

LAKE CHARLES HARBOR AND TERMINAL DISTRICT  
LAKE CHARLES, LOUISIANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT-  
A COMPONENT UNIT OF THE STATE OF LOUISIANA

FOR THE YEAR ENDED DECEMBER 31, 1999

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 JUL 12 2000

Prepared by the  
Staffs of the Administration and Finance,  
and Sales and Marketing Divisions  
Lake Charles Harbor and Terminal District

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT-  
A COMPONENT UNIT OF THE STATE OF LOUISIANA  
December 31, 1999

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## **INTRODUCTORY SECTION**

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

P.O. BOX 3753  
LAKE CHARLES, LOUISIANA 70602  
337-439-3661

BOARD OF COMMISSIONERS

Hillery J. Langley, Jr.  
Larry R. DeRouen  
Ozie Rideaux  
James C. Watts  
Charles R. Donaldson, Jr.  
George E. Williams  
Donald R. Tousand

President  
Vice-President  
Treasurer  
Secretary  
Assistant Secretary/Treasurer  
Commissioner  
Commissioner

EXECUTIVE DIRECTOR

Glenwood W. Wiseman

MANAGING DIRECTOR

Terry T. Jordan

May 31, 2000

*Board of Commissioners*  
Citizens of the District  
Lake Charles Harbor & Terminal District  
Lake Charles, Louisiana



**Lake Charles  
Harbor  
& Terminal  
District**

Post Office Box 3753  
Lake Charles, LA 70602  
Phone 318-439-3661  
Facsimile 318-493-3523

We are pleased to submit to you the Comprehensive Annual Financial Report of the Lake Charles Harbor & Terminal District (the District) for the year ended December 31, 1999. This report has been prepared by the District's Administration and Finance Department in accordance with generally accepted accounting principles, and the financial statements contained herein have been independently audited in accordance with applicable law and governmental auditing standards. However, the Administration and Finance Department, under the direction of the Executive Director, is responsible for both the accuracy and fairness of the presentation, including all note disclosures.

We believe the data is presented accurately in all material respects and that the presentation is designed to fairly set forth the financial position and results of operations of the District as measured by its financial activity. We believe that all disclosures necessary to enable the reader to gain understanding of the District's financial affairs have been included.

The report consist of three sections:

1. **Introductory Section**, including this letter of transmittal which provides an overview of the District's activities and financial operations, the Certificate of Achievement for Excellence in Financial Reporting, the District's organizational chart, and a list of principal officers.
2. **Financial Section**, including the District's general-purpose financial statements and accompanying independent auditor's report on the financial statements. The notes accompanying the financial statements contained in this section provide additional supporting data, explanations and disclosures.
3. **Statistical Section**, including tables of unaudited data showing the recent financial history of the District, demographic and economic characteristics and trends, taxation and debt service as well as other information.

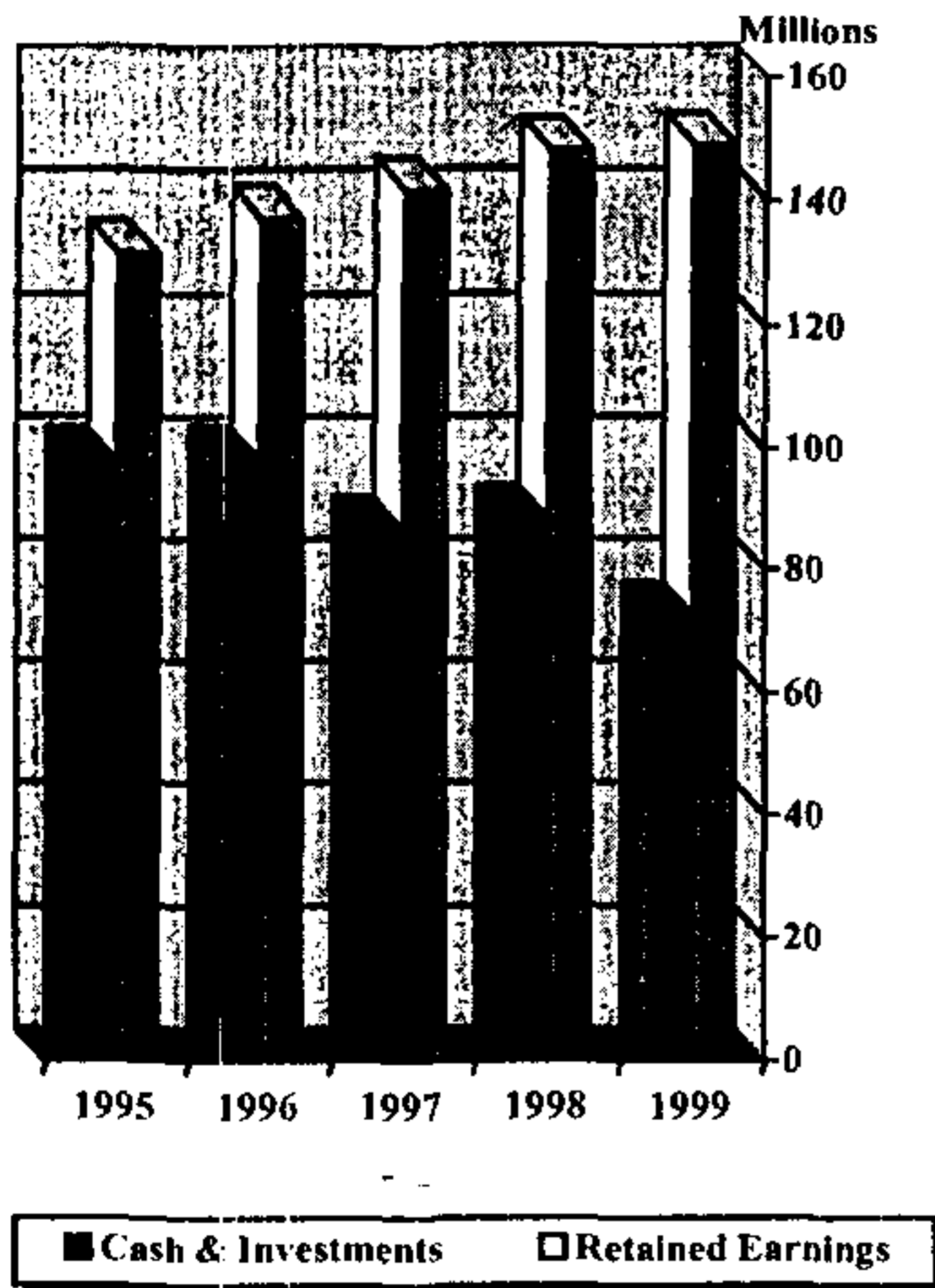
Certain demographic information and miscellaneous statistics included in this annual report do not come from the District's financial records but are presented for the reader's information.

The Lake Charles Harbor and Terminal District is a component unit of the State of Louisiana and 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 following information intended to present an overview of the operations and accomplishments of the Lake Charles Harbor and Terminal District, significant activities and future plans and other information to enable the reader to understand the nature of the entity and its operations.

### FINANCIAL GROWTH

Cash & Investments/Retained Earnings



### HIGHLIGHTS 1999

Cash and investments decreased approximately 18.9% over 1998 from \$88,706,629 to \$71,963,553 in 1999. Cash and investments are expected to continue to decrease during 2000 as the District continues its aggressive long-term capital project program. The projected positive cash flow from operations during 2000 plus prior year reserves will be expended to fund this ambitious capital program.

Retained earnings increased approximately .5% from \$148,098,606 in 1998 to \$148,871,278 in 1999.

Total operating revenues decreased 8.6% from \$16,319,102 in 1998 to \$14,922,167 in 1999. Vessel cargo service revenues decreased 11.1% from, \$14,595,917 in 1998 to \$12,969,494 in 1999. Total cargo tonnage increased 5.3% from 7,139,385 in 1998 to 7,514,996 in 1999.

The financial statements included in the financial and statistical portion of the documents show the decreased net income during 1999 resulting from a decrease primarily in bulk cargo handled.

## FUTURE GROWTH OF THE DISTRICT

The Lake Charles Harbor & Terminal District saw many changes during its 1999 fiscal year. World economies, as one would expect had an impact on the District's performance. Depressed world market prices for crude oil in 1999 resulted in a significant decrease in oil exploration activity. This, in turn, had a negative effect on the importation of barite, an ore used to create drilling mud used in the offshore oil business.

Barite importation was down almost sixty percent from 1998, or approximately 225,000 tons. This resulted in a decrease of revenue over 1998 of just over one million dollars. The exportation of woodchips ceased near the end of 1998 due to the Asian financial crisis and has not resumed at this time. This loss of tonnage caused a \$730,000 decrease in revenues. These two commodities accounted for the 1999 decrease in operating revenues and then some.

On the bright side, today, with oil prices in the thirty-dollar per barrel range, we are seeing a significant increase in the importation of barite. As of the end of April 2000, the District had already received imports of barite equaling all of 1999. Additionally, the District constructed a 10 acre container yard and saw its container traffic increase from 337 containers in 1998 to 12,459 containers in 1999.

Breakbulk cargo traffic increased 41 percent or 313,000 tons. Breakbulk cargoes are typically labor intensive and generate considerable economic benefit to the community. A recent economic study stated that every ton of breakbulk cargo handled at the District generated 50 dollars to the local economy while bulk cargo generated only 7 dollars. *The District is quite proud of its ability to attract breakbulk cargo and contribute so significantly to the local economy.*

Construction projects are in full swing at the District. The new bagging facility went into full operation in September of 1999. The construction of a new berth next to the bagging facility is nearing completion and it is anticipated that a contract to construct a waterside transit on the berth will be awarded this fall with an anticipated completion date in late 2001. This new berth will become home to the District's two spiralveyors that were purchased from the Port of Galveston in 1997. The expansion of the bulk grain facility's storage capacity by 6,000 tons is also complete.

These construction projects: the new bagging facility, new berth with transit shed, spiralveyors, and bulk grain storage expansion, are expected to cost \$64 million. They are all part of the District's goal to maintain its advantage in attracting breakbulk cargoes.

The construction of a second berth at Bulk Terminal No. 1 is nearly complete and a new ship loader for the terminal should arrive before year-end. These modernization projects will increase dramatically the capacity of this facility. It will be able to handle two vessels simultaneously, either loading one and unloading the other, or loading both. During 1999, the District saw a ten percent increase in the amount of petroleum coke handled at this facility, and it wants to be able to handle additional increases and more



diversified cargoes. These modernization projects will set the stage for the District to accomplish these goals.

The District also saw a marked increase in tonnage handled through some of its leased properties. Most significantly was the 880,000 ton increase through Trunkline's liquid natural gas plant. This lease, however, does not have tonnage-derived revenues, thus the District saw no increase in its revenues for this facility.

We are excited about the future and its prospects. It is strongly felt that under the direction of the Board of Commissioners and upper management that the District has positioned itself for strong future growth.

## ECONOMIC CONDITION AND COMMUNITY PARTICIPATION

The economic forecast for the local metropolitan statistical area (Calcasieu Parish) is good. It is projected that 3,000 new jobs will be created in the Parish in 2000-2001. This implies a growth rate equal to that projected for the state. This figure would be larger except that few chemical firms have expansion plans on the board.

There are other positive factors on the horizon for the Parish. First, Global Industries is moving its headquarters from Lafayette to Lake Charles and is using their Lake Charles site as homeport to its unique deep water pipe laying ship. The firm is now at 200 workers and plans to raise that to 700 soon. Unifab International has a facility under construction. It should be completed soon and expand to about 500 employees.

The gaming industry is poised to boost its presence in the area. The Isle of Capri is building a 250-room luxury hotel on the west bank of the Calcasieu River. Hollywood Park has submitted an application for the last (15<sup>th</sup>) riverboat license in the State. If successful, Hollywood will invest \$150 million in the facility that would be located on Lake Charles Harbor and Terminal District property.

The District remains committed to the Community and participates in several Southwest Louisiana events including Contraband Days, Martin L. King Day, and the International Rice Festival, to name a few. The District continuously conducts tours for area schools, civic organizations, and business and trade delegations.

## DRY BULK CARGO TERMINALS

The District owns four 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 shiploaders, 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 District manages diverse marine terminal facilities accommodating a wide range of cargo needs. Facilities include 935,835 square feet of cargo sheds, 37 miles of railroad tracks, docks, wharves, warehouses and sophisticated bulk terminals spread over 4,000 acres.

Principal cargoes moving through general cargo facilities include flour, bagged rice, milled and processed grains, forest products, and paper products.

## RAILROADS, HIGHWAYS AND AIRPORTS

Three mainline railroads serve the District providing direct access to markets throughout the United States.

The District has direct access to Interstate Highways 10 and 210 and to U.S. Highways 90, 171, and 165.

Three major airports, Lake Charles Regional Airport, Chennault International Airport Authority, and Southland Field serve the District.

## SECURITY

Because of the nature of cargoes handled by the District, the District maintains a strong security force. Harbor Police continuously man the entrance to the City Docks and patrol the area at all times. Harbor Police also monitor all vehicular traffic coming into the premises and provide surveillance throughout the District.

## FOREIGN TRADE ZONE

In 1934, the U.S. Congress passed the Foreign Trade Zone Act "to expedite and encourage foreign commerce." The District has six sites within its Foreign Trade Zone No. 87. Two of these sites are undeveloped land with rail and state highway access located along the District-owned Industrial Canal Railway. Two sites are within the general cargo area of the District and these locations provide access to city, state and federal road and highway systems. Rail access is also available and deep water is proximate to the above locations. A minor boundary modification has been made to the zone since the Foreign Trade Zone was awarded the original grant on July 27, 1983.

Two subzones also have been granted to major District users, 87A to Conoco Inc. and 87B to Citgo Petroleum Corporation. Citgo activated its subzone effective April 1, 1991. Conoco activated its subzone effective April 1, 1996.

The District submitted a major modification to its original grant in March of 1998. The application was made to include the District's Industrial Park East property and a majority of the Chennault International Airport Authority. The U.S. Department of Commerce on April 7, 1999 gave approval for this boundary modification, which included 924 acres.

## ADMINISTRATION

Members of the Board of Commissioners as of December 31, 1999 are as follows:

Hillery J. Langley, Jr., President  
Larry R. DeRouen, Vice President  
Ozie Rideaux, Treasurer  
James C. Watts, Secretary  
Charles R. Donaldson, Jr., Assistant Secretary/Treasurer  
*George E. Williams, Commissioner*  
Donald R. Tousand, Commissioner

An administrative change that transpired during 1999 was the changing of duties and title of Mr. Terry T. Jordan from Deputy Director of Trade Development to Managing Director.

## REPORTING ENTITY

The Lake Charles Harbor and Terminal District, created by the Louisiana Legislature in 1924 and incorporated in 1926, is a political subdivision of the State of Louisiana. It is governed by a Board of seven commissioners appointed with the advice and consent of the Senate. The District is a component unit of the State of Louisiana, the primary government that is financially accountable for the District. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will be the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. This report includes all operations and activities of the District and includes no other agencies.

## INTERNAL CONTROL

The District is an enterprise fund type and employs accounting principles established for enterprise type proprietary funds as set out by the Governmental Accounting Standards Board and pertinent authoritative pronouncements from other organizations. Significant accounting policies and procedures used for reporting and for the underlying accounting records include recognition of revenues and expenses on the accrual basis of accounting.

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

## BUDGETARY CONTROL

The Board of Commissioners adopts an annual operating budget, which establishes budgetary appropriations for the operation of the District. Operating expenditures are legally restricted to annual budgetary appropriations at the division level. Transfers of funds between departments, programs or functions or increases in budgeted expenditures require the approval of the Board of Commissioners. Capital project budgets are established and maintained, as a management tool, on a project-length basis, subject to annual review and continuing authorization.

The District's employee contributions and the District's contributions to the employee's pension fund are paid into the State of Louisiana general pension fund and are administered by the State.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

## CASH MANAGEMENT

Prevailing Louisiana statutes provide the Lake Charles Harbor and Terminal District with legal authority to promulgate and implement reasonable standards for its cash management and investment operations. Subsequent to a review by a professional cash management advisory group, the District's Board of Commissioners adopted a formal *Statement of Cash Management and Investment Policy* in 1990. This policy was extensively updated in 1994. The Administration and Finance Department reviews the statement annually and, if necessary, the District's Board of Commissioners amends the policy.

