u>	
Net income (GAAP basis)			17,017,454	
Net position, beginning of year			<u>282,402,348</u>	
Net position, end of year			<u>\$ 299,419,802</u>	

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

2011			
Budgeted Amounts		Actual	Variance With Final Budget
Original	Final		
<u>\$ 623,725</u>	<u>\$ (1,376,275)</u>	7,682,492	<u>\$ 9,058,767</u>
		<u>4,971,984</u>	
		12,654,476	
		<u>269,747,872</u>	
		<u>\$ 282,402,348</u>	

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF INSURANCE IN FORCE

December 31, 2012

Insurance policies in force as of December 31, 2012

<u>Policy Type</u>	<u>Policy Number</u>	<u>Policy Provider</u>	<u>Policy Period</u>
Boiler & machinery	BME18964L181TIL11	Travelers Insurance Company	1/1/12-1/1/13
Business travel	ETB101464	Hartford	10/3/12-10/2/14
Commercial Automobile	ASK-Z91-433903-011	Liberty Mutual Insurance Company	4/15/12-4/15/13
Crime	CCP002364706	The Fidelity and Deposit Co. of Maryland	10/1/10-10/1/13
General liability	NY494348006	Liberty Mutual Insurance Company	10/1/12-10/1/13
Excess liability	NY494373006	Liberty Mutual Insurance Company	10/1/12-10/1/13
Excess liability	MASILSF00012011	Starr	10/1/12-10/1/13
Excess liability	SE11LIA9511/81	Navigators Insurance Company	10/1/12-10/1/13
Inland Marine equipment floater	RRP1365-5	Essex Insurance Company	4/21/12-4/21/13
Law enforcement liability	0202-1493	Darwin Select Insurance Company	6/18/12-6/18/13
Maritime employers liability	PP11V08107	Navigators Insurance Company	6/18/12-6/18/13
Public officials liability	G23632500 006	Illinois Union Insurance Company	10/1/12-10/1/13
Railroad liability	SCO9319035-00	Steadfast Insurance Company	10/1/12-10/1/13
Primary property	B0823PP1108007	Lloyd's of London	1/1/12-1/1/13
Primary property	B0823PP1108008	Lloyd's of London	1/1/12-1/1/13
Property Terrorism	PP1108009	Lloyd's of London	1/1/12-1/1/13
Excess property	D37373898002	Westchester Surplus Lines Insurance Co	1/1/12-1/1/13
Excess property	MAX4XP0050749	Alterra Excess & Surplus Ins Company	1/1/12-1/1/13
Excess property	ESP0031158-02	Arch Specialty Insurance Company	1/1/12-1/1/13
Excess property	000208794	James River Insurance Company	1/1/12-1/1/13
Excess property	030623852A	Allied World Assurance Company, (U S.), Inc	1/1/12-1/1/13
Excess property	GEP8967	Lloyd's of London	1/1/12-1/1/13
Workers compensation	100510-D	Louisiana Worker Compensation Corporation	6/18/12-6/18/13
Health care	Self insured with CPPJ	Stop loss carrier through CPPJ	1/1/12-12/31/12

STATISTICAL SECTION

This part of the Lake Charles Harbor and Terminal District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess government's more significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs

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Table 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)
 (Unaudited)

	Net Investment in Capital <u>Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2003	\$ 155,808	\$ 20,000	\$ 21,292	\$ 197,100
2004	163,677	18,750	22,787	205,214
2005	171,040	6,350	39,340	216,730
2006	191,430	6,391	37,125	234,946
2007	200,356	6,611	39,085	246,052
2008	208,860	6,583	37,723	253,166
2009	221,495	6,471	33,149	261,115
2010	225,586	2,032	42,130	269,748
2011	235,167	55	47,180	282,402
2012	252,574	-	46,846	299,420

