

NOTES TO FINANCIAL STATEMENTS

"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 to be used for satisfying principal payment in the year 2000.

Note 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.

Following is a summary of port facilities revenue bonds outstanding at December 31, 1995:

Bonds issued for:	
Reynolds Metal Company Project, Series 1983	\$ 9,200,000
Conoco, Inc. Project, Series 1984	20,900,000
Citgo Petroleum Corp. Project, Series 1984	11,800,000
Conoco, Inc. Project, Series 1987	3,400,000
Reynolds Metals Company Project, Series 1990	14,800,000
Occidental Petroleum Corporation Project, Series 1992	7,000,000
Trunkline LNG Company Project, Series 1992	328,000,000

## NOTES TO FINANCIAL STATEMENTS

### Note 13. Retirement Benefits

#### Defined benefit pension plan:

##### Plan description:

The District contributes to the Louisiana State Employees' Retirement System. The LASERS was established on July 1, 1947, and is the administrator of a cost-sharing multiple-employer public employee retirement system. The system was established and provided for within Title 11, Subtitle 11, Chapter 1 of the Louisiana Revised Statutes (LRS). Benefit provisions are authorized within LRS 11:441-501.

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

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

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

The District's payroll for employees covered by the System for the year ended December 31, 1995 and 1994, respectively, was \$2,760,939 and \$2,584,097; the District's total payroll was \$3,720,902 for 1995 and \$3,406,048 for 1994.

## NOTES TO FINANCIAL STATEMENTS

### Contribution requirements:

Covered employees were required by Louisiana state statute to contribute 7.5 percent of their salary to the plan. The District was required by the same statute to contribute 11.9 percent of eligible salaries through June 30, 1995 and 12% July 1 through December 31, 1995. The contribution requirement for the year ended December 31, 1995 was \$536,982 (19.4% of current year covered payroll January 1 through June 30 and 19.5% from July 1 through December 31, 1995), which consisted of \$329,912 (11.9% of current year covered payroll from January 1, 1995 through June 30 and 12% from July 1 through December 31, 1995) from the District and \$207,070 (7.5% of current year covered payroll) from employees. The contribution requirement for the year ended December 31, 1994 was \$501,314 (19.4% of current year payroll), which consisted of \$307,507 (11.9% of current year covered payroll) from the District and \$193,807 (7.5% of current year covered payroll) from employees.

### Funding status and progress:

The "Pension Benefit Obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of June 30, 1995; however, the System does not make separate measurements of assets and pension benefit obligation of individual employers. The pension benefit obligation for the System as a whole was \$5.7 billion at June 30, 1995 and \$5.4 billion at June 30, 1994. The System's net assets available for benefits on those dates (valued at market) were \$3.6 billion and \$3.3 billion, respectively, leaving an unfunded pension benefit obligation of \$2.1 billion at June 30, 1995 and \$2.1 billion at June 30, 1994. The District's 1995 and 1994 contributions represented 0.2 percent and 0.2 percent, respectively, of total contributions required of all participating entities.

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

DEMOGRAPHIC STATISTICS  
Last Ten Years  
(Unaudited)

<u>Year</u>	<u>(1) Population</u>	<u>(1) Per Capita Income</u>	<u>(1) Median Age</u>	<u>Education Level In Years of Formal Schooling</u>	<u>(2) School Enrollment</u>	<u>Unemployment Rate Percent</u>
1986	176,800	\$ 11,272	30.2	*	32,952	14.4
1987	175,500	11,824	28.3	*	32,076	12.0
1988	171,032	12,756	30.3	*	32,700	9.9
1989	170,566	13,291	30.6	*	31,909	7.1
1990	173,500	14,613	30.0	*	32,092	7.0
1991	168,134	15,408	30.3	*	32,443	8.6
1992	169,644	16,056	31.5	*	32,833	8.6
1993	171,900	16,690	32.0	*	33,384	7.9
1994	172,200	17,370	32.2	*	33,939	7.4
1995	174,000	18,079	32.5	*	33,905	6.2

## Notes:

(1) Census information was obtained from the local Chamber of Commerce

(2) Calcasieu Parish Schools Membership Report

\* Provided by Calcasieu Parish School Board and Bureau of Census. Based on 1990 census the education level was 12.0 for persons 25 years old and above.