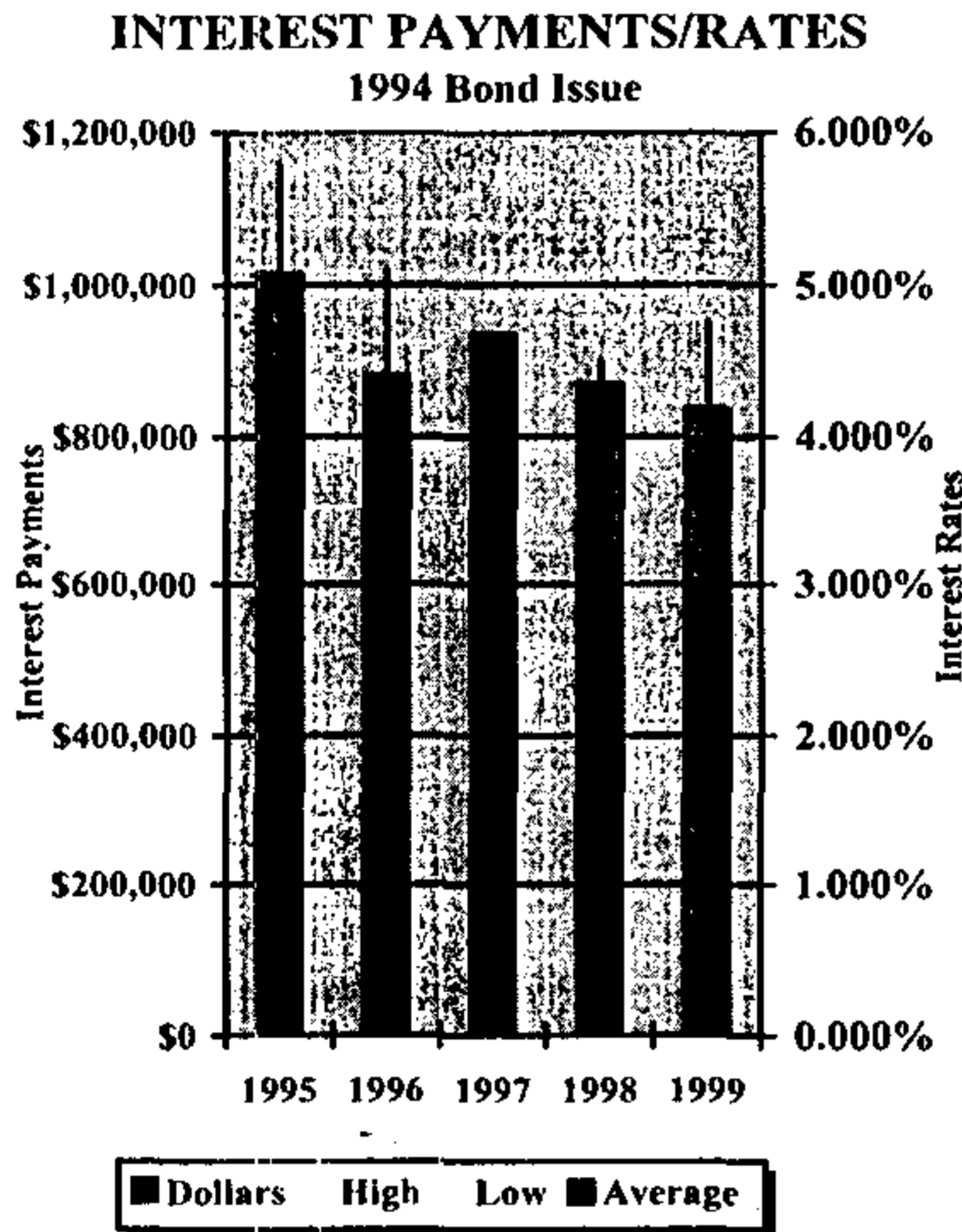
The statement provides definitive requirements, guidelines, and goals for implementation and administration of a comprehensive cash management program for the District. The policies and procedures included in the statements were designed to place the District in full compliance in all respects with GASB Statement No. 3 and other

authoritative pronouncements affecting cash management of municipal and governmental organizations.

## DEBT ADMINISTRATION

Outstanding revenue bonds (certificates of indebtedness) as of December 31, 1999 totaled \$25,000,000.

On February 16, 1994, the District issued \$25,000,000 Port Improvement Revenue Bonds, Series 1994. The proceeds from these bonds were dedicated to certain capital improvements, including a new ship berth and transit shed extension at the City Docks, and a new ship loader with a conveyor system at Bulk Terminal No. 1. The bonds are subject to scheduled mandatory sinking fund redemption on January 1, 2000 and annually thereafter to and including January 1, 2019. Interest is payable quarterly at a variable rate.



The accompanying graph depicts the amount of interest paid each year (represented by the green bars), the range over which the weekly interest rate floated (the vertical line) and the average interest rate paid over the year (indicated by the dot on the vertical line).

Additional costs of the bond issue are a letter of credit and a remarketing fee. Initially the letter of credit cost 45 basis points annually but it was renegotiated in August of 1998 to 36 basis points annually for a five-year period. The remarketing fee was initially 12 basis points but was renegotiated in October of 1999 to 8 basis points.

Other than accounts and contracts payable, there are no other significant debt obligations.

Standard & Poor's Corporation currently rates the District's outstanding bonds issued in 1994 at AA and A-1+.

## RISK MANAGEMENT

The District continues negotiating all its leases to require substantial general liability insurance coverage by its lessees and inclusion of the District as a named insured on the lessee's policy.

All leases negotiated by the District in the last several years include provisions designed to clearly establish responsibility for any violation of local, state, or federal environmental regulations and laws.

The District is constantly reviewing its property liability coverage and is cooperating with its insurance underwriters in a program of risk reduction. The District's intensified employee safety education programs are effectively reducing claims for Worker's Compensation.

At present, the District does not engage in risk financing activities where the risk is retained by the government entity (i.e., self-insurance).

## YEAR 2000 COMPLIANCE

During 1999, the District addressed all identified year 2000 issues, including its business systems, processes and essential equipment. The overall costs to prepare the District for the year 2000 were not considered material to the District's financial position or results of operations.

The District encountered no year 2000 issues that adversely affected the business systems or operations.

## INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accounts. In addition, federal funds expended by the District are subject to an annual single audit in conformity with the provision of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. There were no federal funds expenditures in 1999.

## AWARDS

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, 1998. The Lake Charles Harbor and Terminal District has received a Certificate of Achievement for the last eleven

consecutive years. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

#### ACKNOWLEDGMENTS

The preparation of this comprehensive annual financial report could not have been accomplished without the efficient and dedicated efforts from the staffs of administration and finance, sales and marketing, executive support and coordination, and our independent auditor, Provost, Salter, Harper and Alford, LLC.



Glenwood W. Wiseman  
Executive Director



Terry T. Jordan  
Managing Director



Dan W. Anderson, CPA, CGFO  
Director of Administration & 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, 1998

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.



*Cary Brubaker*  
President

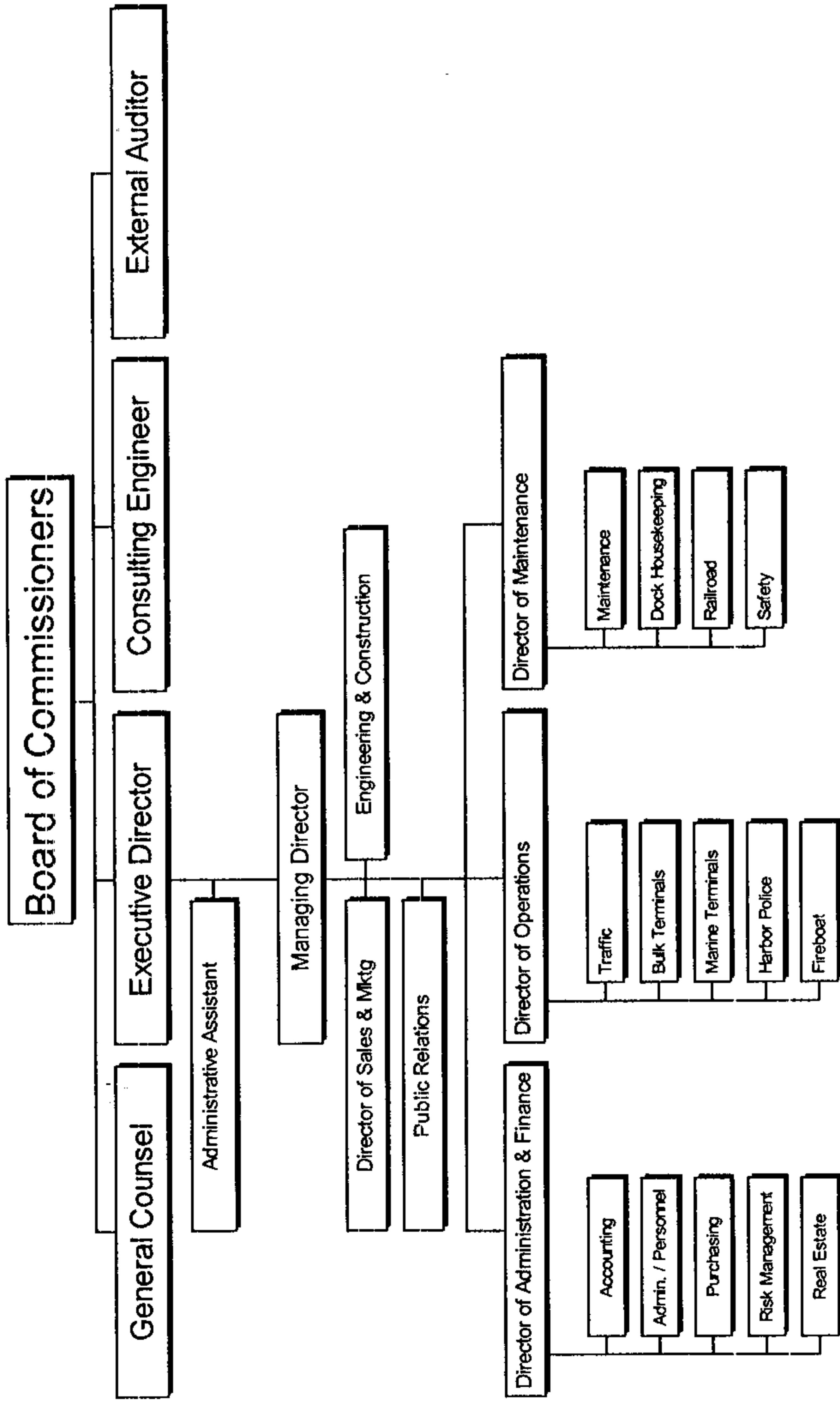
*Jeffrey L. Esser*  
Executive Director



# Regional Location and Mileage Map



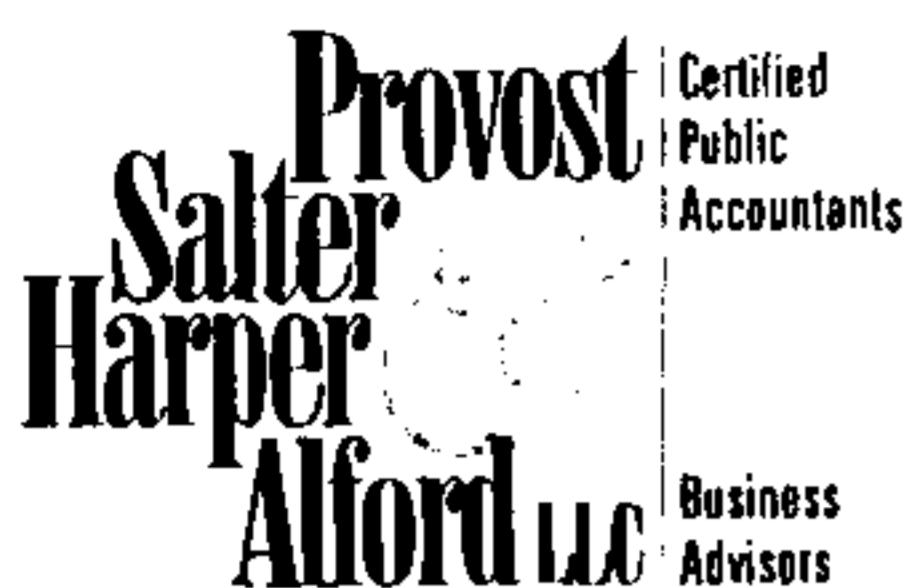
# LAKE CHARLES HARBOR & TERMINAL DISTRICT



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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, a component unit of the State of Louisiana as of and for the year ended December 31, 1999 as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The financial statements of the Lake Charles Harbor and Terminal District as of December 31, 1998, were audited by other auditors whose opinion dated February 26, 1999, on those statements was qualified because of insufficient audit evidence to support Year 2000 disclosures.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lake Charles Harbor and Terminal District, as of December 31, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 17, 2000 on our consideration of the Lake Charles Harbor and Terminal District's internal control structure and on its compliance with laws and regulations. We have also issued reports dated February 17, 2000 on supplementary information and on compliance related to \$25,000,000 Lake Charles Harbor and Terminal District Port Improvement Revenue Bonds, Series 1994.

Our audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying statistical information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana. Such information has not been subjected to the *auditing procedures applied in the audits of the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana*, and accordingly, we express no opinion on it.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

*Provost, Salter, Harper & Alford, L.L.C.*

February 17, 2000

**GENERAL PURPOSE FINANCIAL STATEMENTS**



Exhibit 1

**LAKE CHARLES HARBOR AND TERMINAL DISTRICT**

*Comparative Balance Sheet  
Enterprise Fund*

*December 31, 1999*

| <b>ASSETS</b>  | <b>1999</b>           | <b>1998</b>           |
|--|-----------------------|-----------------------|
| <b>Current Assets</b>                                    |                       |                       |
| Cash and cash equivalents                                | \$ 1,832,721          | \$ 2,376,988          |
| Investments  | 7,529,141             | 15,729,384            |
| Receivables:   |                       |                       |
| Trade receivables net of allowance for doubtful accounts | 2,464,229             | 2,262,277             |
| Intergovernmental  | 6,120,725             | 362,501               |
| Property taxes receivable                                | 1,424,368             | 1,348,080             |
| Interest   | 809,311               | 1,080,785             |
| Inventory  | 232,458               | 211,740               |
| Prepaid expenses   | 460,784               | 429,702               |
| <b>Total current assets</b>                              | <b>20,873,737</b>     | <b>23,801,457</b>     |
| <b>Restricted Assets</b>                                 |                       |                       |
| Cash equivalents   | 1,254,297             | 38,096                |
| Investments  | 6,532,927             | 7,416,109             |
| Interest receivable                                      | 58,417                | 72,086                |
| <b>Total restricted assets</b>                           | <b>7,845,641</b>      | <b>7,526,291</b>      |
| <b>Noncurrent Assets</b>                                 |                       |                       |
| Investments  | 54,514,467            | 62,846,052            |
| Long-term receivable                                     | 666,667               | -                     |
| Investments designated for scholarship endowment         | 300,000               | 300,000               |
| <b>Total noncurrent assets</b>                           | <b>55,481,134</b>     | <b>63,146,052</b>     |
| <b>Fixed Assets</b>                                      |                       |                       |
| Property, plant and equipment                            | 205,085,571           | 162,697,212           |
| Less accumulated depreciation                            | 70,862,412            | 67,995,036            |
| Net property, plant and equipment                        | 134,223,159           | 94,702,176            |
| Investment in direct financing lease                     | -                     | 2,000,000             |
| <b>Total fixed assets - net</b>                          | <b>134,223,159</b>    | <b>96,702,176</b>     |
| <b>Other Assets</b>                                      |                       |                       |
| Unamortized expense                                      | 315,626               | 333,160               |
| Prepaid advertising                                      | 155,905               | 197,480               |
| Other  | 108,022               | 108,022               |
| <b>Total other assets</b>                                | <b>579,553</b>        | <b>638,662</b>        |
| <b>Total Assets</b>                                      | <b>\$ 219,003,224</b> | <b>\$ 191,814,638</b> |

See Notes to Financial Statement.

Continued on next page.