Table 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
 SUMMARY OF REVENUES AND EXPENSES
 Years Ended December 31, 2003 through 2012
 (Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
OPERATING REVENUES				
Charges for services	\$ 15,590,573	\$ 20,474,040	\$ 19,351,888	\$ 21,073,220
Rentals	1,626,396	2,202,282	5,023,533	7,871,065
Other	<u>607,008</u>	<u>436,657</u>	<u>375,375</u>	<u>379,341</u>
Total	<u>17,823,977</u>	<u>23,112,979</u>	<u>24,750,796</u>	<u>29,323,626</u>
NONOPERATING REVENUES				
Property taxes	1,720,786	1,758,018	1,491,824	2,300,615
Intergovernmental revenue	89,221	655,857	89,318	89,166
Interest income	928,744	766,636	1,173,282	1,991,916
Other income	<u>(374,355)</u>	<u>(162,031)</u>	<u>19,751</u>	<u>61,827</u>
Total	<u>2,364,396</u>	<u>3,018,480</u>	<u>2,774,175</u>	<u>4,443,524</u>
OPERATING EXPENSES				
General and administrative	5,788,198	6,111,759	6,653,471	7,128,631
Maintenance and operation	10,924,350	10,882,954	8,752,833	10,627,105
Depreciation	<u>5,435,259</u>	<u>5,393,955</u>	<u>6,601,979</u>	<u>7,724,388</u>
Total	<u>22,147,807</u>	<u>22,388,668</u>	<u>22,008,283</u>	<u>25,480,124</u>
NONOPERATING EXPENSES				
Interest expense and fiscal charges	284,242	267,506	171,645	168,401
Intergovernmental expense	1,001,354	567,158	-	-
Other expenses	<u>1,314,002</u>	<u>43,083</u>	<u>822,071</u>	<u>(347,485)</u>
Total	<u>2,599,598</u>	<u>877,747</u>	<u>993,716</u>	<u>(179,084)</u>
Net income (loss) before contributions	<u>(4,559,032)</u>	<u>2,865,044</u>	<u>4,522,972</u>	<u>8,466,110</u>
Capital contributions:				
Federal government	140,000	2,282,572	1,433,812	529,061
State government	9,486,517	2,916,184	5,558,945	9,221,249
Other	<u>1,410,246</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total capital contributions	<u>11,036,763</u>	<u>5,248,756</u>	<u>6,992,757</u>	<u>9,750,310</u>
Change in net position	<u>\$ 6,477,731</u>	<u>\$ 8,113,800</u>	<u>\$ 11,515,729</u>	<u>\$ 18,216,420</u>

Table 2

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 21,040,668	\$ 21,841,492	\$ 19,408,860	\$ 23,564,920	\$ 22,673,086	\$ 21,209,754
8,034,696	8,564,493	8,764,583	10,807,934	10,059,975	11,915,297
<u>260,484</u>	<u>672,272</u>	<u>852,667</u>	<u>1,406,193</u>	<u>4,197,140</u>	<u>501,739</u>
<u>29,335,848</u>	<u>31,078,257</u>	<u>29,026,110</u>	<u>35,779,047</u>	<u>36,930,201</u>	<u>33,626,790</u>
2,197,493	2,370,487	2,318,463	2,634,642	2,623,133	2,812,823
89,102	91,827	92,875	90,114	90,741	91,132
1,898,195	1,215,960	298,711	280,535	248,971	241,935
<u>212,541</u>	<u>128,604</u>	<u>(83,629)</u>	<u>(11,094)</u>	-	-
<u>4,397,331</u>	<u>3,806,878</u>	<u>2,626,420</u>	<u>2,994,197</u>	<u>2,962,845</u>	<u>3,145,890</u>
7,527,770	9,086,400	8,583,507	9,727,094	10,344,600	9,866,485
11,399,575	11,907,649	10,353,634	11,461,563	12,424,259	9,914,937
<u>8,804,644</u>	<u>9,531,318</u>	<u>10,338,613</u>	<u>10,694,862</u>	<u>10,868,415</u>	<u>10,983,984</u>
<u>27,731,989</u>	<u>30,525,367</u>	<u>29,275,754</u>	<u>31,883,519</u>	<u>33,637,274</u>	<u>30,765,406</u>
21,631	21,866	37,890	39,278	317,470	4,145
-	-	-	-	-	-
<u>(886,908)</u>	<u>(218,347)</u>	<u>(286,587)</u>	<u>(692,481)</u>	<u>(1,744,190)</u>	<u>532,144</u>
<u>(865,277)</u>	<u>(196,481)</u>	<u>(248,697)</u>	<u>(653,203)</u>	<u>(1,426,720)</u>	<u>536,289</u>
<u>6,866,467</u>	<u>4,556,249</u>	<u>2,625,473</u>	<u>7,542,928</u>	<u>7,682,492</u>	<u>5,470,985</u>
40,907	500,000	2,334,638	323,098	544,248	1,692,016
4,198,125	2,057,751	2,988,308	767,275	4,427,736	9,854,453
-	-	-	-	-	-
<u>4,239,032</u>	<u>2,557,751</u>	<u>5,322,946</u>	<u>1,090,373</u>	<u>4,971,984</u>	<u>11,546,469</u>
<u>\$ 11,105,499</u>	<u>\$ 7,114,000</u>	<u>\$ 7,948,419</u>	<u>\$ 8,633,301</u>	<u>\$ 12,654,476</u>	<u>\$ 17,017,454</u>

Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
VESSEL AND CARGO REVENUES
Years Ended December 31, 2003 through 2012
(Unaudited)