Table 12

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

<u>Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	<u>Number of Units</u>	<u>Value*</u>	<u>Number of Units</u>	<u>Value*</u>
1986	265	\$ 38,362,766	1,025	\$ 8,677,146
1987	331	19,999,872	1,179	7,683,678
1988	312	28,527,514	1,221	10,900,932
1989	330	21,243,473	902	3,713,449
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

## Notes:

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

(\*) Assessed value - estimated value available

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

(1) <u>Bank Deposits</u>	<u>Property Value</u>	
	<u>Taxable*</u>	<u>Nontaxable</u>
\$ 1,175,388,678	\$ 202,949,210	\$ 34,022,920
1,521,250,880	217,332,980	33,690,150
1,135,483,578	213,049,280	36,854,900
1,205,144,000	211,138,420	38,677,060
1,356,528,000	212,889,460	39,013,300
1,455,825,000	215,028,720	39,577,270
1,405,528,985	214,084,060	39,929,890
1,331,842,000	212,685,060	41,851,850
1,397,813,000	217,166,740	41,350,180
1,395,149,000	225,863,520	43,971,290
<hr/>	<hr/>	<hr/>

Table 13

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PRINCIPAL TAXPAYERS IN DISTRICT  
 December 31, 1995  
 (Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>1995 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Conoco, Inc.	Refinery	\$ 51,334,770	5.8%
PPG Industries, Inc.	Chemical plant	34,319,780	3.9
Citgo Petroleum	Refinery	27,327,740	3.1
Vista Chemical Company	Chemical plant	24,616,050	2.8
Bell South Telecommunication	Telephone company	14,320,840	1.6
Olin Chemical Corporation	Chemical plant	12,047,300	1.4
Himont U.S.A., Inc.	Chemical plant	11,844,820	1.3
Gulf States Utilities	Electric company	9,036,690	1.0
Westlake Polymers, Inc.	Chemical plant	5,723,490	.6
Calcasieu Marine National Bank	Bank	<u>5,069,890</u>	<u>.6</u>
		<u>\$ 195,641,370</u>	<u>22.1%</u>

## NOTES TO FINANCIAL STATEMENTS

Ten year historical trend information is presented in a separately issued PERS report which provides information about progress made in accumulating sufficient assets to pay benefits when due.

### Post-retirement benefits:

By action of the Board of Commissioners, in addition to the pension benefits described in Note 13, the District provides postretirement health care insurance benefits for retired employees who are not eligible for Medicare. During 1995, 12 retired employees were receiving benefits under this plan. During 1994, 7 retired employees participated. These postretirement benefits are financed on a "pay-as-you-go basis" and the District recognizes the cost by expensing the annual insurance premiums. Total net cost to the District amounted to \$24,860 for 1995 and \$12,645 for 1994. The participants' share of the costs totaled \$10,654 for 1995 and \$7,719 for 1994.

### 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.

### Note 14. Contingent Liabilities and Commitments

The District is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by the District's legal counsel and management may make provisions for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision is considered necessary, appropriate amounts are reflected in the accompanying financial statements. Based upon information obtained from the District's legal counsel with respect to remaining cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the District.



## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

## MISCELLANEOUS STATISTICS

December 31, 1995

(Unaudited)

## DATE OF INCORPORATION:

1926

## NUMBER OF EMPLOYEES:

124

## 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  
MHWS 1.8 feet

## GENERAL CARGO FACILITIES:

935,835 sq. feet of transit sheds  
606,300 sq. feet of warehouse  
(available for lease)

## PRINCIPAL CARGO:

Flour Petroleum coke  
Rice Petroleum products  
Soybeans Barite  
Other grains Fertilizers  
Wood chips Linerboard/newsprint  
Rutile Logs

## PUBLIC DOCKS:

Dry cargo 10 - 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 2 - City docks  
Liquid bulk 2 - City docks17

RECEIVED  
LEGISLATIVE AUDITOR

96 JUN 21 PM 3:08

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

LAKE CHARLES, LOUISIANA

REPORTS ON

COMPLIANCE WITH LAWS AND REGULATIONS,

INTERNAL CONTROL STRUCTURE AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 1995

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

December 31, 1995

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	1
Independent Auditor's Report on the Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	2-3
Independent Auditor's Report on Supplementary Information	4
Schedule of Supplementary Information	5-6
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	7-8

# MCELROY, QUIRK & BURCH

(A PROFESSIONAL CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 3070  
LAKE CHARLES, LOUISIANA  
70602-3070

800 KIRBY STREET  
TELEPHONE (318) 433-1063  
FAX (318) 436-6618

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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, 1995, and have issued our report thereon dated March 4, 1996.

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.

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

This report is intended for the information of the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*McElroy, Quirk & Burch*

Lake Charles, Louisiana  
March 4, 1996

# MCELROY, QUIRK & BURCH

(A PROFESSIONAL CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 3070  
LAKE CHARLES, LOUISIANA  
70602-3070

800 KIRBY STREET  
TELEPHONE (318) 433-1063  
FAX (318) 436-6618

## INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE 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 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, 1995, and have issued our report thereon dated March 4, 1996.

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.

The management of Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*McElroy, Quirk & Burch*

Lake Charles, Louisiana  
March 4, 1996

# MCELROY, QUIRK & BURCH

(A PROFESSIONAL CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 3070  
LAKE CHARLES, LOUISIANA  
70602-3070

800 KIRBY STREET  
TELEPHONE (318) 433-1063  
FAX (318) 436-6618

## 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 unit of the State of Louisiana, for the year ended December 31, 1995, and have issued our report thereon dated March 4, 1996. 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.