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Comparative Balance Sheet, Continued*  
*Enterprise Fund*

*December 31, 1999*

| <b>LIABILITIES</b>   | <b>1999</b>           | <b>1998</b>           |
|--|-----------------------|-----------------------|
| <b>Current Liabilities, Payable From Current Assets</b>        |                       |                       |
| Accounts payable   | \$ 1,093,028          | \$ 644,614            |
| Notes payable  | 850,000               | -                     |
| Contracts payable  | 9,048,316             | 1,461,866             |
| Accrued expenses   | 324,741               | 254,750               |
| Accrued interest payable                                       | 120,976               | 72,500                |
| Deferred revenues  | 95,993                | 95,598                |
|  | <u>11,533,054</u>     | <u>2,529,328</u>      |
| <br><b>Current Liabilities, Payable From Restricted Assets</b> |                       |                       |
| Current maturities of long-term debt                           | <u>1,250,000</u>      | <u>-</u>              |
| <br><b>Long-Term Liabilities</b>                               |                       |                       |
| Long-term debts, less current maturities                       | 23,750,000            | 25,000,000            |
| Long term rent payable   | 482,000               | -                     |
| Compensated absences, less current portion                     | 477,335               | 411,612               |
| Deferred revenues, less current portion                        | 930,674               | 996,356               |
|  | <u>25,640,009</u>     | <u>26,407,968</u>     |
| <b>Total long-term liabilities</b>                             | <u>25,640,009</u>     | <u>26,407,968</u>     |
|  | <u>38,423,063</u>     | <u>28,937,296</u>     |
| <br><b>Equity</b>  |                       |                       |
| Contributed capital  | <u>31,708,883</u>     | <u>14,778,736</u>     |
| Retained earnings  |                       |                       |
| Reserved   | 7,845,641             | 7,526,291             |
| Unreserved   | 141,025,637           | 140,572,315           |
|  | <u>148,871,278</u>    | <u>148,098,606</u>    |
| <b>Total retained earnings</b>                                 | <u>148,871,278</u>    | <u>148,098,606</u>    |
| <b>Total equity</b>  | <u>180,580,161</u>    | <u>162,877,342</u>    |
| <b>Total Liabilities and Equity</b>                            | <u>\$ 219,003,224</u> | <u>\$ 191,814,638</u> |

*See Notes to Financial Statement.*

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**LAKE CHARLES HARBOR AND TERMINAL DISTRICT**


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**Comparative Statement of Revenue, Expenses and  
Changes in Equity, Continued**
**Years Ended December 31, 1999 and 1998**

| <b>Enterprise Fund</b>                  | <b>1999</b>           | <b>1998</b>           |
|---|-----------------------|-----------------------|
| Increase(decrease) in retained earnings | 772,672               | 5,979,920             |
| Retained earnings - beginning of year   | <u>148,098,606</u>    | <u>142,118,686</u>    |
| Retained earnings - end of year         | <u>148,871,278</u>    | <u>148,098,606</u>    |
| Contributed capital - beginning of year | 14,778,736            | 14,751,353            |
| Capital grants                          | 19,379,689            | 1,032,311             |
| Adjustment of grants receivable         | -                     | (140,619)             |
| Depreciation                            | <u>(2,449,542)</u>    | <u>(864,309)</u>      |
| Contributed capital - end of year       | <u>31,708,883</u>     | <u>14,778,736</u>     |
| Equity - end of year                    | <u>\$ 180,580,161</u> | <u>\$ 162,877,342</u> |

*See Notes to Financial Statements.*

Exhibit 3

**LAKE CHARLES HARBOR AND TERMINAL DISTRICT**

*Comparative Statements of Revenues,  
Expenses, and Changes in Retained Earnings  
Budget and Actual (Budgetary Basis)  
Enterprise Fund*

*Years Ended December 31, 1999 and 1998*

|  | 1999               |                    | Variance                   |
|--|--------------------|--------------------|----------------------------|
|  | Budget             | Actual             | Favorable<br>(Unfavorable) |
| <b>Operating Revenue</b>   |                    |                    |                            |
| Vessel and cargo services  | \$ 13,633,828      | \$ 12,969,494      | \$ (664,334)               |
| Rental of equipment and facilities   | 1,469,916          | 1,606,262          | 136,346                    |
| Other  | 138,816            | 346,411            | 207,595                    |
| <b>Total Operating Revenue</b>   | <b>15,242,560</b>  | <b>14,922,167</b>  | <b>(320,393)</b>           |
| <b>Operating Expenses</b>  |                    |                    |                            |
| Personnel services   | 6,740,780          | 6,271,919          | 468,861                    |
| Contractual services   | 3,630,652          | 3,629,361          | 1,291                      |
| Supplies, maintenance and<br>operation of facilities   | 4,302,996          | 4,369,273          | (66,277)                   |
| Heat, light and power  | 545,592            | 475,665            | 69,927                     |
| Depreciation and amortization  | 4,088,718          | 3,893,624          | 195,094                    |
| <b>Total operating expenses</b>  | <b>19,308,738</b>  | <b>18,639,842</b>  | <b>668,896</b>             |
| <b>Operating (loss)</b>  | <b>(4,066,178)</b> | <b>(3,717,675)</b> | <b>348,503</b>             |
| <b>Non-operating Revenue (Expenses)</b>  |                    |                    |                            |
| Property taxes   | 1,415,616          | 1,439,203          | 23,587                     |
| Intergovernmental revenue  | 88,212             | 89,748             | 1,536                      |
| Interest income  | 4,565,400          | 4,992,278          | 426,878                    |
| Interest expense and fiscal charges  | (1,403,136)        | (321,230)          | 1,081,906                  |
| Other  | -                  | (408,151)          | (408,151)                  |
| <b>Net non-operating revenue</b>   | <b>4,666,092</b>   | <b>5,791,848</b>   | <b>1,125,756</b>           |
| <b>Net Income (Budget Basis)</b>   | <b>599,914</b>     | <b>2,074,173</b>   | <b>1,474,259</b>           |
| <b>Adjustments</b>   |                    |                    |                            |
| Adjust operating expenses for amounts budgeted to be<br>paid from retained earnings          |                    | (1,063,295)        |                            |
| Net increase(decrease) in the fair value of investments                                      |                    | (2,687,748)        |                            |
| <b>Net income(loss) (GAAP basis)</b>   |                    | <b>(1,676,870)</b> |                            |
| Add book balance of fixed assets purchased with grants that were<br>sold in the current year |                    | 1,707,942          |                            |
| Depreciation on fixed assets acquired with federal and state grants                          |                    | 741,600            |                            |
| <b>Increase(decrease) in retained earnings</b>   |                    | <b>772,672</b>     |                            |
| Retained earnings - beginning of year as restated  |                    | 148,098,606        |                            |
| <b>Retained earnings at end of year</b>  |                    | <b>148,871,278</b> |                            |

See Note to Financial Statements.

Continued on next page.

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Comparative Statements of Revenues, Expenses, and Changes in Retained Earnings*  
*Budget and Actual (Budgetary Basis), Continued*

*Years Ended December 31, 1999 and 1998*

| <i>Enterprise Fund</i>   | 1998          |               | Variance<br>Favorable<br>(Unfavorable) |
|--|---------------|---------------|--|
|  | Budget        | Actual        |  |
| <b>Operating Revenue</b>   |               |               |  |
| Vessel and cargo services  | \$ 13,645,751 | \$ 14,595,917 | \$ 950,166                             |
| Rental of equipment and facilities   | 1,794,763     | 1,482,600     | (312,163)                              |
| Other  | 102,655       | 240,585       | 137,930                                |
| <b>Total Operating Revenue</b>   | 15,543,169    | 16,319,102    | 775,933                                |
| <b>Operating Expenses</b>  |               |               |  |
| Personnel services   | 6,214,744     | 5,848,483     | 366,261                                |
| Contractual services   | 3,469,736     | 3,495,674     | (25,938)                               |
| Supplies, maintenance and<br>operation of facilities   | 3,255,159     | 3,800,995     | (545,836)                              |
| Heat, light and power  | 436,345       | 441,484       | (5,139)                                |
| Depreciation and amortization  | 3,818,755     | 3,829,564     | (10,809)                               |
| <b>Total operating expenses</b>  | 17,194,739    | 17,416,200    | (221,461)                              |
| <b>Operating (loss)</b>  | (1,651,570)   | (1,097,098)   | 554,472                                |
| <b>Non-operating Revenue (Expenses)</b>  |               |               |  |
| Property taxes   | 1,364,860     | 1,362,480     | (2,380)                                |
| Intergovernmental revenue  | 88,215        | 90,000        | 1,785                                  |
| Interest income  | 5,360,338     | 5,571,178     | 210,840                                |
| Interest expense and fiscal charges  | (1,399,191)   | (299,623)     | 1,099,568                              |
| Other  | -             | (17,945)      | (17,945)                               |
| <b>Net non-operating revenue</b>   | 5,414,222     | 6,706,090     | 1,291,868                              |
| <b>Net Income (Budget Basis)</b>   | 3,762,652     | 5,608,992     | 1,846,340                              |
| <b>Adjustments</b>   |               |               |  |
| Adjust operating expenses for amounts budgeted to be<br>paid from retained earnings          |               | (819,902)     |  |
| Net increase(decrease) in the fair value of investments                                      |               | 326,521       |  |
| <b>Net income(loss) (GAAP basis)</b>   |               | 5,115,611     |  |
| Add book balance of fixed assets purchased with grants that were<br>sold in the current year |               | -             |  |
| Depreciation on fixed assets acquired with federal and state grants                          |               | 864,309       |  |
| <b>Increase(decrease) in retained earnings</b>   |               | 5,979,920     |  |
| Retained earnings - beginning of year as restated  |               | 142,118,686   |  |
| <b>Retained earnings at end of year</b>  |               | 148,098,606   |  |

*See Note to Financial Statements.*

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

### Statement of Cash Flows Enterprise Fund

Years Ended December 31, 1999 and 1998

|  | 1999                | 1998               |
|--|---------------------|--------------------|
| <b>Cash Flows From Operating Activities</b>  |                     |                    |
| Operating (loss)   | \$ (4,780,970)      | \$ (1,917,000)     |
| Adjustments to reconcile operating (loss) to net cash (used in) provided by operating activities |                     |                    |
| Depreciation and amortization  | 3,893,630           | 3,829,564          |
| Changes in assets and liabilities  |                     |                    |
| (Increase) decrease in customer receivables  | 464,715             | (343,645)          |
| (Increase) decrease in inventory   | (20,718)            | 3,592              |
| (Increase) decrease in prepaid expenses and other assets   | 10,493              | (74,621)           |
| Increase (decrease) in accounts payable and accrued expenses                                     | 201,293             | (155,802)          |
| (Decrease) in deferred revenue   | (65,287)            | (65,682)           |
| Other  | (7,500)             | (3,750)            |
|  | <u>(304,344)</u>    | <u>1,272,656</u>   |
| <b>Net Cash (Used In) Provided By Operating Activities</b>                                       |                     |                    |
| <b>Cash Flows From Non-capital Financing Activities</b>  |                     |                    |
| Property taxes collected   | 384,253             | 349,858            |
| Operating subsidies received from other governments  | 89,748              | 90,000             |
|  | <u>474,001</u>      | <u>439,858</u>     |
| <b>Net Cash Provided By Non-capital Financing Activities</b>                                     |                     |                    |
| <b>Cash Flows From Capital and Related Financing Activities</b>                                  |                     |                    |
| Property taxes collected   | 978,662             | 1,027,714          |
| Capital grants collected   | 13,621,465          | 685,874            |
| Payments for capital acquisitions  | (34,513,979)        | (7,880,521)        |
| Proceeds from sale of property, plant and equipment  | 666,666             | -                  |
| Interest and fiscal charges paid (net of amount capitalized)                                     | (111,813)           | (157,865)          |
|  | <u>(19,358,999)</u> | <u>(6,324,798)</u> |
| <b>Net Cash (Used In) Capital and Related Financing Activities</b>                               |                     |                    |

See Notes to Financial Statements.

Continued on next page.

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

### *Statement of Cash Flows, Continued* *Enterprise Fund*

*Years Ended December 31, 1999 and 1998*

|   | <b>1999</b>                | <b>1998</b>                |
|---|----------------------------|----------------------------|
| <b>Cash Flows From Investing Activities</b>             |                            |                            |
| Proceeds from sale and maturities of investments        | 45,577,262                 | 56,829,863                 |
| Receipts of interest                                    | 5,134,014                  | 5,376,715                  |
| Payments for investments                                | <u>(30,850,000)</u>        | <u>(61,269,872)</u>        |
| <b>Net Cash Provided By Investing Activities</b>        | <u><b>19,861,276</b></u>   | <u><b>936,706</b></u>      |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b> | <b>671,934</b>             | <b>(3,675,578)</b>         |
| <b>Cash and Cash Equivalents</b>                        |                            |                            |
| Beginning   | <u>2,415,084</u>           | <u>6,090,662</u>           |
| Ending  | <u><b>\$ 3,087,018</b></u> | <u><b>\$ 2,415,084</b></u> |

### **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Schedule of noncash investing, capital, and financing activities:

|  |                |             |
|--|----------------|-------------|
| Increase (decrease) in grants receivable   | \$ 5,758,224   | \$ 346,438  |
| Book value of property demolished and equipment retired                                    | \$ (2,926,905) | \$ (14,198) |
| Accounts receivable issued in connection with the sale of<br>property, plant and equipment | \$ 833,334     | \$ -        |
| Transfer of investment in direct financing lease to<br>property, plant and equipment       | \$ 2,000,000   | \$ -        |
| Net increase(decrease) in the fair value of investments                                    | \$ (2,687,748) | \$ 326,521  |
| Notes payable issued to purchase property, plant and equipment                             | \$ 850,000     | \$ -        |
| Accounts payable issued to purchase<br>property, plant and equipment                       | \$ 450,000     | \$ -        |

*See Notes to Financial Statements.*

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

## 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 generally accepted accounting principles (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.

### Reporting Entity

The Lake Charles Harbor and Terminal District is a political subdivision of the State of Louisiana and was created by Acts of the Louisiana Legislature. It is governed by a Board of seven commissioners. Calcasieu Parish Police Jury and Cameron Parish Police Jury each appoint one member to the Board of Commissioners, with the advice and consent of the Senate. The Governor, with the advice and consent of the Senate, appoints five members to the Board of Commissioners from candidates selected by the state senators and representatives in the legislature representing the parish of Calcasieu and by the City Council of the City of Lake Charles, Louisiana.

The Lake Charles Harbor and Terminal District is a component unit of the State of Louisiana, the primary government which is financially accountable for the District. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either the ability to impose will by the primary government, or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

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.



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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

**Basis of Accounting.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The District's financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The Lake Charles Harbor and Terminal District has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 20, 1989, would not apply unless adopted by GASB.

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

**Budgets.** Budgetary practices differ from generally accepted accounting principles (GAAP). Perspective differences result from the structure of financial information for budgetary purposes. Certain expenses for major repairs and maintenance and for contractual services are budgeted to be paid from retained earnings rather than current year's operation and certain uncollectible revenue expense/recovery is classified as non-operating rather than operating income (expense).

Budget amounts are as originally adopted or as amended by the Board of Commissioners. During 1999, appropriated expenses did not increased. All budgetary appropriations lapse at the end of each year. Encumbrance accounting is not used.

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

**Cash, Cash Equivalents and Investments.** Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities.

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, 1999 and 1998. Fair value was determined by obtaining "quoted" year end market prices. Cash and cash equivalents, which include cash, demand deposits, and U.S. Government agencies having an original maturity of three months or less from the date acquired are stated at amortized cost.

**Property Taxes.** Property taxes levied in any one year are recognized as revenues of that year.

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

**Prepaid Expenses and Advertising.** 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.

**Restricted Assets.** Certain resources are set aside for repayment of revenue bonds and general obligation bonds and for additions, extensions and improvements to District facilities. These resources are classified as restricted assets on the balance sheet because their use is limited by applicable covenants.

**Fixed Assets.** Property constructed or acquired by purchase is stated at cost or estimated historical cost if actual historical cost is not available. Net interest costs are capitalized on major construction projects during the construction period. During the year ended December 31, 1999, total interest cost incurred was \$870,942 of which \$835,890 was

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

capitalized. During the year ended December 31, 1998, \$864,268 was capitalized. Infrastructure assets are capitalized.

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

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

**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.

**Fund Equity.** Contributed capital is recorded for capital grants. Reserves of retained earnings represent those portions of retained earnings legally segregated for a specific future use.

**Bond Issuance Costs.** Bond issuance costs reported as prepaid and unamortized expense on the balance sheet are recorded as deferred charges and are amortized over the term of the bonds using a method which approximates the effective interest method.

**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.

**Recent Accounting Pronouncements.** In June 1999, the Government Accounting Standards Board issued GASB No. 34, *Basic Financial Statement and Management*

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

*Discussion and Analysis for State and Local Governments.* This statement requires special purpose governments to redraft their financial statements to include a section for management discussion and analysis, enterprise fund financial statements (defined to include a statement of net assets, a statement of revenues, expenses and changes in fund net assets; and a statement of cash flows), notes to the financial statements and required supplementary information. This statement is effective for the Lake Charles Harbor and Terminal District for fiscal years beginning after June 30, 2001. The District does not anticipate that the adoption of GASB No. 34 will have a material effect on its financial position or results of operations.

## **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. During 1999, there were no supplementary appropriations. During 1998, one supplementary appropriation was necessary.

## **3. Cash, Cash Equivalents and Investments**

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

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

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

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 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 in LAMP held at December 31, 1999 and 1998 were \$175,259 and \$298,272 respectively. In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 1999 and 1998, are not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The LAMP corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. 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 consist 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.

The following chart presents bank balances as of December 31, 1999 and 1998. The deposits are listed in terms of risk involved. Category 1 represents those deposits insured (inclusive of FDIC) or collateralized with securities held by the District or its agent in the District's name. Category 2 represents deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 represents deposits uncollateralized including any securities held for the entity but not in the District's name.

# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Notes to Financial Statements, Continued*

*December 31, 1999*

|                          | Category          |                     |             | Total Bank<br>Balances | Carrying<br>Amount  |
|--------------------------|-------------------|---------------------|-------------|------------------------|---------------------|
|                          | 1                 | 2                   | 3           |                        |                     |
| December 31, 1999        |                   |                     |             |                        |                     |
| Cash and demand deposits | \$ 101,000        | \$ 1,865,667        | \$ -        | \$ 1,966,667           | \$ 1,657,462        |
| Money market deposits    | -                 | 1,254,297           | -           | 1,254,297              | 1,254,297           |
|                          | <u>\$ 101,000</u> | <u>\$ 3,119,964</u> | <u>\$ -</u> | <u>\$ 3,220,964</u>    | <u>\$ 2,991,759</u> |

|                          | Category          |                     |             | Total Bank<br>Balances | Carrying<br>Amount  |
|--------------------------|-------------------|---------------------|-------------|------------------------|---------------------|
|                          | 1                 | 2                   | 3           |                        |                     |
| December 31, 1998        |                   |                     |             |                        |                     |
| Cash and demand deposits | \$ 101,000        | \$ 2,415,067        | \$ -        | \$ 2,516,067           | \$ 2,069,190        |
| Money market deposits    | -                 | 47,622              | -           | 47,622                 | 47,622              |
|                          | <u>\$ 101,000</u> | <u>\$ 2,462,689</u> | <u>\$ -</u> | <u>\$ 2,563,689</u>    | <u>\$ 2,116,812</u> |

Following are investments of the District at year-end categorized to give an indication of the level of risk assumed by the District. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the name of the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the name of the District. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution or by its trust department or agent but not in the name of the District.

|                                     | Category            |             |             | Reported<br>Amount-<br>Fair Value |
|-------------------------------------|---------------------|-------------|-------------|-----------------------------------|
|                                     | 1                   | 2           | 3           |                                   |
| December 31, 1999                   |                     |             |             |                                   |
| U.S. Treasury securities            | \$12,588,672        | \$ -        | \$ -        | \$12,588,672                      |
| U.S. Government Agencies securities | <u>56,287,863</u>   | -           | -           | <u>56,287,863</u>                 |
| Total                               | <u>\$68,876,535</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$68,876,535</u>               |

# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Notes to Financial Statements, Continued*

*December 31, 1999*

|                                     | Category            |             |             | Reported<br>Amount-<br>Fair Value |
|-------------------------------------|---------------------|-------------|-------------|-----------------------------------|
|                                     | 1                   | 2           | 3           |                                   |
| December 31, 1998                   |                     |             |             |                                   |
| U.S. Treasury securities            | \$23,112,650        | \$ -        | \$ -        | \$23,112,650                      |
| U.S. Government Agencies securities | <u>63,178,895</u>   | -           | -           | <u>63,178,895</u>                 |
| Total                               | <u>\$86,291,545</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$86,291,545</u>               |

In order to accurately compare the cash and investments shown on the comparative balance sheets (Exhibit 1) with the carrying values of deposits and investments disclosed in the schedules above, the following is provided:

|  | 1999                 | 1998                 |
|--|----------------------|----------------------|
| Carrying value of bank deposits per Note 3 | \$ 2,911,759         | \$ 2,116,812         |
| Carrying value of LAMP deposits per Note 3 | 175,259              | 298,272              |
| Carrying value of investments per Note 3   | <u>68,876,535</u>    | <u>86,291,545</u>    |
| Total                                      | <u>\$ 71,963,553</u> | <u>\$ 88,706,629</u> |

Per comparative balance sheets:

|                                     |                      |                      |
|-------------------------------------|----------------------|----------------------|
| Cash and cash equivalents           | \$ 1,832,721         | \$ 2,376,988         |
| Investments - current               | 7,529,141            | 15,729,384           |
| Cash equivalents - restricted       | 1,254,297            | 38,096               |
| Investments - restricted            | 6,532,927            | 7,416,109            |
| Investments - noncurrent            | 54,514,467           | 62,846,052           |
| Investments - scholarship endowment | <u>300,000</u>       | <u>300,000</u>       |
|                                     | <u>\$ 71,963,553</u> | <u>\$ 88,706,629</u> |

At December 31, 1999 and 1998, cash equivalents and investments were restricted as shown below:

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

|  | 1999                | 1998                |
|--|---------------------|---------------------|
| Additional security for certificates of indebtedness outstanding                 | \$ 1,000,000        | \$ 1,000,000        |
| Trust funds pursuant to the issuance of the 1994 Port Improvement Revenue Bonds: |                     |                     |
| Interest Fund  | 4,297               | -                   |
| Principal Fund   | 1,250,000           | -                   |
| Debt Service Reserve Fund  | 2,400,444           | 3,227,097           |
| Depreciation Reserve Fund  | <u>3,132,483</u>    | <u>3,227,108</u>    |
| Total  | <u>\$ 7,787,224</u> | <u>\$ 7,454,205</u> |

The trust funds are more fully explained in Note 11.

During 1994, the District established a \$300,000 scholarship endowment fund, the Lake Charles Maritime Enhancement Scholarship Fund. The earnings from the fund are dedicated to produce sufficient income to fund one scholarship awarded each year for the next three years.

The District requires that securities underlying repurchase agreements, consisting of U.S. government securities, must have a market value of at least 102 percent of the repurchase agreement. The District held no repurchase agreements during 1999 and 1998.

#### 4. 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 1999 assessed millage is 2.76 mills, and the 1998 assessed millage is 2.76 mills. These funds have been dedicated and obligated first to retirement of certificates of indebtedness issued by the District.

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.



# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Notes to Financial Statements, Continued*

*December 31, 1999*

Total taxes levied for the year ended December 1999 were \$1,485,818 on property with assessed valuation totaling \$744,911,440 less exempt valuation of \$206,571,920, for a net valuation of \$538,339,520. Total taxes levied for the year ended December 31, 1998 were \$1,459,998 on property with assessed valuation totaling \$726,559,420 less exempt valuation of \$197,574,790, for a net valuation of \$528,984,630.

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 \$47,063 for 1999 and \$46,393 for 1998.

## 5. Intergovernmental Receivable

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

|   | <u>1999</u>         | <u>1998</u>       |
|---|---------------------|-------------------|
| Capital projects – State of Louisiana Ports<br>Priority Program | \$ 4,062,373        | \$ 319,763        |
| Capital projects – State of Louisiana                           | <u>2,058,352</u>    | <u>42,738</u>     |
|   | <u>\$ 6,120,725</u> | <u>\$ 362,501</u> |

## 6. Property, Plant and Equipment

A summary of changes in property, plant and equipment for the years ended December 31, 1999 and 1998 is as follow

| <u>1999</u>                           | <u>Beginning<br/>of Year</u> | <u>Additions</u>     | <u>Reductions</u>   | <u>End of<br/>Year</u> |
|---------------------------------------|------------------------------|----------------------|---------------------|------------------------|
| Land                                  | \$ 7,909,135                 | \$ 2,092,159         | \$ -                | \$ 10,001,294          |
| Buildings and operating<br>facilities | 108,510,870                  | 6,937,860            | 2,492,326           | 112,956,404            |
| Equipment, furniture and<br>fixtures  | 18,054,707                   | 688,868              | 434,579             | 18,308,996             |
| Construction in progress              | <u>28,222,500</u>            | <u>40,401,533</u>    | <u>4,805,156</u>    | <u>63,818,877</u>      |
| Less accumulated<br>depreciation      | <u>67,995,036</u>            | <u>3,893,631</u>     | <u>1,026,255</u>    | <u>70,862,412</u>      |
|                                       | <u>\$ 94,702,176</u>         | <u>\$ 46,226,789</u> | <u>\$ 6,705,806</u> | <u>\$ 134,223,159</u>  |

# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Notes to Financial Statements, Continued*

*December 31, 1999*

| 1998                               | Beginning<br>of Year | Additions            | Reductions          | End of<br>Year       |
|------------------------------------|----------------------|----------------------|---------------------|----------------------|
| Land                               | \$ 7,389,916         | \$ 519,219           | \$ -                | \$ 7,909,135         |
| Buildings and operating facilities | 100,384,645          | 8,215,854            | 89,629              | 108,510,870          |
| Equipment, furniture and fixtures  | 18,058,156           | 181,479              | 184,928             | 18,054,707           |
| Construction in progress           | 28,732,859           | 7,705,495            | 8,215,854           | 28,222,500           |
| Less accumulated depreciation      | 64,421,889           | 3,829,564            | 256,417             | 67,995,036           |
| Total                              | <u>\$ 90,143,687</u> | <u>\$ 12,792,483</u> | <u>\$ 8,233,994</u> | <u>\$ 94,702,176</u> |

Depreciation expense was \$3,893,624 for the year ended December 31, 1999 and \$3,829,564 for the year ended December 31, 1998.

Prior to 1980 detailed fixed asset records were not maintained; rather, amounts expended for fixed assets were charged to expenditures in the year incurred. In 1980 the District changed its method of accounting for fixed assets to that required by generally accepted accounting principles. It was not possible to establish original costs for many assets owned. Where original costs could not be determined, it was necessary to estimate the original costs of such assets. The total of such estimated costs aggregated approximately \$9,600,000.

## 7. Investment in Direct Financing Lease

The Lake Charles Harbor and Terminal District has entered into a direct financing lease with Crowley Maritime Corporation for a minimum term of 15 years. The amounts shown as investment in direct financing lease as of December 31, 1999 and 1998 were composed of the following:

|  | 1999        | 1998                |
|--|-------------|---------------------|
| Total minimum lease payments receivable                    | \$ -        | \$ -                |
| Estimated unguaranteed residual value of leased properties | -           | 2,000,000           |
| Less unearned income                                       | -           | -                   |
| Net investment in direct financing lease                   | <u>\$ -</u> | <u>\$ 2,000,000</u> |

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

The District had sold certificates of indebtedness in the amount of \$5,775,000 to provide funds which were used to construct the facilities leased to Crowley Maritime. In accordance with the agreement, the District sold the facilities to Crowley Maritime and financed the acquisition of the construction with the issuance of the certificates of indebtedness which were paid in full during 1996.

During 1996, Crowley Maritime entered into a new lease agreement with monthly rent payments of \$9,367 through September 30, 2000 with annual consumer price index adjustments.

During 1999, the District and Crowley Maritime terminated the lease, and the facilities reverted to the District and were transferred to property, plant and equipment and are being depreciated.

## **8. Operating Leases**

Leases which the District has entered into as lessor are classified as operating leases. These leases are substantially all for land owned by the District. Minimum future rentals on operating leases having initial or remaining non-cancellable lease terms in excess of one year are as follows:

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|            |                     |
|------------|---------------------|
| 2000       | \$ 857,580          |
| 2001       | 811,042             |
| 2002       | 799,921             |
| 2003       | 798,783             |
| 2004       | 777,925             |
| After 2004 | <u>2,470,102</u>    |
|            | <u>\$ 6,515,353</u> |

Of the above, the amount of \$996,357 was paid in full at the inception of the lease by the lessee, and is included in deferred revenues at December 31, 1999. The amount of \$1,062,038 is included in deferred revenues at December 31, 1998.

## **9. Unamortized Expense**

The District incurred certain expenses in connection with the issuance of certificates of indebtedness. These expenses are being amortized over twenty-five years, which is the term of the bonds. Details of the balances are as follows:

# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Notes to Financial Statements, Continued*

*December 31, 1999*

|   | <b>1999</b>       | <b>1998</b>       |
|---|-------------------|-------------------|
| Total expense   | \$ 436,407        | \$ 436,407        |
| Less amount amortized   | <u>103,247</u>    | <u>85,712</u>     |
| Unamortized at December 31  | <u>\$ 333,160</u> | <u>\$ 350,695</u> |
| Amount shown in current assets (prepaid expenses) - to be amortized in one year | \$ 17,535         | \$ 17,535         |
| Amount shown in other assets  | <u>315,625</u>    | <u>333,160</u>    |
| Total   | <u>\$ 333,160</u> | <u>\$ 350,695</u> |

## 10. Compensated Absences

Compensated absences are included in personnel services expenses for 1999 and 1998. The District's liabilities for accumulated compensated absences as of December 31, 1999 and 1998 are as follows:

|  | <b>1999</b>       | <b>1998</b>       |
|--|-------------------|-------------------|
| Current liabilities - estimated to be paid within one year | \$ 53,037         | \$ 45,735         |
| Long term liabilities                                      | <u>477,335</u>    | <u>411,612</u>    |
| Total  | <u>\$ 530,372</u> | <u>\$ 457,347</u> |

## 11. Long-Term Debt

A summary of changes in long-term debt for the years ended December 31, 1999 and 1998 is as follows:

|               | <b>Beginning Balance</b> | <b>Issues</b> | <b>Maturities</b> | <b>Ending Balance</b> |
|---------------|--------------------------|---------------|-------------------|-----------------------|
| <b>1999</b>   |                          |               |                   |                       |
| Revenue bonds | \$ 25,000,000            | \$ -          | \$ -              | \$ 25,000,000         |
| <b>1998</b>   |                          |               |                   |                       |
| Revenue bonds | \$ 25,000,000            | \$ -          | \$ -              | \$ 25,000,000         |

# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Notes to Financial Statements, Continued*

*December 31, 1999*

At December 31, the balance was included in the following captions:

|  |                      |
|--|----------------------|
| Current maturities of long-term debt     | \$ 1,250,000         |
| Long-term debts, less current maturities | <u>23,750,000</u>    |
|  | <u>\$ 25,000,000</u> |

Bonds payable at December 31, 1999 and 1998 are comprised of the following individual issues:

|   | 1999          | 1998          |
|---|---------------|---------------|
| Revenue Bonds - \$25,000,000 1994 Port Improvement  |               |               |
| Revenue Bonds, interest due in quarterly installments beginning March 1, 1994 through January 1, 2019; interest initially set at 2.65 percent variable rate adjusted weekly | \$ 25,000,000 | \$ 25,000,000 |

The annual requirements to amortize all debt outstanding as of December 31, 1999 are as follows:

|                      | Principal            | Interest |
|----------------------|----------------------|----------|
| 2000                 | \$ 1,250,000         | *        |
| 2001                 | 1,250,000            | *        |
| 2002                 | 1,250,000            | *        |
| 2003                 | 1,250,000            | *        |
| 2004                 | 1,250,000            | *        |
| Aggregate thereafter | <u>18,750,000</u>    | *        |
|                      | <u>\$ 25,000,000</u> |          |

\* Amount not calculated. Variable interest rate set by Bankers Trust of New York based on market rates of AA tax exempt bond rates, adjusted weekly. At December 31, 1999 the rate was 5.65%; for the week beginning February 17, 2000, the rate was 3.95%.

There are a number of limitations and restrictions contained in the bond indentures. The District is in compliance with all significant limitations and restrictions.

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

In addition to the pledge of specific revenues, all excess revenues of the District are pledged as additional security for certificates of indebtedness outstanding. A special reserve of \$1,000,000 is also pledged and set aside as additional security for certificates of indebtedness outstanding.

The District, on February 16, 1994, issued \$25,000,000 Port Improvement Revenue Bonds, Series 1994. Proceeds from such bonds are dedicated to certain additions, extensions and improvements to the District facilities by construction of an extension to a transit shed, and construction of improvements to the bulk loading terminal of the District located on the Calcasieu ship channel of the Calcasieu River. The payment of principal and interest on the bonds is secured by a dedication and pledge of the fees, rates and other charges and other monies derived from the operation of the public port. The bonds are subject to scheduled mandatory sinking fund redemption on January 1, 2000 and on each January 1 thereafter, to and including January 1, 2019, each in the amount of \$1,250,000 plus interest. The interest rate mode for the bonds is a weekly "variable rate" and the rate for the initial weekly period was set at 2.65% per annum. Interest is payable on each March 1, June 1, September 1, and December 1 of each year.

The Lake Charles Harbor and Terminal District has committed itself to certain covenants as described in the Trust Indenture and Letter of Credit. The following trust funds were established pursuant to the issuance of the bonds.

*Project Fund.* The balance of the proceeds of the issuance and sale of the Bonds were deposited into this account and a "Cost of Issuance Account". The Issuer shall designate the part to be deposited into the Cost of Issuance Account. Amounts deposited in the Project Fund shall be applied to the construction, acquisition, installation and equipping of the Project.

*Bond Fund.* Consisting of an Interest Account, a Principal Account and a Letter of Credit Account - Monies on deposit in the Interest Account shall be applied to pay interest on the Bonds when due. Monies on deposit in the Principal Account shall be applied to pay principal of the Bonds when due. The Trustee shall deposit all monies drawn under the Letter of Credit to pay principal of and interest on the Bonds directly in the Letter of Credit Account. Such monies shall be applied solely to the payment of the principal of and interest on the Bonds in respect of which they were so drawn.

*Debt Service Reserve Fund.* The District has deposited \$2,500,000 Debt Service Reserve Fund requirement into this account to be used in accordance with the Trust Indenture for the payment of principal of and interest on the Bonds.

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

Depreciation Reserve Fund. The District has deposited \$2,500,000 Depreciation Reserve Fund requirement into this account. Monies in this account shall be transferred to the Project Fund to the extent of any insufficiency in the monies on deposit in the Project Fund for the purpose of completing the acquisition, construction, installation and equipping of the Project. After the completion date, monies on deposit in the Depreciation Reserve Fund shall be used for the purpose of paying the costs of major repairs and replacements to the system, the costs of which are such that they should be spread over a number of years rather than charged as part of operating and maintenance expenses in any single year. Monies from the Depreciation Reserve Fund shall also be used to fund insufficiencies in the Principal Account

and/or the Interest Account on any date on which principal of and/or interest on the Bonds is due and payable.

Rebate Fund. This fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other person, including without limitation the bondholders and the bank. The Rebate Fund is established for the purpose of complying with Section 148 of the Code and the Treasury Regulations promulgated pursuant thereto.

Special Sinking Fund Deposit. By action of the Board of Commissioners of the District, the District deposited \$1,250,000 into this account and designated it to be used for satisfying principal payment in the year 2000.

## **12. Port Facilities Revenue Bonds**

The District issues port facilities revenue bonds to finance construction of industrial facilities within the District, which it leases or sells on installment contracts to the industrial users. Such facilities and the related receipts from lease rentals and contract payments are pledged for payment of the bonds. These bonds are not included in the financial statements nor in the preceding schedules in Note 11 pertaining to long-term debt. 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.