	<u>Dockage</u>	<u>Wharfage</u>	<u>Storage</u>	<u>Cargo Handling</u>
2003	\$ 2,205,695	\$ 1,090,234	\$ 119,054	\$ 12,175,590
2004	2,129,766	1,145,668	187,801	17,010,805
2005	3,365,562	1,002,350	1,399,026	13,584,950
2006	3,532,713	1,010,328	1,757,223	14,772,956
2007	3,102,139	1,068,156	1,128,523	15,741,850
2008	3,900,503	1,564,268	598,616	15,778,105
2009	3,709,754	1,110,636	660,631	13,927,839
2010	3,671,637	1,332,864	621,922	17,938,497
2011	3,157,617	1,186,285	735,987	17,593,197
2012	3,298,082	1,214,559	586,193	16,110,920

SHIPPING ACTIVITIES
TONNAGE
(Unaudited)

2012 CARGO IMPORTS/EXPORTS
(Tons)

<u>Cargo</u>	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
General cargo	273,324	297,847	571,171
Bulk	1,784,973	2,804,094	4,589,067
Totals	<u>2,058,297</u>	<u>3,101,941</u>	<u>5,160,238</u>

Table 3

<u>Total Vessel & Cargo Revenue</u>	<u>Per Ton Dockage</u>	<u>Per Ton Wharfage</u>	<u>Per Ton Storage</u>	<u>Per Ton Cargo Handling</u>	<u>Per Ton Vessel & Cargo Revenue</u>
\$ 15,590,573	\$ 0.51	\$ 0.25	\$ 0.03	\$ 2.80	\$ 3.58
20,474,040	0.48	0.26	0.04	3.83	4.61
19,351,888	0.68	0.20	0.28	2.74	3.90
21,073,220	0.71	0.20	0.35	2.97	4.23
21,040,668	0.64	0.22	0.23	3.23	4.32
21,841,492	0.74	0.30	0.11	3.00	4.15
19,408,860	0.83	0.25	0.15	3.12	4.35
23,564,920	0.77	0.28	0.13	3.74	4.92
22,673,086	0.69	0.26	0.16	3.86	4.98
21,209,754	0.75	0.28	0.13	3.67	4.84

TEN YEAR CARGO
IMPORT/EXPORT TONNAGE

	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
2003	7,173,473	3,261,115	10,434,588
2004	5,323,538	3,205,853	8,529,391
2005	4,264,583	3,552,555	7,817,138
2006	5,420,466	3,270,760	8,691,226
2007	8,156,562	3,002,325	11,158,887
2008	2,602,599	3,397,882	6,000,481
2009	2,848,714	3,176,306	6,025,020
2010	3,201,428	3,396,998	6,598,426
2011	2,628,685	3,051,075	5,679,760
2012	2,058,297	3,101,941	5,160,238

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Table 4

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TAX REVENUES FOR BUSINESS TYPE ACTIVITIES

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

<u>Fiscal Year Ended</u>	<u>Property Tax</u>	<u>Revenue Sharing</u>	<u>Total</u>
2003	\$ 1,720,786	\$ 89,221	\$ 1,810,007
2004	1,758,018	89,294	1,847,312
2005	1,491,824	89,318	1,581,142
2006	2,300,615	89,166	2,389,781
2007	2,197,493	89,102	2,286,595
2008	2,370,487	91,827	2,462,314
2009	2,318,463	92,875	2,411,338
2010	2,634,642	90,114	2,724,756
2011	2,623,133	90,741	2,713,874
2012	2,812,823	91,132	2,903,955
	<u>\$ 22,228,284</u>	<u>\$ 902,790</u>	<u>\$ 23,131,074</u>

Table 5

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended <u>December 31</u>	Real Property		Personal Property	Less: Tax Exempt Real Property
	Residential Property	Public Services	Other	
2003	\$ 350,638,000	\$ 48,225,000	\$ 357,536,000	\$ 136,442,000
2004	359,913,000	60,089,000	376,705,000	136,969,000
2005	230,705,641	123,471,370	326,935,009	139,750,000
2006	261,771,883	122,992,500	231,499,680	141,183,060
2007	274,250,190	60,996,297	508,161,757	143,112,086
2008	340,730,510	64,628,447	531,748,403	148,564,836
2009	353,374,500	67,125,422	578,661,575	151,231,776
2010	362,117,416	91,626,557	595,786,454	152,098,006
2011	368,306,819	85,478,540	605,947,224	152,017,521
2012	423,983,521	90,809,059	632,641,547	153,911,075

All property assessments are made by the Calcasieu Parish Tax Assessor

Note: Starting in 2006, the values for all not-for-profit agencies were not included in the Total Taxable Assessed Value calculation.