*McElroy, Quirk & Burch*

Lake Charles, Louisiana  
March 4, 1996

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF SUPPLEMENTARY INFORMATION  
 Year Ended December 31, 1995  
 (Continued)

Insurance policies in force as of December 31, 1995:

<u>Policy Provider</u>	<u>Policy Number</u>	<u>Policy Type</u>	<u>Policy Period</u>
Industrial Risk Insurers	313-60886B	Property casualty	8/16/95-8/15/96
Globe Indemnity Insurance Co.	GST109746	Commercial auto	8/16/95-8/15/96
St. Paul Fire & Marine Insurance Co.	384FA3094	General liability	8/16/95-8/15/96
Sedgwick James of Washington, Inc. - various per master subscription	SJ1995-32	Umbrella	1/1/96-12/31/96 1/1/95-12/31/95
Ranger Insurance Co.	GPP400727	Grain elevator property	10/1/95-9/30/96
John Deere Insurance Co.	0101-10385	Marine insurance	11/23/95-11/22/96
Water Quality Insurance Syndicate	10-8512-05	Pollution liability	12/19/95-12/18/96
California Union Insurance Co.	ESCG1762636A	FELA	1/1/95-12/31/95
Illinois Union Insurance Co.	ESCG17627995	FELA	1/1/96-12/31/96
Louisiana Workers Compensation Corp.	23375	Workers compensation insurance	6/18/95-6/17/96
Hartford Life & Accident Insurance Co.	HA-ETB101464	Group business travel	10/4/95-10/3/96
The Fidelity and Deposit Co. of Maryland	CCP0023647	Employee dishonesty bond	10/11/95-10/10/98



# MCELROY, QUIRK & BURCH

(A PROFESSIONAL CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 3070  
LAKE CHARLES, LOUISIANA  
70602-3070

800 KIRBY STREET  
TELEPHONE (318) 433-1063  
FAX (318) 436-6618

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, 1995, and have issued our report thereon dated March 4, 1996.

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 January 1, 1994 between Lake Charles Harbor and Terminal District and National Westminster Bank PLC acting through its New York branch 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 Calcasieu Marine 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, 1995 is included in the supplementary information section of these reports. All insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

*McElroy, Quirk & Burch*

Lake Charles, Louisiana  
March 4, 1996

NOTES TO FINANCIAL STATEMENTS

At December 31, 1995, the District had committed approximately \$79 thousand for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities. Such commitments at December 31, 1994 totaled approximately \$5.5 million.

Note 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. State revenue sharing payment for the first quarter of 1995 was received in 1994 and is shown as deferred revenue. Details of the items comprising this account were as follows:

	<u>Term Years</u>	<u>Total Rent</u>	<u>Deferred 12/31/95</u>	<u>Deferred 12/31/94</u>
Trunkline LNG land lease	40	\$ 741,907	\$ 389,501	\$ 408,048
Trunkline LNG land lease	40	1,208,430	667,018	697,155
Gulf Coast Aluminum land lease	40	667,891	202,566	219,565
State revenue sharing Golden Nugget land lease option		-	-	29,400
			<u>45,834</u>	<u>-</u>
Total			<u>\$ 1,304,919</u>	<u>\$ 1,354,168</u>

Note 16. Contributed Capital

Changes in contributed capital, by source, during the years ended December 31, 1995 and 1994 are presented below:

	<u>State of Louisiana</u>	<u>U.S. Dept. of the Navy</u>	<u>EDA Grant</u>	<u>Total</u>
Balance 12-31-93	\$ 11,100,911	\$ 3,878,100	\$ 1,190,198	\$ 16,169,209
1994 changes:				
Capital grants-additions	349,949	-	-	349,949
Capital grants-adjustments	(259,046)	(7,935)	-	(266,981)
Depreciation	<u>(710,055)</u>	<u>(110,335)</u>	<u>(122,235)</u>	<u>(942,625)</u>
Balance 12-31-94	10,481,759	3,759,830	1,067,963	15,309,552

**MCELROY, QUIRK & BURCH**

(A PROFESSIONAL CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

RECEIVED  
LEGISLATIVE AUDITOR  
JUN 21 PM 3:08

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 3070  
LAKE CHARLES, LOUISIANA  
70602-3070

800 KIRBY STREET  
TELEPHONE (318) 433-1063  
FAX (318) 436-6618  
H:\MANAGE\LC-1995

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, 1995. In connection with this audit, we are required by our professional standards to communicate certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process. Statement on Auditing Standards No. 61 requires the auditor to ensure that the oversight group receives additional information regarding the scope and results of the audit that may assist the group in overseeing the financial reporting and disclosure process for which management is responsible.