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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Notes to Financial Statements, Continued

December 31, 1999

|   | 1999        | 1998          |
|---|-------------|---------------|
| Bonds issued for:                                     |             |               |
| Conoco Inc. Project, Series 1984                      | \$ -        | \$ 20,900,000 |
| Citgo Petroleum Corp. Project, Series 1984            | 11,800,000  | 11,800,000    |
| Conoco Inc. Project, Series 1987                      | -           | 3,400,000     |
| Reynolds Metals Company Project, Series 1990          | 14,800,000  | 14,800,000    |
| Occidental Petroleum Corporation Project, Series 1992 | 7,000,000   | 7,000,000     |
| Trunkline LNG Company Project, Series 1992            | 328,000,000 | 328,000,000   |
| Polycom-Huntsman, Inc. Project, Series 1995           | 8,000,000   | 8,000,000     |
| Global Industries, Ltd. Project, Series 1997          | 28,000,000  | 28,000,000    |
| Conoco Inc. Project, Series A 1999                    | 20,900,000  | -             |
| Conoco Inc. Project, Series B 1999                    | 3,400,000   | -             |

### 13. Retirement Benefits

Defined benefit pension plan:

**Plan description.** Substantially all employees of the District are members of the Louisiana State Employees' Retirement System (LASERS), a cost-sharing multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability, and survivor benefits to participating eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

**Funding Policy.** Plan members of the District are required by state statute to contribute 7.5 percent of their annual covered salary and the District (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 12.3 percent 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, 1999, 1998 and 1997 are presented below. These contributions are equal to the requirement contributions for each year.



# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Notes to Financial Statements, Continued*

*December 31, 1999*

|                         | 1999              | 1998              | 1997              |
|-------------------------|-------------------|-------------------|-------------------|
| Employer's contribution | \$ 423,850        | \$ 406,271        | \$ 372,643        |
| Employees' contribution | 257,389           | 239,997           | 219,490           |
| Total                   | <u>\$ 681,239</u> | <u>\$ 646,268</u> | <u>\$ 592,133</u> |

## Post-retirement benefits:

By action of the Board of Commissioners, in addition to the pension benefits described in Note 13, the District provides post retirement health care insurance benefits for retired employees. Effective with the October, 1996 premium, the District began paying the retirees' and retirees' dependents' premiums in full.

During 1999, 20 retired employees were receiving benefits under this plan. During 1998, 18 retired employees participated. These post retirement 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 \$146,324 for 1999 and \$108,626 for 1998. The participants' share of the costs total \$0 for 1999 and \$0 for 1998.

## Deferred compensation plan:

Certain employees of the District have elected to participate in the Louisiana Public Employees Deferred Compensation Plan. The plan, available to all full time District employees, permits them to defer a portion of their salary until termination of employment, retirement, total disability, death, or unforeseeable emergency. All deferred compensation, property and rights purchased with such deferred compensation, and income or earnings thereon shall constitute assets of the State of Louisiana and remain (until made available to a participant or beneficiary) the property of the State of Louisiana, subject to the claims of the general creditors of the State of Louisiana. No assets or liabilities related to this plan are included in the financial statements of the District and all amounts held by the plan do not constitute an indebtedness of the District.

During 1998, the District passed a resolution approving District matching contributions of employee contributions. Effective August 1, 1997, the District will match dollar for dollar each participating employee's contribution up to 6% of the employee's base income. The contributions for the year ended December 31, 1999 consisted of \$177,230 from employees and \$156,046 from the District. Contributions for the year ended December 31, 1998 consisted of \$154,186 from employees and \$144,420 from the District.

# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Notes to Financial Statements, Continued*

*December 31, 1999*

## 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. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

At December 31, 1999, the District had committed approximately \$23.4 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities. Such commitments at December 31, 1998 totaled approximately \$24.5 million.

## 15. Deferred Revenues

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 1999 settlement of homestead exemption was received in 1998 and is shown as a deferred revenue. Details of the items comprising this account were as follows:

|                                | <b>Term years</b> | <b>Total Rent</b> | <b>Deferred<br/>12/31/99</b> | <b>Deferred<br/>12/31/98</b> |
|--------------------------------|-------------------|-------------------|------------------------------|------------------------------|
| Trunkline LNG land lease       | 40                | \$ 741,907        | \$ 315,310                   | \$ 333,857                   |
| Trunkline LNG land lease       | 40                | 1,208,430         | 546,474                      | 576,610                      |
| Gulf Coast Aluminum land lease | 40                | 667,891           | 134,573                      | 151,571                      |
| Homestead exemption settlement |                   |                   | 30,310                       | 29,916                       |
|                                |                   |                   | <u>\$ 1,026,667</u>          | <u>\$ 1,091,954</u>          |

## 16. Contributed Capital

Changes in contributed capital, by source, during the years ended December 31, 1999 and 1998 are presented below:

# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Notes to Financial Statements, Continued*

*December 31, 1999*

|                                | 12/31/98             | 1999 Changes           |                           | Balance<br>12/31/99  |
|--------------------------------|----------------------|------------------------|---------------------------|----------------------|
|                                |                      | Balance<br>Adjustments | Additions<br>Depreciation |                      |
| State of Louisiana             | \$ 10,372,500        | \$ 16,291,935          | \$ 580,233                | \$ 26,084,202        |
| U.S. Department of<br>the Navy | 3,318,492            | (2) (1,707,942)        | 64,082                    | 1,546,468            |
| EDA Grant                      | 580,859              | -                      | 92,480                    | 488,379              |
| Joint Services Agreement       | 477,461              | 3,087,754              | 4,514                     | 3,560,701            |
| Entergy                        | 29,424               | -                      | 291                       | 29,133               |
|                                | <u>\$ 14,778,736</u> | <u>\$ 17,671,747</u>   | <u>\$ 741,600</u>         | <u>\$ 31,708,883</u> |

|                                | 12/31/97             | 1998 Changes              |                           | Balance<br>12/31/98  |
|--------------------------------|----------------------|---------------------------|---------------------------|----------------------|
|                                |                      | Balance<br>Adjustments(1) | Additions<br>Depreciation |                      |
| State of Louisiana             | \$ 9,968,962         | \$ 1,032,311              | \$ 628,773                | \$ 10,372,500        |
| U.S. Department of<br>the Navy | 3,428,827            | -                         | 110,335                   | 3,318,492            |
| EDA Grant                      | 701,256              | -                         | 120,397                   | 580,859              |
| Joint Services Agreement       | 481,975              | -                         | 4,514                     | 477,461              |
| Entergy                        | 29,714               | -                         | 290                       | 29,424               |
| Lake Charles Stevedores        | 140,619              | (1) (140,619)             | -                         | -                    |
|                                | <u>\$ 14,751,353</u> | <u>\$ 891,692</u>         | <u>\$ 864,309</u>         | <u>\$ 14,778,736</u> |

The Lake Charles Harbor and Terminal District participates in the Louisiana Department of Transportation and Development Port Priorities Program. Certain capital projects, as approved by the Department of Transportation are funded in part by the State and the District. The 1999 and 1998 additions to capital grants, State of Louisiana, shown above, represents the State's share of Ports Priorities Projects; the addition, Joint Service Agreement, represents amounts due from the Calcasieu Parish Police Jury and the City of Lake Charles for infrastructure costs at the Industrial Park East; the additions from Entergy represent grants for the industrial park. (1) Contributed capital adjustments resulted from the reduction of construction in progress incorrectly recorded during 1997. (2) Contributed capital adjustments resulting from the sale of property, plant and equipment purchased with U.S. Department of Navy grants.

# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 1999

## 17. Retained Earnings

Retained earnings aggregated \$148,871,278 and \$148,098,606 as of December 31, 1999 and 1998, respectively. As of December 31, 1999 and 1998, retained earnings reserves had been established for the following purposes:

|  | 1999                | 1998                |
|--|---------------------|---------------------|
| Additional security for certificates of indebtedness outstanding                 | \$ 1,000,000        | \$ 1,000,000        |
| Trust funds pursuant to the issuance of the 1994 Port Improvement Revenue Bonds: |                     |                     |
| Interest Fund  | 4,297               | -                   |
| Principal Fund   | 1,250,000           | -                   |
| Debt Service Reserve Fund  | 2,421,474           | 3,263,140           |
| Depreciation Reserve Fund  | 3,169,870           | 3,263,151           |
|  | <u>\$ 7,845,641</u> | <u>\$ 7,526,291</u> |

The Board of Commissioners of the Lake Charles Harbor and Terminal District have designated a portion of unreserved retained earnings to be used for the following purposes:

|                                       | 1999          | 1998          |
|---------------------------------------|---------------|---------------|
| Long-term maintenance needs           | \$ 57,500,000 | \$ 57,500,000 |
| Commitments on construction contracts | 25,446,098    | 24,448,367    |
| Scholarship endowment                 | 300,000       | 300,000       |
| Special sinking fund for debt service | -             | 1,604,027     |
| Debt service                          | 6,000,000     | 5,000,000     |

Unreserved retained earnings are pledged as additional security for outstanding certificates of indebtedness in accordance with terms of the bond indenture.

## 18. Budgetary - GAAP Reporting Reconciliation

The accompanying Comparative Statement of Revenues, Expenditures, and Changes in Retained Earnings Budget and Actual (Budgetary Basis) - Proprietary Fund presents comparisons of the legally adopted budget (more fully described in Note 1) with actual

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*Notes to Financial Statements, Continued*

*December 31, 1999*

data on a budgetary basis. Certain expenditures have been budgeted to be paid from retained earnings and the change in fair value of investment securities was 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 generally accepted accounting principles (GAAP), reconciliation of resultant basis and perspective differences in net income for the years ended December 31, 1999 and 1998 are presented on the budgetary comparison statements, Exhibit 3.

## 19. Major Customers

A significant portion of the District's operating revenue has been derived from three major customers in 1999 and 1998. Specifically,

Each of the three customers accounted for 34%, 18% and 7% respectively in 1999;

Each of the three customers accounted for 27%, 18%, and 13% respectively in 1998;

Trade receivables due from these customers as of December 31, 1999 and 1998 represented the following percentage of total trade receivables:

Each of the three customers accounted for 39%, 23% and 0%, respectively in 1999;

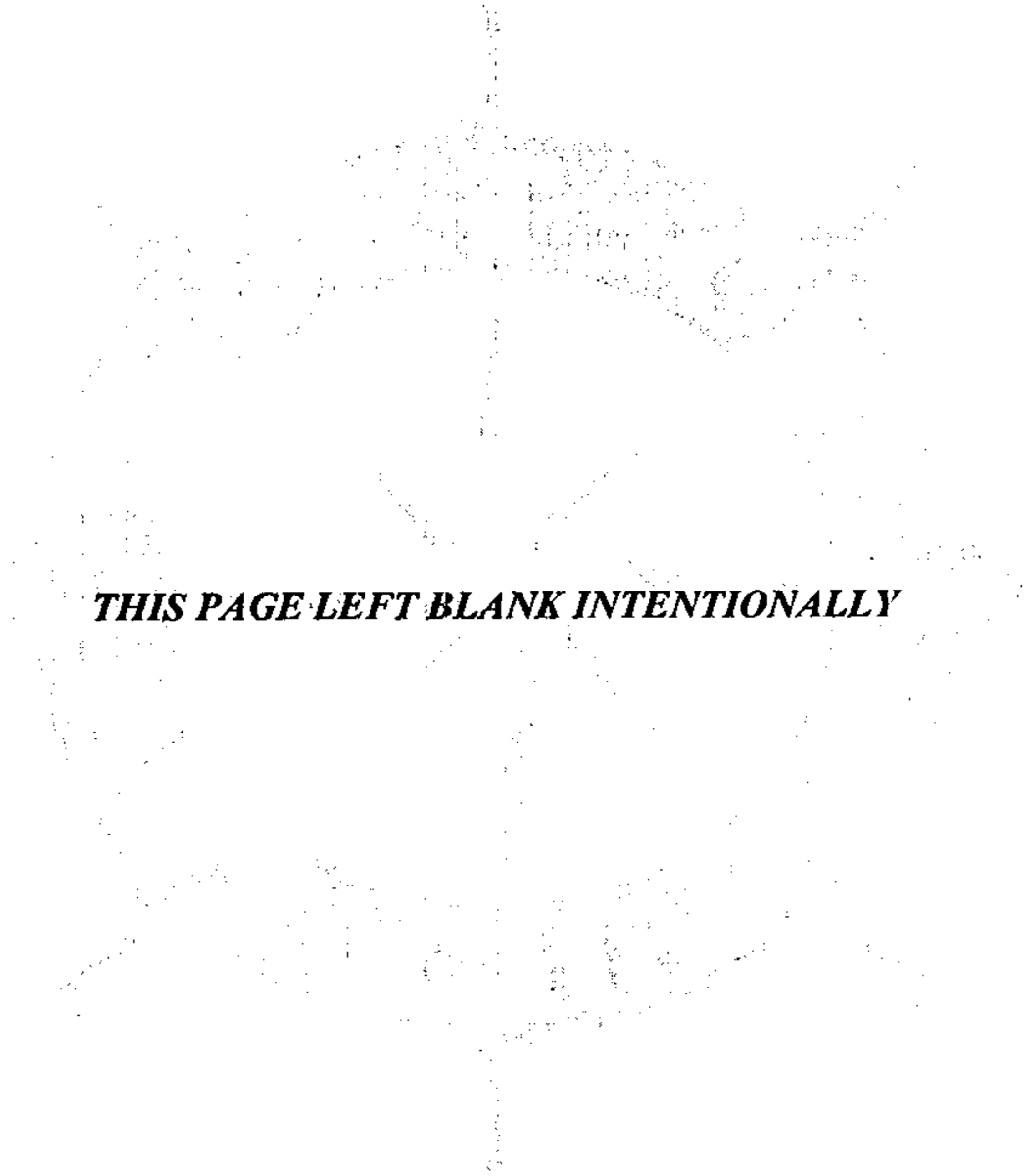
Each of the three customers accounted for 21%, 25% and 0%, respectively in 1998;

## 20. Subsequent Events

During 1999, the District purchased approximately 580 acres from the heirs of the Dark family for \$1,500,000. The District paid \$250,000 down and financed the balance in three annual installments plus interest. In January 2000, the parties requested payment in full in exchange for a reduction in interest. The District agreed and on February 1, 2000 paid off the remaining \$1,250,000. At December 31, the balance was included in the captions:

---

|                  |                    |
|------------------|--------------------|
| Accounts payable | \$ 400,000         |
| Notes payable    | <u>850,000</u>     |
|                  | <u>\$ 1,250,00</u> |



**STATISTICAL SECTION  
(UNAUDITED)**

Table 1

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY OF REVENUES AND EXPENSES  
Years Ended December 31, 1990 through 1999  
(Unaudited)

|   | <u>1990</u>                | <u>1991</u>                | <u>1992</u>                | <u>1993</u>                |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>OPERATING REVENUES</b>                         |                            |                            |                            |                            |
| Charges for services                              | \$ 10,854,685              | \$ 11,128,746              | \$ 12,208,319              | \$ 11,769,954              |
| Rentals   | 1,588,014                  | 1,466,584                  | 1,442,165                  | 2,368,287                  |
| Other   | 109,747                    | 63,877                     | 140,489                    | 146,271                    |
| Total   | <u>12,552,446</u>          | <u>12,659,207</u>          | <u>13,790,973</u>          | <u>14,284,512</u>          |
| <b>OPERATING EXPENSES</b>                         |                            |                            |                            |                            |
| General and administrative                        | 2,320,717                  | 2,761,223                  | 3,195,782                  | 2,827,722                  |
| Maintenance and operation<br>of facilities        | 6,132,059                  | 7,505,873                  | 8,494,922                  | 8,051,856                  |
| Depreciation                                      | 2,479,532                  | 2,591,569                  | 2,874,612                  | 2,936,945                  |
| Total   | <u>10,932,308</u>          | <u>12,858,665</u>          | <u>14,565,316</u>          | <u>13,816,523</u>          |
| Income (loss) from<br>operations                  | 1,620,138                  | (199,458)                  | (774,343)                  | 467,989                    |
| <b>NONOPERATING REVENUES<br/>(EXPENSES) - NET</b> |                            |                            |                            |                            |
|   | <u>7,301,433</u>           | <u>6,748,923</u>           | <u>5,816,555</u>           | <u>4,950,471</u>           |
| Net Income  | <u><u>\$ 8,921,571</u></u> | <u><u>\$ 6,549,465</u></u> | <u><u>\$ 5,042,212</u></u> | <u><u>\$ 5,418,460</u></u> |