Table 5

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value Percentage of Actual Value</u>
\$ 619,957,000	2 87	\$ 3,893,604,000	15.92%
659,738,000	2 74	4,136,859,000	15.95%
541,362,020	2.74	4,813,048,373	17.19%
616,264,063	2.74	5,298,097,993	16.80%
843,408,244	2.74	6,412,911,778	13.15%
937,107,360	2.60	7,210,808,241	13.00%
999,161,497	2 60	7,293,149,613	13.70%
1,049,530,427	2 60	8,264,019,110	12.70%
1,059,732,583	2 60	8,410,576,056	12.60%
1,147,434,127	2 53	9,724,018,017	11.80%

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PROPERTY TAX MILLAGE RATES
 DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
 (Unaudited)

<u>Fiscal Year</u>	<u>Lake Charles Harbor and Terminal District</u>		<u>Calcasieu Parish School Board</u>		
	<u>Operating Millage</u>	<u>Total</u>	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Total</u>
2003	2 87	2 87	19.56	39.50	59 06
2004	2 74	2 74	19 56	35 00	54 56
2005	2 74	2 74	18.72	36.50	55 22
2006	2 74	2.74	18 72	25.00	43.72
2007	2.74	2.74	18.72	25 50	44.22
2008	2.60	2 60	18 72	27.50	46.22
2009	2 60	2.60	18.72	24.00	42.72
2010	2 60	2 60	18 72	24.00	42 72
2011	2 60	2.60	18.72	24.00	42.72
2012	2.53	2.53	18.72	24.00	42 72

Table 6

Calcasieu Parish				City of Lake Charles			Total Direct & Overlapping Rates
Parish Police Jury	Special Districts	Airport Harbor & Terminal	Total	General & Special Revenue Funds	Debt Service Fund	Total	
45 40	38 49	9 20	93.09	16.43	0 00	16 43	171.45
52 84	37 89	9.20	99 93	16 43	0 00	16.43	173.66
44.19	38 50	8.80	91.49	16.09	0.00	16 09	165.54
44.99	48.49	8.80	102.28	16.09	0 00	16.09	164.83
47.21	49.00	8 80	105.01	16 09	0.00	16.09	168.06
41.50	46 65	8.80	96.95	16.09	0 00	16.09	161 86
39.28	45 50	8.34	93.12	15.35	0 00	15.35	153.79
33 02	41 78	8 34	83.14	15.35	0.00	15.35	143 81
33 02	40 92	8 34	82.28	15.35	0.00	15.35	142 95
33.82	41.09	8 14	83.05	15.35	0 00	15.35	143.65

Table 7

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PRINCIPAL PROPERTY TAXPAYERS
For the Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Type of Business	2012		Rank	Percentage of Total Valuation
		Assessed Valuation 2012			
Phillips 66 (formerly Conoco)	Refinery	\$ 95,510,900		1	8.32%
Entergy Gulf States, Inc	Electric company	74,964,680		2	6.53%
Axial Corporation (formerly PPG Industries)	Chemical plant	44,153,270		3	3.85%
CITGO Petroleum Corporation	Refinery	39,712,990		4	3.46%
PNK (Lake Charles) LLC	Hotel & casino	41,295,060		5	3.60%
Excel Paralubes	Lubricants	39,568,140		6	3.45%
SASOL North America, Inc	Chemical plant	36,311,380		7	3.16%
Entergy Texas, Inc.	Electric company	18,521,580		8	1.61%
WPT Corporation (formerly Westlake Petrochemicals)	Chemical plant	16,212,690		9	1.41%
Louisiana Pigment Co	Chemical plant	14,412,310		10	1.26%
Lyondell Chemicals Worldwide	Chemical plant				
Bellsouth Telecommunication	Telephone company				
Basell USA, Inc.	Chemical plant				
Totals		<u>\$ 420,663,000</u>			<u>36.65%</u>

Table 7

2003		
<u>2003</u>	<u>Rank</u>	<u>Percentage of Total Valuation</u>
\$ 39,041,410	1	6.30%
9,418,790	10	1.52%
35,200,850	2	5.68%
15,842,410	4	2.56%
19,021,760	3	3.07%
11,063,930	8	1.78%
9,548,740	9	1.54%
13,109,030	5	2.11%
12,564,200	6	2.03%
11,456,720	7	1.85%
<u>\$ 176,267,840</u>		<u>28.44%</u>

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Table 8

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TOP CUSTOMERS
For the Current Year and Nine Years Ago
(Unaudited)

Customer	2012		2003	
	Revenue	Percent of Operating Revenue	Revenue	Percent of Operating Revenue
Citgo Petroleum Corporation	\$ 7,554,697	22.45%	\$ 4,829,794	27.10%
Pinnacle Entertainment	2,862,133	8.50%		
Phillips 66 (formerly Conoco, Inc.)	2,781,601	8.27%	2,269,770	12.73%
Francis Drilling Fluids	2,171,780	6.45%		
Alcoa, Inc.	1,982,940	5.89%		
Halliburton			1,658,243	9.30%
Basden Agencies			1,282,541	7.20%
	<u>\$ 17,353,151</u>	<u>51.56%</u>	<u>\$ 10,040,348</u>	<u>56.33%</u>