**Matters to be Communicated:**

**The Auditor's responsibility under generally accepted auditing standards.**

Generally accepted auditing 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. An audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance about the financial statements.

In planning and performing our audit of the financial statements, we considered its internal control structure 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 structure.

**Significant accounting policies.**

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

**Management judgments and accounting estimates.**

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. 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 occurrence of material losses.

**Significant audit adjustments.**

There were no audit adjustments arising from the audit.

**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, 1995 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 concerning management's discussion and analysis and the statistical information is to read the information for consistency with the information included in the financial statements. This information has not been audited by us and we express no opinion or any other assurance on this information.

**Disagreements with management.**

There were no disagreements with management during the conduct of the audit, or at any other time.

**Consultation with other accountants.**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. When the auditor is aware that such consultation has occurred, he should discuss with the oversight group his views about significant matters that were the subject of such consultation. We are not aware of any such consultation.

**Major issues discussed with management prior to retention.**

The auditor should discuss with the oversight group any major issues that were discussed with management in connection with the initial or recurring retention of the auditor including, among other matters, any discussions regarding the application of accounting principles and auditing standards. No major issues were discussed with management prior to the recurring retention of this firm to perform your annual audit.

**Difficulties encountered in performing the audit.**

We encountered no difficulties in dealing with management related to the performance of the audit. To the contrary, we take this opportunity to recognize the excellent assistance and cooperation rendered to us by management and staff during the performance of the audit and completion of our reports thereon.

This communication is intended solely for the information and use of the Board of Commissioners, management, and others within the organization as considered appropriate by the Board.

*McElroy, Quirk & Burch*

Lake Charles, Louisiana  
March 4, 1996

NOTES TO FINANCIAL STATEMENTS

	<u>State of Louisiana</u>	<u>U.S. Dept. of the Navy</u>	<u>EDA Grant</u>	<u>Total</u>
1995 changes:				
Capital grants- adjustments	(78,920)	-	-	(78,920)
Depreciation	<u>(724,200)</u>	<u>(110,335)</u>	<u>(122,235)</u>	<u>(956,770)</u>
Balance 12-31-95	<u>\$ 9,678,639</u>	<u>\$ 3,649,495</u>	<u>\$ 945,728</u>	<u>\$ 14,273,862</u>

The Lake Charles Harbor and Terminal District participates in the Louisiana Department of Transportation and Development Ports Priorities Program. Certain capital projects, as approved by the Department of Transportation are funded in part by the State and the District. The 1994 additions to capital grants, State of Louisiana, shown above, represents the State's share of Ports Priorities Projects. Capital grants adjustments resulted from decreases in the amount of funds awarded through the Ports Priority Program, State of Louisiana.

Note 17. Retained Earnings

Retained earnings aggregated \$131,880,379 and \$124,496,031 as of December 31, 1995 and 1994, respectively. As of December 31, 1995 and 1994, retained earnings reserves had been established for the following purposes: During 1994, the agreement with the Department of the Army was terminated and the \$1,700,000 returned to unreserved retained earnings.

	<u>1995</u>	<u>1994</u>
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:		
Project Fund	8,298,298	12,161,500
Cost of Issuance Account	-	66,338
Debt Service Reserve Fund	2,721,835	2,570,645
Depreciation Reserve Fund	<u>2,721,799</u>	<u>2,570,586</u>
Total	<u>\$ 14,741,932</u>	<u>\$ 18,369,069</u>

NOTES TO FINANCIAL STATEMENTS

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:

	<u>1995</u>	<u>1994</u>
Long-term maintenance needs	\$ 57,500,000	\$ 57,500,000
Commitments on construction contracts	78,607	5,470,513
Scholarship endowment	300,000	300,000
Special sinking fund for debt service	1,360,922	1,285,323
Debt service	2,000,000	1,000,000

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

Note 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 data on a budgetary basis. Certain expenditures have been budgeted to be paid from retained earnings. 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), reconciliations of resultant basis and perspective differences in net income for the years ended December 31, 1995 and 1994 are presented on the budgetary comparison statement, Exhibit 3.

Note 19. Major Customers

A significant portion of the District's operating revenue has been derived from three major customers in 1995 and three major customers in 1994. Specifically,

each of the three customers accounted for 31%, 10% and 10%, respectively in 1995;

each of the three customers accounted for 30%, 12% and 11%, respectively in 1994;



NOTES TO FINANCIAL STATEMENTS

Trade receivables due from these customers as of December 31, 1995 and 1994 represented the following percentage of total trade receivables:

each of two customers accounted for 26% and 17%, respectively, in 1995;

each of the two customers accounted for 29% and 11%, respectively, in 1994.