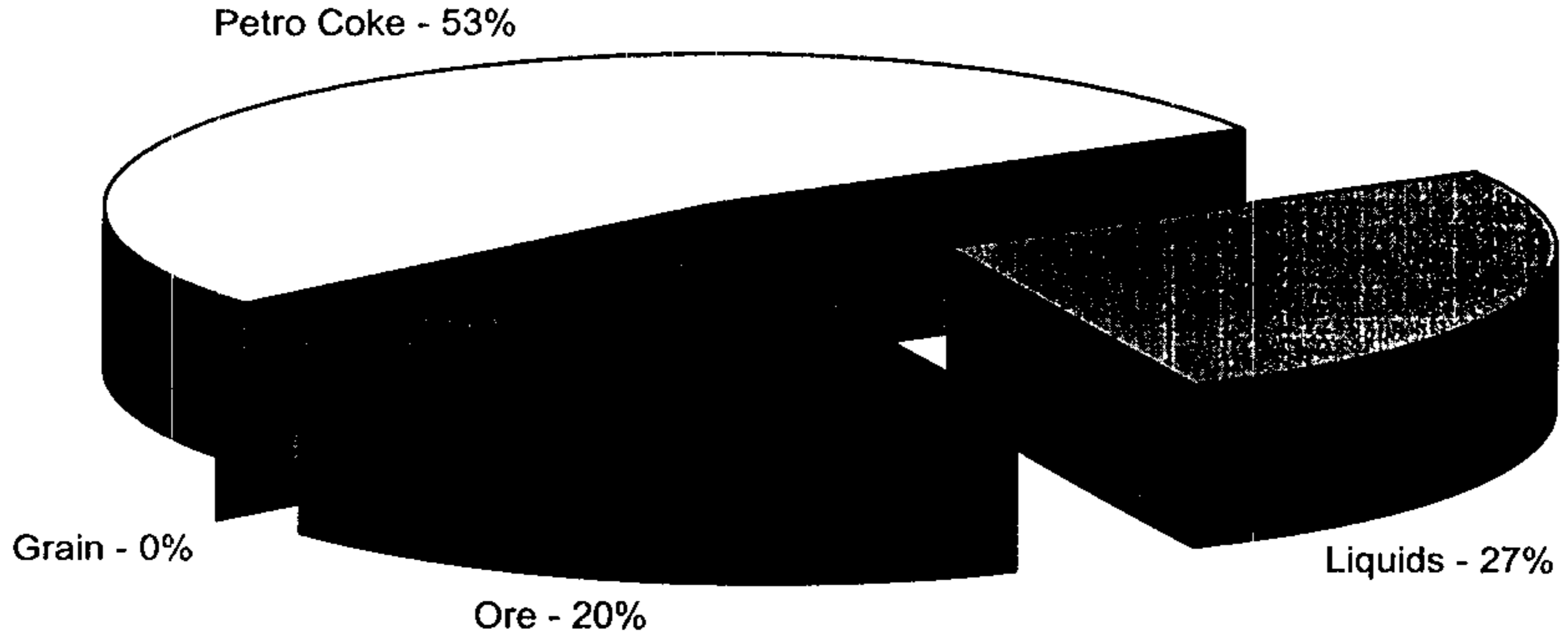


Table 1

| <u>1994</u>         | <u>1995</u>         | <u>1996</u>         | <u>1997</u>         | <u>1998</u>         | <u>1999</u>           |
|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| \$ 10,973,446       | \$ 11,857,442       | \$ 12,309,105       | \$ 12,613,736       | \$ 14,595,917       | \$ 12,969,494         |
| 1,276,313           | 1,268,743           | 1,693,942           | 1,695,875           | 1,482,600           | 1,606,262             |
| 59,590              | 151,339             | 271,453             | 154,347             | 240,585             | 346,411               |
| <u>12,309,349</u>   | <u>13,277,524</u>   | <u>14,274,500</u>   | <u>14,463,958</u>   | <u>16,319,102</u>   | <u>14,922,167</u>     |
| 2,598,018           | 2,412,455           | 3,228,405           | 3,005,827           | 3,496,882           | 3,950,651             |
| 8,064,876           | 8,388,604           | 9,411,707           | 10,837,248          | 10,909,656          | 11,858,862            |
| 3,059,637           | 3,267,835           | 3,540,375           | 3,703,876           | 3,829,564           | 3,893,624             |
| <u>13,722,531</u>   | <u>14,068,894</u>   | <u>16,180,487</u>   | <u>17,546,951</u>   | <u>18,236,102</u>   | <u>19,703,137</u>     |
| (1,413,182)         | (791,370)           | (1,905,987)         | (3,082,993)         | (1,917,000)         | (4,780,970)           |
| <u>5,863,125</u>    | <u>7,218,948</u>    | <u>6,502,668</u>    | <u>7,087,714</u>    | <u>7,032,611</u>    | <u>3,104,100</u>      |
| <u>\$ 4,449,943</u> | <u>\$ 6,427,578</u> | <u>\$ 4,596,681</u> | <u>\$ 4,004,721</u> | <u>\$ 5,115,611</u> | <u>\$ (1,676,870)</u> |

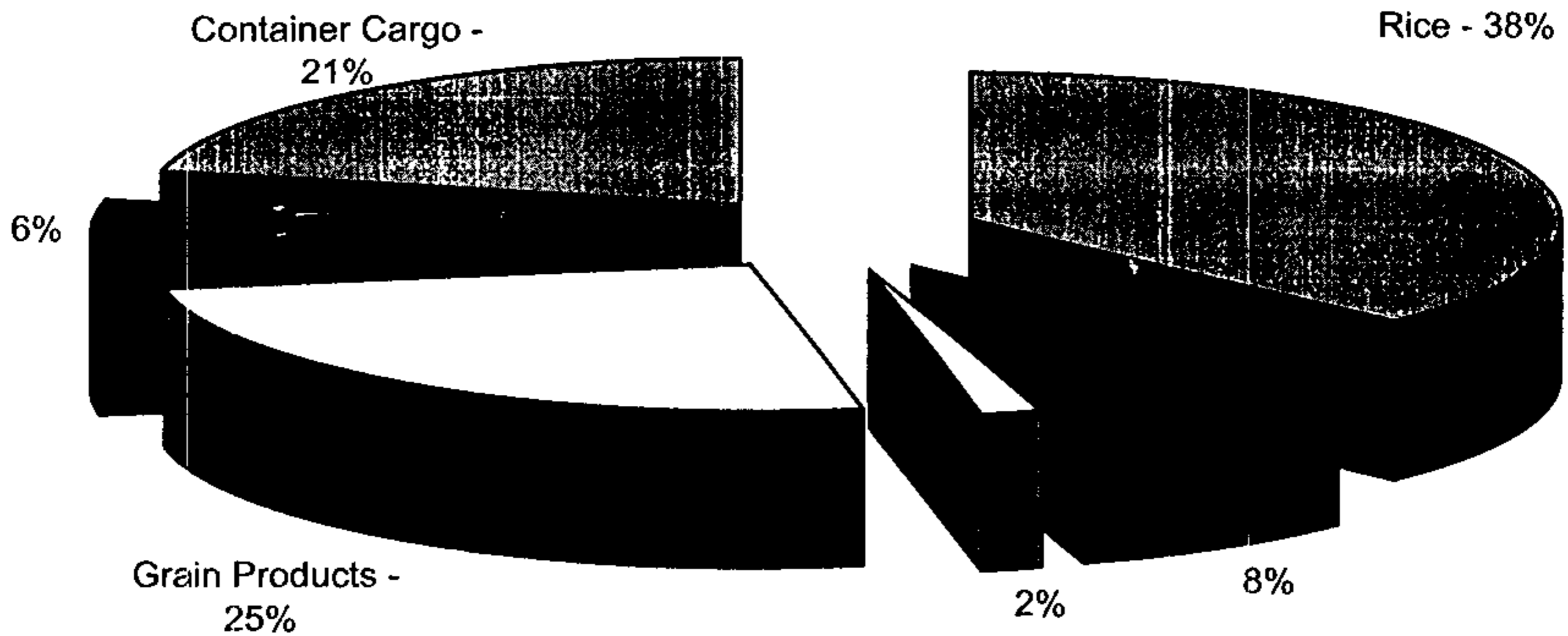
# BULK CARGO

Total Short Tons 1999 - 6,142,991



# GENERAL CARGO

Total Short Tons 1999 - 1,372,005



## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

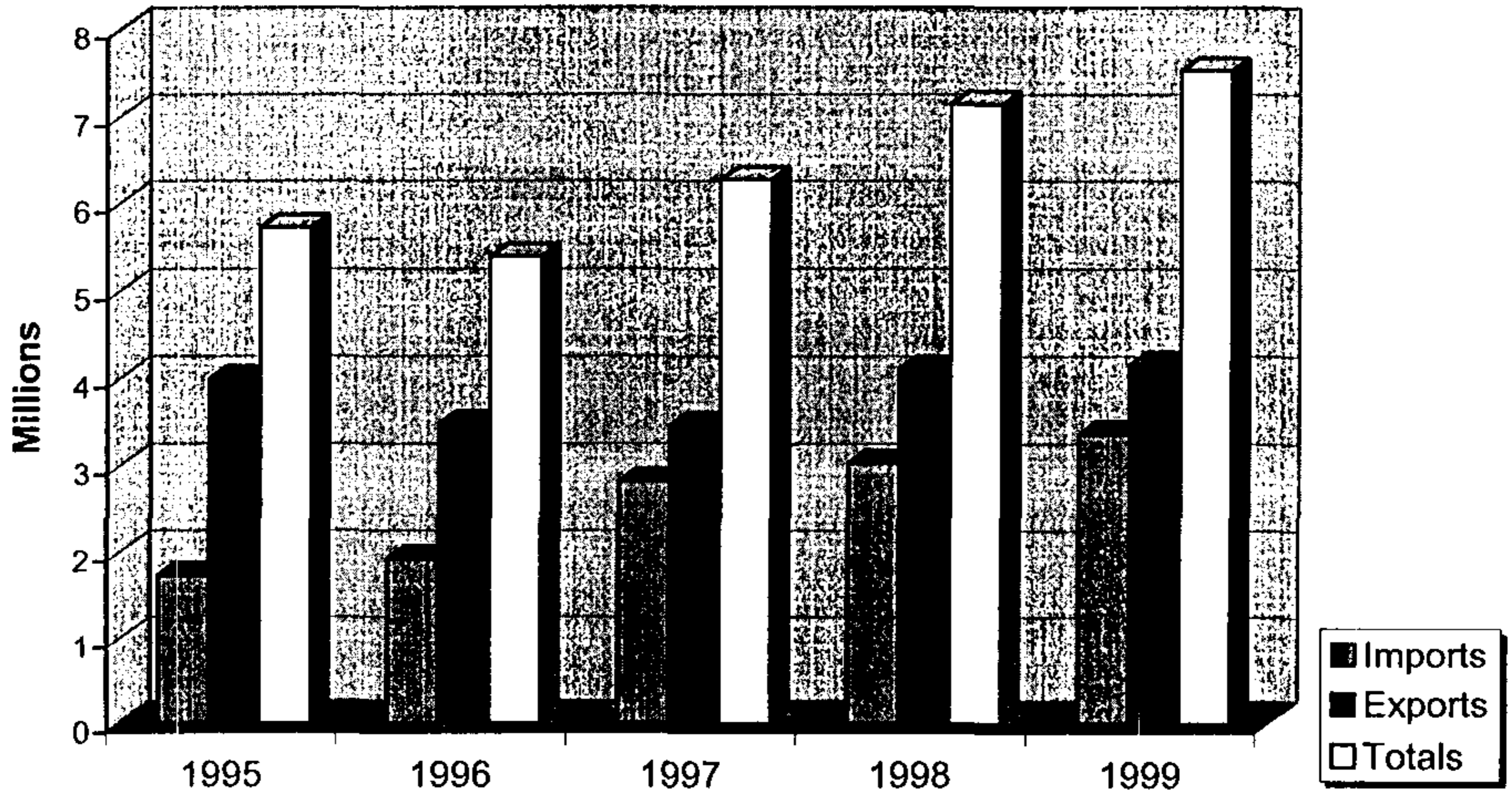
SHIPPING ACTIVITIES  
BULK AND GENERAL CARGO  
(Unaudited)1999 MONTHLY BULK CARGO  
(Tons)

| Month     | Petro<br>Coke    | Grains        | Ore              | Liquids          | Wood<br>Chips |
|-----------|------------------|---------------|------------------|------------------|---------------|
| January   | 322,873          | -             | 86,396           | 66,172           | -             |
| February  | 232,265          | -             | 107,870          | 65,470           | -             |
| March     | 324,904          | -             | 116,087          | 63,342           | -             |
| April     | 151,932          | -             | 112,373          | 130,184          | -             |
| May       | 303,830          | -             | 124,340          | 1,107            | -             |
| June      | 294,186          | 13,910        | 67,164           | 246,930          | -             |
| July      | 240,571          | -             | 100,372          | 193,668          | -             |
| August    | 300,336          | -             | 68,151           | 181,877          | -             |
| September | 257,489          | -             | 171,007          | 253,131          | -             |
| October   | 296,319          | -             | 78,740           | 121,295          | -             |
| November  | 164,147          | -             | 123,624          | 134,046          | -             |
| December  | 346,036          | -             | 94,076           | 186,771          | -             |
|           | <u>3,234,888</u> | <u>13,910</u> | <u>1,250,200</u> | <u>1,643,993</u> | <u>-</u>      |

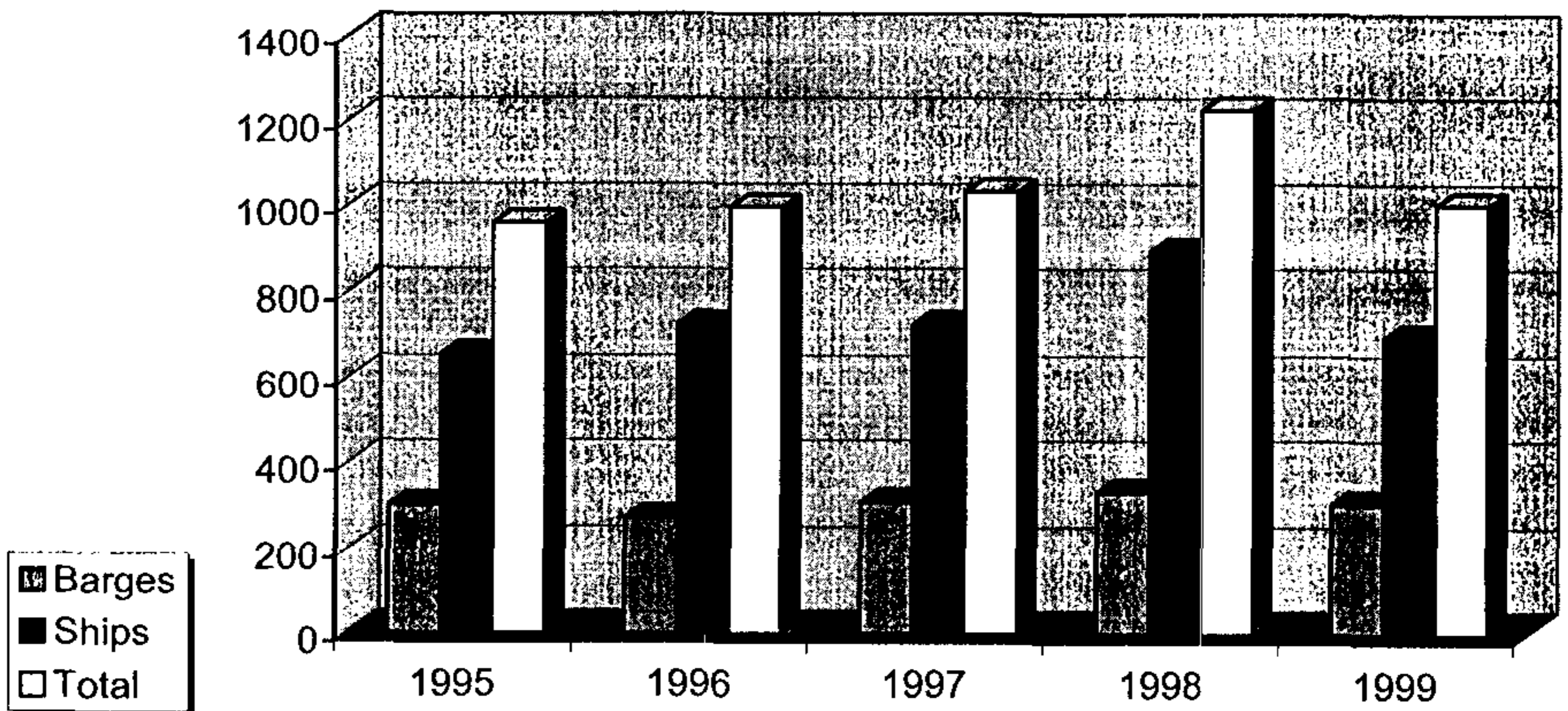
1999 MONTHLY GENERAL CARGO  
(Tons)

| Month     | Rice           | Flour          | Paper<br>Products | Grain<br>Products | Misc.         | Container<br>Cargo |
|-----------|----------------|----------------|-------------------|-------------------|---------------|--------------------|
| January   | 26,276         | 825            | 8,625             | 19,544            | 4,752         | 54,918             |
| February  | 33,664         | 9,831          | 1,633             | 30,772            | 4,556         | 51,592             |
| March     | 22,440         | 6,827          | 4,098             | 47,541            | 10,531        | 42,530             |
| April     | 11,675         | 1,348          | 1,389             | 25,138            | 6,360         | 36,936             |
| May       | 24,777         | 12,134         | 6,157             | 36,163            | 15,000        | 52,093             |
| June      | 27,513         | 4,113          | 1,918             | 11,537            | 9,125         | 41,763             |
| July      | 70,740         | 3,302          | -                 | 20,099            | 3,226         | 14,394             |
| August    | 25,942         | 7,966          | 58                | 39,993            | 6,649         | -                  |
| September | 48,019         | 4,524          | -                 | 24,926            | 4,176         | -                  |
| October   | 121,485        | 13,740         | -                 | 32,578            | 6,563         | -                  |
| November  | 73,088         | 29,657         | -                 | 6,900             | 10,369        | -                  |
| December  | 24,877         | 14,807         | -                 | 52,627            | 5,206         | -                  |
|           | <u>510,496</u> | <u>109,074</u> | <u>23,878</u>     | <u>347,818</u>    | <u>86,513</u> | <u>294,226</u>     |