Table 9

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended <u>December 31</u>	Total <u>Tax Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
2003	\$ 1,779,281	\$ 1,682,699	94.57%
2004	1,818,194	1,676,994	92.23%
2005	1,866,251	1,747,084	93.61%
2006	2,052,496	1,759,850	85.74%
2007	2,284,697	1,610,842	70.51%
2008	2,436,497	1,545,071	63.41%
2009	2,567,398	1,916,152	74.63%
2010	2,723,861	2,175,430	79.87%
2011	2,751,501	2,288,624	83.18%
2012	2,903,024	2,405,337	82.86%

Data source - Calcasieu Parish Tax Collector

Table 9

Collections in Subsequent Years	<u>Total Collections to Date</u>	
	<u>Amount</u>	<u>Percentage of Levy</u>
\$ 12,315	\$ 1,695,014	95.26%
11,912	1,688,906	92.89%
4,164	1,751,249	93.84%
17,632	1,777,482	86.60%
22,608	1,633,450	71.50%
2,622	1,547,693	63.52%
6,639	1,922,791	74.89%
8,365	2,183,795	80.17%
10,557	2,288,624	83.18%
-	2,405,337	82.86%

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Table 10

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

RATIOS OF OUTSTANDING DEBT
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Business Type Activities</u>		<u>Percentage of Personal Income 1</u>	<u>Per Capita 1</u>
	<u>Bonds and Certificates of Indebtedness</u>			
2003	\$	20,000,000	0 48	108.69
2004		18,750,000	0 50	101.18
2005		17,500,000	0.45	93.99
2006		16,250,000	0 40	86.89
2007		15,000,000	0 38	81.48
2008		14,020,767	0 36	75.97
2009		12,857,572	0.31	69.24
2010		6,839,818	0.15	35.48
2011		52,364	0.00	0.27
2012		34,909	0.00	0.18

Note. Details regarding the District's outstanding debt can be found in the notes to the financial statements

1 See the Schedule of Demographic Statistics for personal income and population data.

Table 11

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

REVENUE BACKED DEBT COVERAGE
Last Ten Fiscal Years
(amounts expressed in thousands)
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Gross revenues	\$ 20,562,728	\$ 26,293,490	\$ 27,505,220	\$ 33,705,323
Deductible operating expenses	<u>18,006,894</u>	<u>17,833,127</u>	<u>16,398,763</u>	<u>17,555,817</u>
Net revenues available	<u>2,555,834</u>	<u>8,460,363</u>	<u>11,106,457</u>	<u>16,149,506</u>
Current maturities long-term debt	1,250,000	1,250,000	1,250,000	1,250,000
Certificates of indebtedness	-	-	-	-
Interest expense	<u>339,163</u>	<u>357,962</u>	<u>478,281</u>	<u>658,776</u>
CMLTD plus interest expense	<u>1,589,153</u>	<u>1,607,962</u>	<u>1,728,281</u>	<u>1,908,776</u>
Debt service coverage ratio	1 61	5 26	6 43	8.46

Table 11

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 33,520,638	\$ 34,756,531	\$ 31,736,159	\$ 38,784,338	\$ 39,893,046	\$ 36,772,680
<u>18,060,856</u>	<u>19,823,472</u>	<u>18,660,069</u>	<u>20,532,356</u>	<u>23,096,329</u>	<u>19,795,567</u>
<u>15,459,782</u>	<u>14,933,059</u>	<u>13,076,090</u>	<u>18,251,982</u>	<u>16,796,717</u>	<u>16,977,113</u>
1,250,000	1,250,000	1,250,000	1,250,000	-	-
-	-	17,361	17,361	17,361	17,547
<u>693,239</u>	<u>455,421</u>	<u>180,198</u>	<u>177,797</u>	<u>317,471</u>	<u>4,145</u>
<u>1,943,239</u>	<u>1,705,421</u>	<u>1,447,559</u>	<u>1,445,158</u>	<u>334,832</u>	<u>21,692</u>
7 96	8 76	9 03	12 63	50 16	782 64

Table 12

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (amounts expressed in thousands)
 (Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 86,452	\$ 92,021	\$ 82,086	\$ 89,051
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 86,452</u>	<u>\$ 92,021</u>	<u>\$ 82,086</u>	<u>\$ 89,051</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

Legal Debt Margin Calculated for Fiscal Year 2012

Assessed value

Add back. Exempt real property
 Total assessed value

Debt limit (10% of total assessed value)

Total restricted assets available for principal
 payment

Legal capacity of Lake Charles Harbor and Terminal
 District

Note:

1. In the State of Louisiana, the first \$75,000 of a homeowners' primary residence is exempt from property tax. This is referred to as a "Homestead Exemption"
2. Under specific conditions, businesses can qualify for a ten year property tax exemption. The State grants this as an economic incentive for companies to locate or expand their business in Louisiana.