**STATISTICAL SECTION**

**(UNAUDITED)**

Table 1

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

## SUMMARY OF REVENUES AND EXPENSES

Years Ended December 31, 1986 through 1995

(Unaudited)

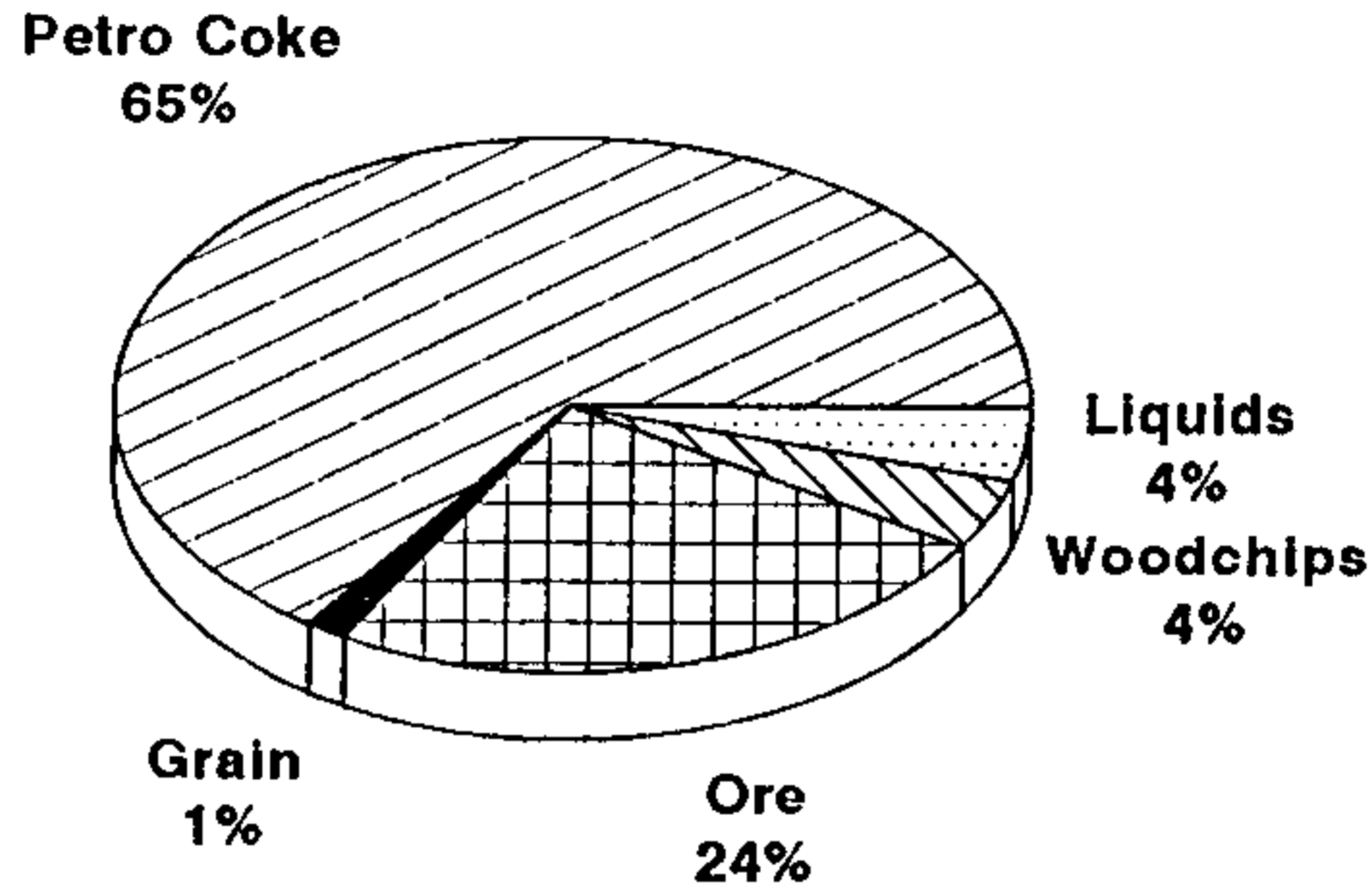
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 9,330,117	\$ 7,622,928	\$ 9,817,732	\$ 10,332,655
Rentals	1,534,036	1,630,178	1,643,920	1,666,612
Other	<u>25,803</u>	<u>57,557</u>	<u>43,924</u>	<u>715,528</u>
Total	<u>10,889,956</u>	<u>9,310,663</u>	<u>11,505,576</u>	<u>12,714,795</u>
<b>OPERATING EXPENSES</b>				
General and administrative	1,087,927	1,163,782	1,855,369	1,851,019
Maintenance and operation of facilities	4,782,564	5,713,958	5,928,674	5,791,114
Depreciation	<u>2,687,098</u>	<u>2,519,064</u>	<u>2,549,482</u>	<u>2,599,666</u>
Total	<u>8,557,589</u>	<u>9,396,804</u>	<u>10,333,525</u>	<u>10,241,799</u>
Income (loss) from operations	2,332,367	(86,141)	1,172,051	2,472,996
<b>NONOPERATING REVENUES (EXPENSES) - NET</b>				
	<u>5,181,490</u>	<u>4,719,162</u>	<u>6,702,719</u>	<u>7,301,433</u>
Net income	<u>\$ 7,513,857</u>	<u>\$ 4,633,021</u>	<u>\$ 7,874,770</u>	<u>\$ 9,774,429</u>