# FIVE YEAR CARGO TONNAGE



# SHIPS/BARGES CALLING AT DISTRICT FACILITIES



## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SHIPPING ACTIVITIES  
TONNAGE  
(Unaudited)1999 CARGO IMPORTS/EXPORTS  
(Tons)

| <u>CARGO</u>  | <u>IMPORTS</u>   | <u>EXPORTS</u>   | <u>TOTALS</u>    |
|---------------|------------------|------------------|------------------|
| GENERAL CARGO | 69,137           | 1,302,868        | 1,372,005        |
| BULK          | <u>3,289,084</u> | <u>2,853,907</u> | <u>6,142,991</u> |
|               | <u>3,358,221</u> | <u>4,156,775</u> | <u>7,514,996</u> |

FIVE YEAR CARGO  
IMPORT/EXPORT TONNAGE

|      | <u>IMPORTS</u> | <u>EXPORTS</u> | <u>TOTALS</u> |
|------|----------------|----------------|---------------|
| 1995 | 1,730,843      | 3,988,008      | 5,718,851     |
| 1996 | 1,918,274      | 3,474,013      | 5,392,287     |
| 1997 | 2,813,798      | 3,455,133      | 6,268,931     |
| 1998 | 3,030,627      | 4,108,758      | 7,139,385     |
| 1999 | 3,358,221      | 4,156,775      | 7,514,996     |

MONTHLY CARGO TONNAGE  
SHIPS AND BARGES

| <u>MONTH</u> | <u>TONNAGE</u>   | <u>SHIPS</u> | <u>BARGES</u> |
|--------------|------------------|--------------|---------------|
| January      | 590,381          | 25           | 81            |
| February     | 537,653          | 20           | 79            |
| March        | 638,300          | 26           | 60            |
| April        | 477,335          | 15           | 64            |
| May          | 575,601          | 27           | 60            |
| June         | 718,159          | 28           | 60            |
| July         | 646,372          | 23           | 47            |
| August       | 630,972          | 34           | 36            |
| September    | 763,272          | 25           | 26            |
| October      | 670,720          | 25           | 69            |
| November     | 541,831          | 28           | 71            |
| December     | <u>724,400</u>   | <u>30</u>    | <u>43</u>     |
| Totals       | <u>7,514,996</u> | <u>306</u>   | <u>696</u>    |

Table 4

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

## PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years  
(Unaudited)

| Year | Total<br>Tax Levy | Less:<br>Cancellations<br>and<br>Reductions | Net Tax<br>Levy | Less:<br>Outstanding<br>Delinquent<br>Taxes |
|------|-------------------|---|-----------------|---|
| 1990 | \$ 2,027,003      | \$ 15,884                                   | \$ 2,011,119    | \$ 12,185                                   |
| 1991 | 1,067,701         | 15,571                                      | 1,052,130       | 9,580                                       |
| 1992 | 1,139,718         | 26,980                                      | 1,112,738       | 5,060                                       |
| 1993 | 1,165,286         | 27,653                                      | 1,137,633       | 7,500                                       |
| 1994 | 1,283,535         | 13,910                                      | 1,269,625       | 6,000                                       |
| 1995 | 1,290,268         | 9,700                                       | 1,280,568       | 7,200                                       |
| 1996 | 1,372,800         | 17,779                                      | 1,355,021       | 7,455                                       |
| 1997 | 1,421,729         | 9,970                                       | 1,411,759       | 14,750                                      |
| 1998 | 1,459,998         | 12,386                                      | 1,447,612       | 26,528                                      |
| 1999 | 1,485,818         | 8,735                                       | 1,477,083       | 46,235                                      |

## Notes:

- (1) Delinquent tax collections are unidentifiable from prior year reports. All taxes collected are reflected in net total taxes collected column.
- (2) Calcasieu Parish Sheriff and Tax Collector collects taxes for the Port.

Table 4

|    | <u>Net Total<br/>Taxes<br/>Collected</u> | <u>Percent of<br/>Net Levy<br/>Collected</u> | <u>Percent of<br/>Delinquent<br/>Taxes to<br/>Net Levy</u> |
|----|--|--|--|
| \$ | 1,998,934                                | 99.39%                                       | 0.61%  |
|    | 1,042,550                                | 99.09%                                       | 0.91%  |
|    | 1,107,678                                | 99.55%                                       | 0.45%  |
|    | 1,130,133                                | 99.34%                                       | 0.66%  |
|    | 1,263,625                                | 99.53%                                       | 0.47%  |
|    | 1,273,368                                | 99.44%                                       | 0.56%  |
|    | 1,347,566                                | 99.45%                                       | 0.55%  |
|    | 1,397,009                                | 98.96%                                       | 1.04%  |
|    | 1,421,084                                | 98.17%                                       | 1.83%  |
|    | 1,430,848                                | 96.87%                                       | 3.13%  |

Table 5

**LAKE CHARLES HARBOR AND TERMINAL DISTRICT**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Years**  
**(Unaudited)**  
  
**(In Thousands)**

| Year | Real and Mobile Home Property |                  |                          | Personal Property      |                |                        |
|------|-------------------------------|------------------|--------------------------|------------------------|----------------|------------------------|
|      | Assessed Values               |                  |                          | Estimated Actual Value | Assessed Value |                        |
|      | Total Real and Mobile Home    | Homestead Exempt | Net Real and Mobile Home |                        |                | Estimated Actual Value |
| 1990 | 215,234                       | 102,354          | 112,880                  | 1,128,800              | 210,774        | 843,096                |
| 1991 | 215,773                       | 103,027          | 112,746                  | 1,127,460              | 244,216        | 976,864                |
| 1992 | 214,529                       | 103,798          | 110,731                  | 1,107,310              | 239,570        | 958,280                |
| 1993 | 219,691                       | 105,458          | 114,233                  | 1,142,330              | 245,084        | 980,336                |
| 1994 | 223,868                       | 107,207          | 116,661                  | 1,166,610              | 282,851        | 1,131,404              |
| 1995 | 232,181                       | 109,511          | 122,670                  | 1,226,700              | 276,919        | 1,107,676              |
| 1996 | 292,827                       | 125,207          | 167,620                  | 1,676,200              | 290,308        | 1,161,232              |
| 1997 | 287,276                       | 123,118          | 164,158                  | 1,641,580              | 310,844        | 1,243,376              |
| 1998 | 300,199                       | 128,469          | 171,730                  | 1,717,300              | 315,902        | 1,263,608              |
| 1999 | 315,240                       | 130,421          | 184,819                  | 1,848,194              | 311,256        | 1,245,023              |

## Notes:

- (1) Louisiana state law establishes all assessment limitations.
- (2) Real Property is assessed at: 10% - land, improvements and buildings  
Commercial: 10% - land; 15% - improvements and buildings  
Personal: 25%
- (3) Public utilities are assessed by Louisiana Tax Commissions annually - value and ratio
- (4) All property assessments are made by the Calcasieu Parish Assessor.



Table 5

| <u>Public Utilities</u>   |                                       | <u>Total All Property</u> |                                       | <u>Ratio of<br/>Total<br/>Assessed<br/>To Total<br/>Estimated<br/>Actual Value</u> |
|---------------------------|---------------------------------------|---------------------------|---------------------------------------|--|
| <u>Assessed<br/>Value</u> | <u>Estimated<br/>Actual<br/>Value</u> | <u>Assessed<br/>Value</u> | <u>Estimated<br/>Actual<br/>Value</u> |  |
| 40,914                    | 272,760                               | 364,568                   | 2,244,656                             | 16.24%   |
| 41,435                    | 276,233                               | 398,397                   | 2,380,557                             | 16.74%   |
| 40,014                    | 266,760                               | 390,315                   | 2,332,350                             | 16.73%   |
| 39,754                    | 265,027                               | 399,071                   | 2,387,693                             | 16.71%   |
| 40,054                    | 267,027                               | 439,566                   | 2,565,041                             | 17.14%   |
| 40,860                    | 272,400                               | 440,449                   | 2,606,776                             | 16.90%   |
| 39,463                    | 263,087                               | 497,391                   | 3,100,519                             | 16.04%   |
| 40,118                    | 267,453                               | 515,120                   | 3,152,409                             | 16.34%   |
| 41,352                    | 275,680                               | 528,984                   | 3,256,588                             | 16.24%   |
| 42,264                    | 281,763                               | 538,340                   | 3,374,980                             | 15.95%   |

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

RATIO OF NET GENERAL BONDED DEBT  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
Last Ten Years  
(Unaudited)

| Year | <u>*Population</u> | <u>Assessed<br/>Value<br/>(in Thousands)</u> | <u>Gross Bonded<br/>Debt</u> | <u>Restricted<br/>Assets<br/>Available<br/>for<br/>Debt Service</u> |
|------|--------------------|--|------------------------------|---|
| 1990 | 173,500            | \$ 466,921                                   | \$ 1,040,000                 | \$ 1,040,000  |
| 1991 | 168,900            | 501,423                                      | -                            | -   |
| 1992 | 169,644            | 494,112                                      | -                            | -   |
| 1993 | 171,900            | 504,528                                      | -                            | -   |
| 1994 | 172,200            | 602,549                                      | -                            | -   |
| 1995 | 174,000            | 607,925                                      | -                            | -   |
| 1996 | 176,100            | 682,397                                      | -                            | -   |
| 1997 | 180,200            | 702,150                                      | -                            | -   |
| 1998 | 179,400            | 726,559                                      | -                            | -   |
| 1999 | 183,400            | 744,911                                      | -                            | -   |
|      | =====              | =====  | =====                        | =====   |

## Notes:

- (1) Includes all long-term general obligation debt
- (2) Reflects estimated parish wide totals



Table 7

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

## COMPUTATION OF LEGAL DEBT MARGIN

December 31, 1999

(Unaudited)

|   |                   |                       |
|---|-------------------|-----------------------|
| Net assessed value                                      |                   | \$ 538,339,520        |
| Plus exempt property:                                   |                   |                       |
| Homestead exemption (1)                                 | \$ 130,420,670    |                       |
| Business exempt property (2)                            | <u>76,151,250</u> | <u>206,571,920</u>    |
| Total assessed value                                    |                   | <u>\$ 744,911,440</u> |
| Debt Limit - 10 percent of total assessed value         |                   | \$ 74,491,144         |
| Amount of debt applicable to debt limit:                | \$ -              |                       |
| Total bonded debt                                       |                   |                       |
| Less:   |                   |                       |
| Restricted assets available for payment<br>of principal | <u>1,250,000</u>  |                       |
| Total amount of debt applicable                         |                   | <u>1,250,000</u>      |
| Legal debt margin                                       |                   | <u>\$ 73,241,144</u>  |

## Note:

- (1) In the State of Louisiana, the first \$75,000 of a homeowner's 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.
- (3) The \$25,000,000 Port Improvement Revenue Bonds, Series 1994 are not general obligation bonds secured by the imposition of ad valorem property tax approved by a vote of the electors of the District.

Table 8

LAKE CHARLES HARBOR AND TERMINAL DISTRICT  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 December 31, 1999  
 (Unaudited)

| <u>Jurisdiction</u>                     | <u>Net Debt<br/>Outstanding</u> | <u>Percentage<br/>Applicable to<br/>District</u> | <u>Amount<br/>Applicable to<br/>District</u> |
|---|---------------------------------|--|--|
| Calcasieu Parish School District (All)  | \$ 3,125,000                    | 56%  | \$ 1,750,000                                 |
| Calcasieu Parish School District No. 31 | 1,418,590                       | 100%   | 1,418,590                                    |
| Calcasieu Parish School District No. 23 | 1,724,366                       | 80%  | 1,379,493                                    |
| Calcasieu Parish School District No. 22 | 23,285,000                      | 100%   | 23,285,000                                   |
| Calcasieu Parish School District No. 30 | 29,545,000                      | 10%  | 2,954,500                                    |
| Calcasieu Parish School District No. 28 | 1,825,000                       | 10%  | 182,500                                      |
| Calcasieu Parish School District No. 21 | 2,070,000                       | 1%   | 20,700                                       |
| City of Westlake                        | 3,803,000                       | 100%   | 3,803,000                                    |
| City of Lake Charles                    | 3,600,000                       | 100%   | 3,600,000                                    |
| City of Lake Charles                    | 8,485,000                       | 100%   | 8,485,000                                    |
| Calcasieu Parish Police Jury            | <u>15,060,000</u>               | 56%  | <u>8,433,600</u>                             |
|   | <u><u>93,940,956</u></u>        |  | <u><u>55,312,383</u></u>                     |

NOTE: Provided by Calcasieu Parish School Board, City of Lake Charles, and City of Westlake.

Table 9

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COVERAGE PROVIDED BY NET REVENUES FOR  
ANNUAL DEBT SERVICE REQUIREMENTSLast Ten Years  
(Unaudited)

| <u>Year</u> | <u>Gross<br/>Revenue</u> | <u>Operating<br/>Expenses</u> | <u>Net Revenue<br/>Available<br/>for Debt<br/>Service</u> |
|-------------|--------------------------|-------------------------------|---|
| 1990        | \$ 21,028,721            | \$ 10,932,308                 | \$ 10,096,413   |
| 1991        | 19,605,396               | 12,858,665                    | 6,746,731   |
| 1992        | 19,818,466               | 14,565,316                    | 5,253,150   |
| 1993        | 19,579,422               | 13,816,523                    | 5,762,899   |
| 1994        | 18,387,642               | 13,734,198                    | 4,653,444   |
| 1995        | 20,853,323               | 14,170,937                    | 6,682,386   |
| 1996        | 21,209,947               | 16,180,487                    | 5,029,460   |
| 1997        | 22,028,369               | 17,546,951                    | 4,481,418   |
| 1998        | 23,669,281               | 18,236,102                    | 5,433,179   |
| 1999        | 18,755,648               | 19,703,137                    | (947,489)   |
|             | =====                    | =====                         | =====   |

## NOTE:

- (1) Gross revenues included operating and nonoperating revenues of the District.
- (2) Operating expenses included costs directly associated with the District's primary activities.
- (3) Only general obligation debt is included in this table.

Table 9

| Debt Service Requirements |            |              |           |  |
|---------------------------|------------|--------------|-----------|--|
| Principal                 | Interest   | Total        | Coverage  |  |
| \$ 1,610,000              | \$ 380,085 | \$ 1,990,085 | \$ 507.34 |  |
| 1,655,000                 | 288,150    | 1,943,150    | 347.21    |  |
| 610,000                   | 189,312    | 799,312      | 657.21    |  |
| 600,000                   | 147,250    | 747,250      | 771.21    |  |
| 480,000                   | 129,413    | 609,413      | 763.59    |  |
| -                         | -          | -            | -         |  |
| -                         | -          | -            | -         |  |
| -                         | -          | -            | -         |  |
| -                         | -          | -            | -         |  |
| -                         | -          | -            | -         |  |

Table 10

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
 (PER \$100 OF ASSESSED VALUE)  
 Last Ten Years  
 (Unaudited)

| Year | District<br>(4) | Parish<br>(1) | School<br>Districts | Cities<br>(2) | Other<br>(3) | Total<br>(Memorandum<br>Only) (5) |
|------|-----------------|---------------|---------------------|---------------|--------------|-----------------------------------|
| 1990 | 5.56            | 149.82        | 164.30              | 42.53         | 283.14       | 645.35                            |
| 1991 | 2.68            | 149.52        | 165.40              | 41.82         | 282.17       | 641.59                            |
| 1992 | 2.92            | 154.55        | 157.90              | 43.60         | 296.66       | 655.63                            |
| 1993 | 2.92            | 156.00        | 148.50              | 43.52         | 292.03       | 642.97                            |
| 1994 | 2.92            | 144.14        | 184.70              | 42.98         | 277.59       | 652.33                            |
| 1995 | 2.92            | 134.87        | 191.73              | 42.98         | 251.42       | 623.92                            |
| 1996 | 2.76            | 134.57        | 171.03              | 37.06         | 220.61       | 566.03                            |
| 1997 | 2.76            | 132.09        | 143.67              | 36.80         | 236.05       | 551.37                            |
| 1998 | 2.76            | 132.54        | 95.92               | 36.04         | 232.11       | 499.37                            |
| 1999 | 2.76            | 132.54        | 97.77               | 36.57         | 226.51       | 496.15                            |

## NOTE:

- (1) Includes assessments of all wards whose boundaries fell portionally or totally within the District.
- (2) Includes assessment of all cities whose boundaries fell portionally or totally within the District (Lake Charles, Sulphur and Westlake)
- (3) Includes all other assessments whose boundaries fell portionally or totally within the District (Water, Gravity, Fire protection, etc.)
- (4) *Lake Charles Harbor and Terminal District*
- (5) The Lake Charles Harbor and Terminal District's boundaries overlap into several different school, water, gravity, fire protection, etc. districts. Thus the above table does not reflect the average millage assessed within the District. The average millage within the Lake Charles Harbor and Terminal District boundaries is approximately 160 mills, while the average millage within the Parish is 150 mills.



## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

DEMOGRAPHIC STATISTICS  
Last Ten Years  
(Unaudited)

| <u>Years</u> | <u>(1)<br/>Population</u> | <u>(1)<br/>Per<br/>Capita<br/>Income</u> | <u>(1)<br/>Median<br/>Age</u> | <u>Education<br/>Level<br/>In Years<br/>of Formal<br/>Schooling</u> | <u>(2)<br/>School<br/>Enrollment</u> | <u>Unemployment<br/>Rate<br/>Percent</u> |
|--------------|---------------------------|--|-------------------------------|---|--------------------------------------|--|
| 1990         | 173,500                   | \$ 13,291                                | 27.4                          | *   | 32,092                               | 7.0                                      |
| 1991         | 168,134                   | 14,613                                   | 30.0                          | *   | 32,443                               | 8.6                                      |
| 1992         | 169,644                   | 15,408                                   | 31.5                          | *   | 32,833                               | 8.6                                      |
| 1993         | 171,900                   | 16,056                                   | 31.8                          | *   | 33,384                               | 7.9                                      |
| 1994         | 172,200                   | 16,690                                   | 31.5                          | *   | 33,939                               | 7.4                                      |
| 1995         | 174,000                   | 17,929                                   | 32.2                          | *   | 33,905                               | 6.2                                      |
| 1996         | 176,100                   | 19,109                                   | 32.5                          | *   | 33,503                               | 6.3                                      |
| 1997         | 180,200                   | 19,906                                   | 35.0                          | *   | 33,453                               | 5.6                                      |
| 1998         | 179,200                   | 20,901                                   | 32.0                          | *   | 33,534                               | 4.3                                      |
| 1999         | 183,400                   | 21,840                                   | 33.8                          | *   | 32,410                               | 3.5                                      |

## NOTE:

- (1) Census information was obtained from the local Chamber of Commerce.
- (2) Calcasieu Parish School Board

Table 12

**LAKE CHARLES HARBOR AND TERMINAL DISTRICT**  
**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**Last Ten Years**  
**(Unaudited)**

| Year | Commercial Construction |               | Residential Construction |              |
|------|-------------------------|---------------|--------------------------|--------------|
|      | Number of Units         | Value*        | Number of Units          | Value*       |
| 1990 | 293                     | \$ 28,622,542 | 741                      | \$ 3,394,740 |
| 1991 | 281                     | 32,216,186    | 851                      | 5,025,399    |
| 1992 | 270                     | 27,884,991    | 691                      | 4,446,637    |
| 1993 | 285                     | 55,234,530    | 713                      | 4,128,425    |
| 1994 | 216                     | 21,848,875    | 622                      | 4,987,188    |
| 1995 | 283                     | 47,431,671    | 552                      | 4,536,337    |
| 1996 | 311                     | 97,633,110    | 784                      | 6,800,564    |
| 1997 | 329                     | 62,691,854    | 736                      | 6,708,083    |
| 1998 | 444                     | 29,747,777    | 950                      | 5,609,288    |
| 1999 | 287                     | 21,275,879    | 805                      | 11,633,499   |

## NOTE:

(1) Includes all banks in the City of Lake Charles

(\*) Assessed value - estimated value available

Source: Local banks, City of Lake Charles and Calcasieu Parish Assessors Office

Table 12

| Bank Deposits<br>(1) | Property Value* |                |
|----------------------|-----------------|----------------|
|                      | Taxable         | Nontaxable     |
| \$ 1,356,528,000     | \$ 364,568,880  | \$ 102,353,250 |
| 1,455,825,000        | 398,395,900     | 103,027,230    |
| 1,405,528,985        | 390,314,380     | 103,798,030    |
| 1,331,842,000        | 399,070,550     | 104,113,040    |
| 1,397,813,000        | 439,566,780     | 107,206,220    |
| 1,395,149,000        | 444,872,600     | 108,087,400    |
| 1,647,834,000        | 497,391,300     | 125,206,700    |
| 1,619,879,000        | 517,109,420     | 124,508,480    |
| 1,848,275,000        | 528,984,630     | 197,574,790    |
| 3,004,576,000        | 538,339,520     | 206,571,920    |

Table 13

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

## PRINCIPAL TAXPAYERS IN DISTRICT

December 31, 1999

(Unaudited)

| <u>Taxpayer</u>              | <u>Type of Business</u> | <u>1999<br/>Assessed<br/>Valuation</u> | <u>Percentage<br/>of Total<br/>Assessed<br/>Valuation</u> |
|------------------------------|-------------------------|--|---|
| Conoco, Inc.                 |                         | 43,437,120                             | 5.83%   |
| PPG Industries, Inc.         |                         | 36,784,300                             | 4.94%   |
| Condea Vista Company         |                         | 19,180,610                             | 2.57%   |
| Citgo Petroleum Corporation  |                         | 17,456,870                             | 2.34%   |
| Lyondell Chemical Worldwide  |                         | 12,378,340                             | 1.66%   |
| Montell USA, Inc.            |                         | 12,019,470                             | 1.61%   |
| Bellsouth Telecommunications |                         | 11,630,670                             | 1.56%   |
| Entergy Gulf States, Inc.    |                         | 9,008,670                              | 1.21%   |
| Players Lake Charles, Inc.   |                         | 7,507,230                              | 1.01%   |
| Westlake Polymers, Inc.      |                         | 6,623,840                              | 0.89%   |
|                              |                         | <u>176,027,120</u>                     | <u>23.63%</u>   |

**LAKE CHARLES HARBOR AND TERMINAL DISTRICT**

**MISCELLANEOUS STATISTICS**

December 31, 1999

(Unaudited)

**DATE OF INCORPORATION**

1926

**NUMBER OF EMPLOYEES:**

126

**FORM OF GOVERNMENT:**

Political Subdivision of State  
of Louisiana

**AERIAL CLEARANCE:**

|              |          |
|--------------|----------|
| Highlines    | 170 feet |
| I-210 Bridge | 135 feet |

**GEOGRAPHICAL LOCATION:**

Latitude 30 13' North  
Longitude 90 15' West  
32 miles inland from Gulf  
of Mexico

**ELEVATION:**

Sea level to 20 feet

**TEMPERATURE:**

77.6 maximum average  
63.7 minimum average  
71.2 mean  
Average yearly rainfall  
53.03 inches

**TIDAL INFORMATION:**

|                 |               |
|-----------------|---------------|
| Mean tide level | 1.0 feet      |
| Diorhan range   | 2.0 feet      |
| Neap tides      | MLWN 0.3 feet |
|                 | MHWN 1.0 feet |
| Spring tides    | MLWN 0.0 feet |
|                 | MHWN 1.8 feet |

**GENERAL CARGO FACILITIES:**

935,835 sq. feet of transit sheds  
606,3000 sq. feet of warehouse  
(available for lease)

**PRINCIPAL CARGO:**

|              |                      |
|--------------|----------------------|
| Flour        | Petroleum coke       |
| Rice         | Petroleum products   |
| Soybeans     | Barite               |
| Other grains | Fertilizers          |
| Rutile       | Linerboard/newsprint |

**PUBLIC DOCKS:**

|                 |    |                                   |
|-----------------|----|-----------------------------------|
| Dry cargo       | 11 | - City Docks                      |
| Bulk materials  | 1  | - Bulk Terminal No. 1 - Rosebluff |
| Bulk materials  | 1  | - Bulk Terminal No. 4 - Westlake  |
| Open berth      | 1  | - City Docks                      |
| Grain elevators | 1  | - City Docks                      |
| Liquid bulk     | 1  | - City Docks                      |

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

**REPORTS ON  
COMPLIANCE AND INTERNAL CONTROL OVER  
FINANCIAL REPORTING, SUPPLEMENTARY INFORMATION,  
COMPLIANCE RELATED TO \$25,000,000  
LAKE CHARLES HARBOR AND TERMINAL DISTRICT  
PORT IMPROVEMENT REVENUE BONDS, SERIES 1994,  
AND COMMUNICATION TO OVERSIGHT GROUP  
YEAR ENDED DECEMBER 31, 1999**

**Provost** Certified  
**Salter** Public  
**Harper** Accountants  
**Alford LLC** Business  
Advisors

8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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*December 31, 1999*

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING 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 the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, a component unit of the State of Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated February 17, 2000.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether 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 grants, 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 object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lake Charles Harbor and Terminal District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the

internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control structure and its operation that we have reported to the management of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, in a separate letter dated February 17, 2000.

This report is intended for the information of the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana, and it not intended to be and should not be used by anyone other than these specified parties.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

*Provost, Salter, Harper & Alford, L.L.C.*

February 17, 2000

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, a component of the State of Louisiana, for the year ended December 31, 1999, and have issued our report thereon dated February 17, 2000. These general purpose financial statements are the responsibility of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, taken as a whole. The accompanying schedule of supplementary information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

*Provost, Salter, Harper & Alford, L.L.C.*

February 17, 2000

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# LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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## *Schedule of Supplementary Information Year Ended December 31, 1999*

Professional service payments made to contractors for surveys, feasibility studies, and special studies:

| <b>Vendor &amp; Explanation</b>  | <b>Amount</b> |
|--|---------------|
| Dr. Daryl Burkel<br>Economic Impact Study – 1999 Update  | \$ 8,000      |
| Douglas W. McNeil, Ph.D.<br>Economic Impact Study – 1999 Update                                | 4,000         |
| Lake Charles Stevedores<br>Consulting fees on USDA cargo                                       | 4,500         |
| Standard & Poor's Rating Group<br>Financial Rating on 1994 \$25M Port Improvement Revenue Bond | 3,500         |

Payments to members of the Board of Commissioners for per diem payments or compensation for services on the Board:

None

*Continued on next page.*

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## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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### *Schedule of Supplementary Information Year Ended December 31, 1999*

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Insurance policies in force as of December 31, 1999:

| <b>Policy Provider</b>                               | <b>Policy Number</b> | <b>Policy Type</b>                | <b>Policy Period</b> |
|--|----------------------|-----------------------------------|----------------------|
| Audubon Indemnity<br>Company                         | ACV604639            | Commercial auto                   | 10/1/99-9/30/00      |
| Underwriters at Lloyds,<br>London                    | PL98000969           | General liability                 | 10/1/99-10/1/00      |
| Coregis Insurance Co.                                | POD0021642           | Public official liability         | 12/31/99-12/31/00    |
| Great American Insurance<br>Company                  | GCM-18883            | Marine insurance                  | 10/1/99-10/1/00      |
| Underwriters at Lloyds,<br>London                    | 98PA017              | Commercial umbrella               | 10/1/99-10/1/00      |
| Water Quality Insurance<br>Syndicate                 | 8512-07              | Pollution liability               | 10/1/99-10/1/00      |
| Steadfast Insurance<br>Company                       | SCC3618870-0         | FELA                              | 10/1/99-10/1/00      |
| American International<br>South Insurance<br>Company | WC5842128            | Workers compensation<br>insurance | 6/18/99-6/18/00      |
| Hartford Life & Accident<br>Insurance Co.            | ETB101464            | Group business travel             | 10/1/99-10/3/00      |
| The Fidelity and Deposit<br>Co. of Maryland          | CCP0023647           | Employee dishonesty<br>bond       | 10/11/98-10/10/01    |
| Protection Mutual<br>Insurance Company               | 755901-99            | Excess property                   | 10/1/99-10/1/00      |

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE RELATED TO  
\$25,000,000 LAKE CHARLES HARBOR AND TERMINAL DISTRICT PORT  
IMPROVEMENT REVENUE BONDS, SERIES 1994 BASED ON AN AUDIT OF  
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, a component unit of the State of Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated February 17, 2000.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Our audit included a review of the terms of the Letter of Credit and Reimbursement Agreement dated as of August 1, 1998 between Lake Charles Harbor and Terminal District and Credit Local de France relating to \$25,000,000 Lake Charles Harbor and Terminal District Port Improvement Revenue Bonds, Series 1994 and the related documents as they relate to accounting matters. During the course of our audit, and as of the date of this report, we obtained knowledge of no instances of default or event of default as defined by this agreement.

The District has complied with Section 8.09(h) Insurance of the Amended and Restated Trust Indenture between Lake Charles Harbor and Terminal District and Hibernia National Bank of Lake Charles, as Trustee, dated as of January 1, 1994, \$25,000,000 Lake Charles Harbor and Terminal District Port Improvement Revenue Bonds, Series 1994. As required by paragraph 3 of this Section 8.09(h), a listing of all policies carried by the District as of December 31, 1999 is included in the supplementary information section of these reports. All insurance premiums upon the insurance policies to which reference is herein before made have been paid.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

*Provost, Salter, Harper & Alford, L.L.C.*

February 17, 2000

## COMMUNICATION WITH OVERSIGHT GROUP

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, a component unit of the State of Louisiana, for the year ended December 31, 1999, and have issued our report thereon dated February 17, 2000. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Generally Accepted Auditing Standards and Government Auditing Standards.**

As stated in our audit contracts dated September 30, 1999, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Lake Charles Harbor and Terminal District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Lake Charles Harbor and Terminal District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Other Information in Documents Containing Audited Financial Statements.**

The comprehensive annual financial report for the Lake Charles Harbor and Terminal District for the year ended December 31, 1999 includes, in addition to the financial statements, management's discussion and analysis of financial condition and results of



operations and certain statistical information. Our responsibility for this additional information does not extend beyond the financial information identified in our report and we have no obligation to perform any procedures to corroborate the additional information contained in these documents. We have read the additional information and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

### **Significant Accounting Policies.**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our contract, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Lake Charles Harbor and Terminal District are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 1999. We noted no transactions entered into by the Lake Charles Harbor and Terminal District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates.**

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant estimates in the District's financial statements include depreciation, residual value of direct financing lease and loss contingencies after considering opinion of legal counsel. These estimates were arrived at after taking into consideration the cost of the assets involved, the estimated life of the assets, and its estimated salvage or residual value, and the possibility of the concurrence of material losses.

### **Audit Adjustments.**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. There were no significant audit adjustments arising from the audit.

**Disagreements With Management.**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultation With Other Accountants.**

In some cases, management may decide to consult with other accountants about auditing and accounting matters similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors.**

*We had no discussions with management prior to our retention as the Lake Charles Harbor and Terminal District's auditors.*

**Difficulties Encountered in Performing the Audit.**

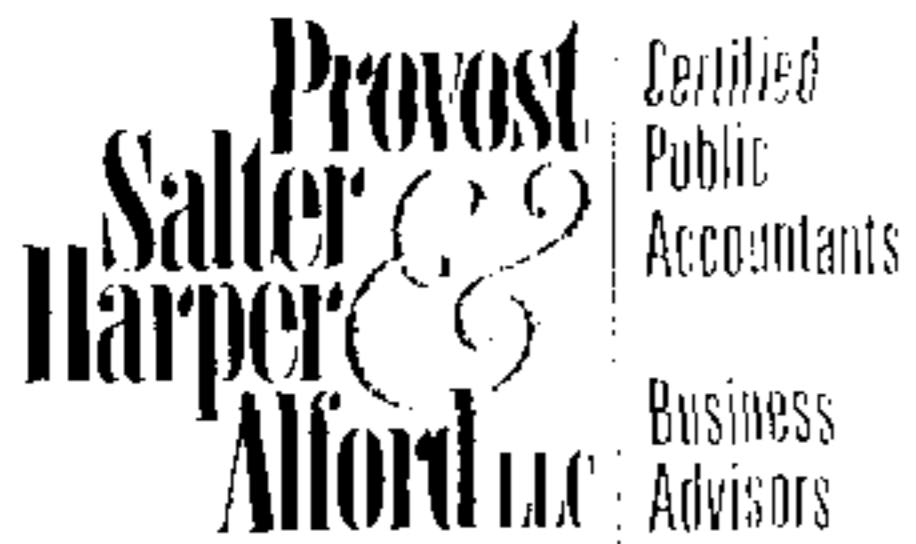
We encountered no difficulties in dealing with management in performing our audit.

This communication is intended solely for the use of the Board of Commissioners of the Lake Charles Harbor and Terminal District and management the Lake Charles Harbor and Terminal District and is not intended to be and should not be used by anyone other than these specified parties.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

*Provost, Salter, Harper, & Alford, L.L.C.*

February 17, 2000



February 17, 2000

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

In planning and performing our audit of the financial statements of Lake Charles Harbor and Terminal District for the year ended December 31, 1999, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of some matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. We previously reported on the District's internal control in our report dated February 17, 2000. This letter does not affect our report dated February 17, 2000 on the financial statements of Lake Charles Harbor and Terminal District.

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

Sincerely,

*Provost, Salter, Harper & Alford, L.L.C.*

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

## **PRIOR YEAR ISSUES:**

Comments included in the letter to the Board as a result of the audit of the general purpose financial statements of the District for the year ended December 31, 1998 are presented below.

### **Capitalization of Assets:**

It was recommended that construction projects be monitored to ensure inclusion in the proper classification when completed. We noted that this recommendation was implemented during the year.

### **Lease Database:**

It was recommended that a lease database be developed to capture the pertinent data relative to each lease. We noted that this recommendation was implemented during the year.

### **Incompatible Duties:**

It was recommended that management strengthen and improve internal control where appropriate. Management continues to monitor incompatible duties and make changes when able.

### **Internet/Computer Use Policy:**

It was recommended that management adopt an internet usage policy and monitor compliance. The District has installed a program to monitor internet use and management is able to review usage.

### **Purchase Requisitions Processing:**

It was noted that the purchasing department is able to change data on purchase orders. Management is aware of this software weakness but has decided to do nothing based on cost/benefit analysis.

## **INTERNAL CONTROL REVIEW AND DOCUMENTATION:**

### **Mailing Checks to Vendors:**

Our review of accounts payable processing indicates that signed checks are returned to the accounts payable clerk for mailing. We recommend that signed checks be given to someone independent of the accounts payable processing function for mailing.

### **Management response:**

We agree and will assign the responsibility to an appropriate individual.

### **Overtime:**

As noted in previous years, overtime appears to be unusually high and consistently averages over 20% of personnel costs. We recommend that management continue to review these areas and seek economies where possible.

### **Management response:**

Management continues to monitor the overtime hours and will take appropriate action where necessary.