Table 12

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 101,000	\$ 108,567	\$ 115,039	\$ 120,163	\$ 121,175	\$ 130,135
-	-	-	-	-	-
<u>\$ 101,000</u>	<u>\$ 108,567</u>	<u>\$ 115,039</u>	<u>\$ 120,163</u>	<u>\$ 121,175</u>	<u>\$ 130,135</u>
0%	0%	0%	0%	0%	0%

\$ 1,147,434,127

153,911,075
1,301,345,202

130,134,520

34,909

130,099,611

Table 13

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

 DEMOGRAPHIC STATISTICS IN THE PARISH
 Last Ten Fiscal Years
 (Unaudited)

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>
2003	184,005	\$ 4,194,209,970	\$ 22,794
2004	185,311	3,734,757,894	20,154
2005	186,181	3,924,323,118	21,078
2006	187,017	4,089,687,756	21,868
2007	184,092	3,916,189,116	21,273
2008	184,563	3,935,252,286	21,322
2009	185,697	4,136,957,766	22,278
2010	192,768	4,488,988,416	23,287
2011	192,777	4,626,069,669	23,997
2012	194,493	4,670,360,409	24,013

Data sources.

- 1 SWLA Chamber of Commerce
- 2 Calcasieu Parish School Board
- 3 U S. Department of Labor

Table 13

<u>Median Age</u>	<u>Average ACT Score Core²</u>	<u>School Enrollment²</u>	<u>Unemployment Rate³</u>
35	19.8	33,677	6.2
35	20.1	33,086	5.2
34	20.1	33,294	7.1
34	20.4	32,821	3.4
36	20.3	32,975	3.7
36	20.3	32,500	4.8
36	20.2	32,651	6.4
35	20.3	32,939	7.0
35	20.4	33,134	8.3
36	20.4	33,003	8.8

Table 14

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PRINCIPAL EMPLOYERS IN CALCASIEU PARISH
 For the Current Year and Nine Years Ago
 (Unaudited)

Employers	Type of Business	2012			2003		
		Rank	Number of Employees	Percentage	Rank	Number of Employees	Percentage
Calcasieu Parish School Board	Education	1	5,640	33%	1	4,000	20%
Pinnacle Entertainment	Gaming	2	2,034	12%			
Axiall Corporation (formerly PPG Industries)	Basic chemical plant	3	1,540	9%	7	1,625	8%
Turner Industries	Fabrication	4	1,500	9%	3	2,000	10%
Lake Charles Memorial Hospital	Health care	5	1,194	7%	6	1,700	9%
CITGO Petroleum Corporation	Oil products	6	1,160	7%	5	1,865	10%
City of Lake Charles	Government	7	1,032	6%			
Isle of Capri	Gaming	8	1,009	6%	3	2,000	10%
Calcasieu Parish Sheriff's Office	Police protection	9	980	6%			
McNeese State University	Education	10	937	6%			
Christus St Patrick Hospital	Health care				2	2,782	14%
Harrah's Riverboat Casino	Gaming				8	1,450	7%
Conoco	Refinery products				9	1,200	6%
Calcasieu Parish Police Jury	Government				10	950	5%
Total			<u>17,026</u>	<u>100%</u>		<u>19,572</u>	<u>100%</u>

Source: SWLA Chamber of Commerce and IMCAL

Table 15

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

FULL-TIME EMPLOYEES BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Board of Commissioners	7	7	7	7	7	7	7	7	6	7
Executive	2	2	2	2	2	2	2	2	2	2
Administrative	15	16	15	15	14	14	14	15	15	14
Legal	3	3	3	3	3	3	3	2	2	2
Engineering	1	2	4	4	3	3	3	3	3	3
Sales and Marketing	2	3	3	3	3	3	3	3	2	2
Navigation and Security	17	12	13	14	15	16	17	17	14	18
Traffic	2	3	3	3	2	2	2	2	2	2
Safety	1	1	1	2	2	2	2	2	2	2
Maintenance	24	35	36	29	24	18	25	22	22	23
Operation	<u>33</u>	<u>31</u>	<u>39</u>	<u>48</u>	<u>47</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>50</u>	<u>50</u>
Total	<u>107</u>	<u>115</u>	<u>126</u>	<u>130</u>	<u>122</u>	<u>124</u>	<u>132</u>	<u>129</u>	<u>120</u>	<u>125</u>

Table 16

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Transit sheds - square feet	871,760	871,760	1,021,760	1,021,760
Warehouses - square feet	543,360	543,360	538,000	538,000
Docks - number amount				
Dry cargo	10	11	11	11
Bulk materials	3	3	3	3
Open berth	1	1	1	1
Grain elevator	1	1	1	1
Track - miles	37	37	37	37