Table 1

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
\$ 10,854,685	\$ 11,128,746	\$ 12,208,319	\$ 11,769,954	\$ 10,973,446	\$ 11,857,442
1,588,014	1,466,584	1,442,165	2,368,287	1,276,313	1,268,743
109,747	63,877	140,489	146,271	59,590	151,339
<u>12,552,446</u>	<u>12,659,207</u>	<u>13,790,973</u>	<u>14,284,512</u>	<u>12,309,349</u>	<u>13,277,524</u>
2,320,717	2,761,223	3,195,782	2,827,722	2,598,018	2,412,455
6,132,059	7,505,873	8,494,922	8,051,856	8,064,876	8,388,604
2,479,532	2,591,569	2,874,612	2,936,945	3,059,637	3,267,835
<u>10,932,308</u>	<u>12,858,665</u>	<u>14,565,316</u>	<u>13,816,523</u>	<u>13,722,531</u>	<u>14,068,894</u>
1,620,138	(199,458)	(774,343)	467,989	(1,413,182)	(791,370)
<u>7,868,648</u>	<u>6,748,923</u>	<u>5,816,555</u>	<u>4,950,471</u>	<u>5,863,125</u>	<u>7,218,948</u>
<u>\$ 9,488,786</u>	<u>\$ 6,549,465</u>	<u>\$ 5,042,212</u>	<u>\$ 5,418,460</u>	<u>\$ 4,449,943</u>	<u>\$ 6,427,578</u>