Sources Various District departments

Table 16

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1,221,760	1,221,760	1,221,760	1,221,760	1,221,760	1,221,760
538,000	520,400	520,400	520,400	520,400	520,400
11	11	11	11	11	11
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
37	37	37	37	37	37

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**LAKE CHARLES HARBOR AND TERMINAL DISTRICT
LAKE CHARLES, LOUISIANA**

**OMB CIRCULAR A-133
SUPPLEMENTARY REPORTS**

YEAR ENDED DECEMBER 31, 2012

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

LAKE CHARLES, LOUISIANA

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05103 000 Audit 12/31/2012 v2 1100 002 LAKE CHARLES HARBOR AND TERMINAL DISTRICT and Comp

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

Board of Commissioners
Lake Charles Harbor and Terminal District
Lake Charles, 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 Lake Charles Harbor and Terminal District (the District), Lake Charles, Louisiana, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lake Charles Harbor and Terminal District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Charles Harbor and Terminal District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document

Ms. Elroy, Quind + Burch

Lake Charles, Louisiana
June 14, 2013

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Billy D. Fisher, CPA
Joe G Peshoff, II, CPA, CVA
David M DesOrmeaux, CPA

Michael N McGee, CPA
Paula J. Thompson, CPA
Robin Anderson Conrad, CPA



Judson J. McCann, Jr., CPA, Retired
Marin L. Chehotsky, CPA, CFE, CFP™
Carl W Comeaux, CPA, Retired

CFE Certified Fraud Examiner
CFP Certified Financial Forensics
MT Masters of Taxation
CVA Certified Valuation Analyst
CFP Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners
Lake Charles Harbor and Terminal District
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Lake Charles Harbor and Terminal District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The Lake Charles Harbor and Terminal District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Lake Charles Harbor and Terminal District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of

the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lake Charles Harbor and Terminal District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Lake Charles Harbor and Terminal District's compliance.

Basis for Qualified Opinion on Port Security Grant

As described in the accompanying schedule of findings and questioned costs, the Lake Charles Harbor and Terminal District did not comply with requirements regarding the Davis-Bacon Act as it relates to CFDA 97.116 Port Security Grant as described in finding number 2012-02. Compliance with such requirements is necessary, in our opinion, for the Lake Charles Harbor and Terminal District to comply with the requirement applicable to that program.

Qualified Opinion on Port Security Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Lake Charles Harbor and Terminal District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Port Security Grant for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Lake Charles Harbor and Terminal District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lake Charles Harbor and Terminal District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lake Charles Harbor and Terminal District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-01 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. The item noted in the preceding paragraph as a material weakness is also considered a significant deficiency.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Lake Charles Harbor and Terminal District as of and for the year ended December 31, 2012, and have issued our report thereon dated June 14, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Ms. Elroy, Quirk & Burch

Lake Charles, Louisiana
June 14, 2013

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012

<u>Grant Description</u>	<u>Federal CFDA Number</u>	<u>Current Grant Expenditures</u>
Disaster Grants - Public Assistance	97.036	\$ 17,443
Port Security Grant Program (ARRA)	97.116	<u>1,674,572</u>
		<u>\$ 1,692,015</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012

Note A Scope of Audit

The audit was performed pursuant to the *Single Audit Act of 1996* and *OMB Circular A-133*

Summary of significant accounting policies.

The above Schedule of Expenditures of Federal Awards has been prepared on the full accrual basis of accounting used by the District in preparation of the government wide financial statements that report these awards. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The preparation of the Schedule of Expenditures of Federal Awards in conformity with accounting principles generally accepted in the United States of America requires management to make certain assumptions that affect the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

Note B. Disbursements

Disbursements reported in the Schedule of Expenditures of Federal Awards cannot be traced, in every case, directly to the disbursements reported in the District's Comprehensive Annual Financial Report (CAFR). However, the detailed information regarding the disbursements reflected in both issued reports can be traced to the District's detailed general ledger with adjustments for any year-end financial statement accruals and reversals.

Note C Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District that were received directly from federal agencies or passed through other entities and governmental agencies

The District has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. OMB Circular A-133 stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures of each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and for other federal financial awards that have not been assigned a catalog number.

Note D Major Federal Awards Program

The District's major federal awards programs for the year ended December 31, 2012 were determined based on program activity. The District's major program for the year ended December 31, 2012 was the only federally assisted "Type A" program for which activity was greater than or equal to \$300,000 during the year ended December 31, 2012

Note E. Subsequent Events

The District is required to evaluate events or transactions that may occur after the schedule of expenditures of federal awards date for potential recognition or disclosure in the notes to the schedule of expenditures of federal awards. The District performed such an evaluation through June 14, 2013, the date which the schedule of expenditures of federal awards was available to be issued, and noted no events or transactions that occurred after the schedule of expenditures of federal awards date requiring recognition or disclosure.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:
Material weakness identified? ___ Yes X No
Significant deficiency identified not
Considered to be material weakness? ___ Yes X None reported
Noncompliance material to financial statements
noted ___ Yes X No

Federal Awards

Internal control over major programs:
Material weakness identified? X Yes ___ No
Significant deficiency identified not
Considered to be material weakness? ___ Yes X None reported
Type of auditor's report issued on compliance
for major programs: Modified
Any audit findings disclosed that are required
to be reported in accordance with Circular
A-133, Section 510(a)? X Yes ___ No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.116	Port Security Grant Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___ Yes X No

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings to report.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2012

(Continued)

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2012-01 Port Security Grant Program CFDA #97 116

Condition. The District failed to identify compliance with the Davis-Bacon Act to be a material compliance requirement for the grant. Consequently, the District did not design nor implement the necessary controls to ensure compliance with the Davis-Bacon Act.

Criteria. The District's Port Security Grant relates to the relocation of its main security entrance. It meets the criteria of a construction project and therefore, subjects the District to compliance with the Davis-Bacon Act that requires that prevailing wage rates be paid on all federally funded construction projects.

Effect: Without the proper design and implementation of internal control over the compliance requirements of the Davis-Bacon Act, the District may have violated the Act without detection.

Recommendation The District should immediately design and implement controls to ensure compliance with the Davis-Bacon Act. This should include a review of all related contracts to determine that proper references for the need to pay prevailing wage rates are present and communicated to contractors and subcontractors. The District should also implement control activities to receive certified payrolls each pay period and compare wage rates to published prevailing wage rates to ensure compliance.

Response Immediately upon being made aware of this finding, the District implemented corrective actions. These included the following:

- 1 The District executed a construction change order with the general contractor for the construction of the main security entrance. This change order added the David-Bacon Act requirements in the grant to the terms and conditions of the construction contract. Additionally, the District executed a change order for the management and potential wage differential for the labor on the project. This included

receiving certified payroll from the beginning of the project and through the remainder of the project. The certified payrolls were reviewed and compared to the prevailing wages at the time of receiving bids. Currently, certified payrolls are received weekly.

2. The District has received all certified payrolls from the beginning of the project and compared to the prevailing wages at the time of receiving all bids. The District has found two subcontractors out of compliance with the prevailing wage requirements. The general contractor has executed a change order with the District for compensation to the subcontractor's employees to meet the wage requirements. Once that payment is issued, copies of the compensation shall be sent to the District for verification.
3. The District has contracted with a grant consultant that will assist the District with future grant compliance.

2012-02 Port Security Grant Program CFDA #97.116

Condition. The District failed to comply with the Davis-Bacon Act.

Criteria The District's Port Security Grant relates to the relocation of its main security entrance. It meets the criteria of a construction project and therefore, subjects the District to compliance with the Davis-Bacon Act that requires that prevailing wage rates be paid on all federally funded construction projects.

Effect: The District did not include required references to the need to pay prevailing wage rates in any of the contracts executed with its Port Security Grant Program. The District also failed to review required certified payrolls for compliance with the Davis-Bacon Act during the audit period. Subsequent to the audit period after notification of its noncompliance, the District retroactively reviewed payroll submissions for the duration of the contract. Upon review of the certified payrolls of the contractors participating in the project, the District determined that two contractors had instances where they had paid employees below the prevailing wage rate standard. The total dollar impact of these underpayments was \$810.

Recommendation. The District should immediately amend all related contracts to ensure that proper references for the need to pay prevailing wage rates are present and communicate those changes to all contractors and subcontractors. The District should also implement control activities to receive certified payrolls each pay period and compare wage rates to published prevailing wage rates to ensure compliance.

Response

Immediately upon being made aware of this finding, the District implemented several corrective actions. These included the following:

1. The District executed a construction change order with the general contractor for the construction of the main security entrance. This change order added the David-Bacon Act requirements in the grant to the terms and conditions of the construction contract. Additionally, the District executed a change order for the management and potential wage differential for the labor on the project. This included receiving certified payroll from the beginning of the project and through the remainder of the project. The certified payrolls were reviewed and compared to the prevailing wages at the time of receiving bids. Currently, certified payrolls are received weekly.
2. The District has received all certified payrolls from the beginning of the project and compared to the prevailing wages at the time of receiving all bids. The District has found two subcontractors out of compliance with the prevailing wage requirements. The general contractor has executed a change order with the District for compensation to the subcontractor's employees to meet the wage requirements. Once that payment is issued, copies of the compensation shall be sent to the District for verification.
3. The District has contracted with a grant consultant that will assist the District with future grant compliance.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2012

No Findings to Report