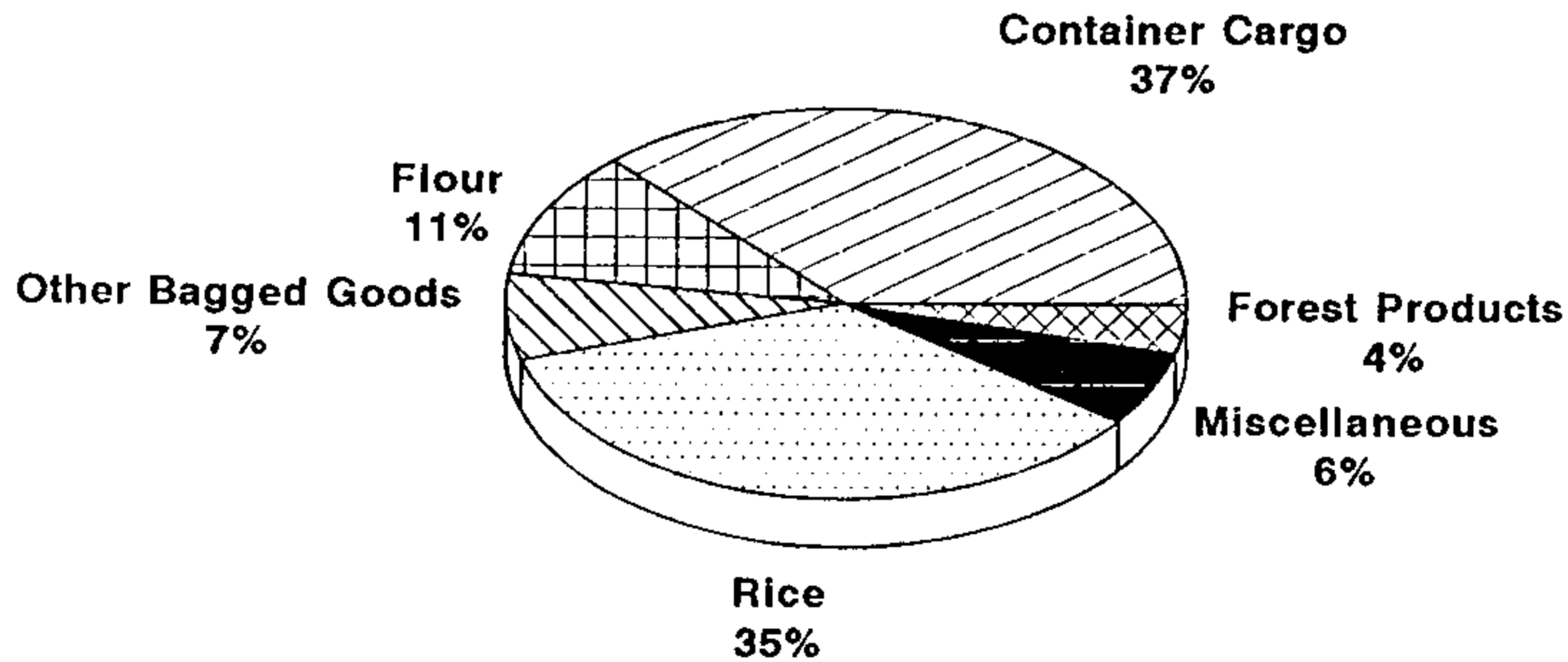
# BULK CARGO

Total Short Tons 1995 - 4,173,464



# GENERAL CARGO

Total Short Tons 1995 - 1,545,387



## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

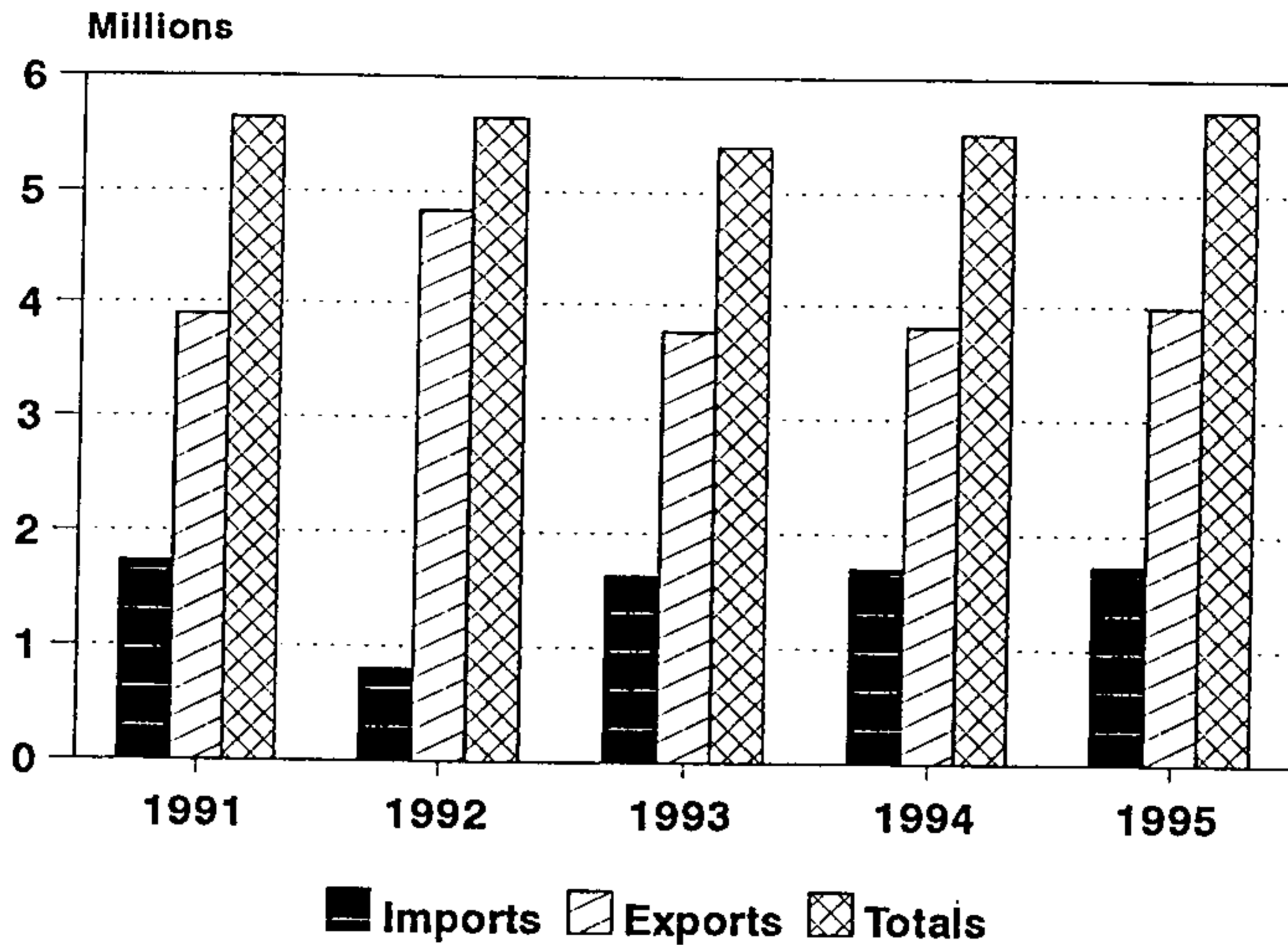
SHIPPING ACTIVITIES  
BULK AND GENERAL CARGO  
(Unaudited)1995 MONTHLY BULK CARGO  
(Tons)

<u>Month</u>	<u>Petro Coke</u>	<u>Grains</u>	<u>Ore</u>	<u>Liquids</u>	<u>Wood Chips</u>
January	329,806	-	74,693	2,805	-
February	206,548	4,235	73,105	66,969	-
March	120,364	-	12,771	2,733	46,446
April	285,189	17,003	64,387	2,743	-
May	212,994	8,953	115,438	64,042	-
June	223,448	-	63,642	2,939	47,201
July	246,081	-	105,440	8,829	-
August	128,899	12,786	117,374	2,679	41,828
September	220,565	6,944	124,219	2,789	-
October	343,366	8,199	63,915	1,400	44,543
November	259,424	-	111,478	16,974	-
December	<u>155,212</u>	<u>3,313</u>	<u>91,437</u>	<u>7,314</u>	<u>-</u>
	<u>2,731,896</u>	<u>61,433</u>	<u>1,017,899</u>	<u>182,216</u>	<u>180,018</u>

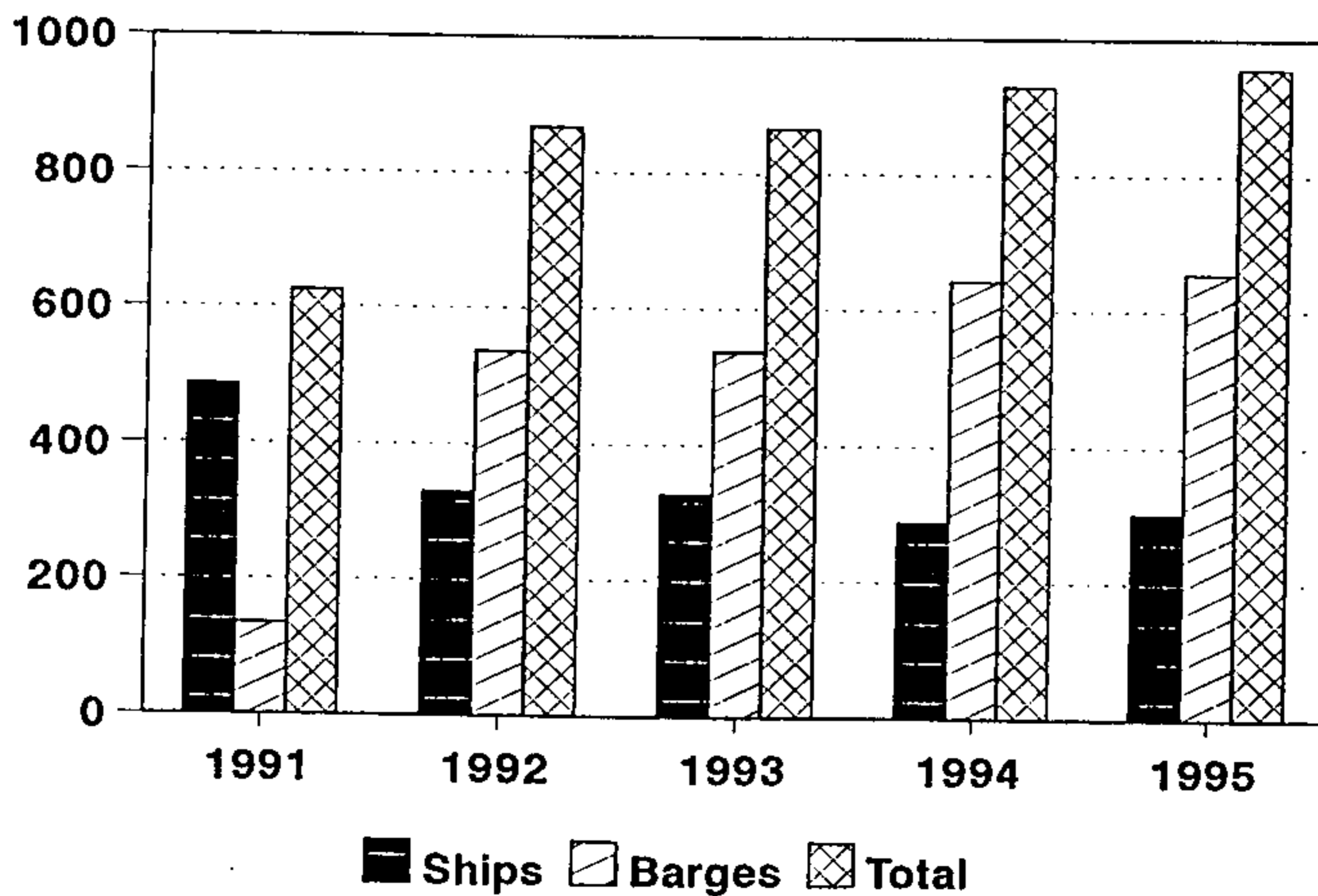
1995 MONTHLY GENERAL CARGO  
(Tons)

<u>Month</u>	<u>Rice</u>	<u>Flour</u>	<u>Forest Products</u>	<u>Grain Products</u>	<u>Misc.</u>	<u>Container Cargo</u>
January	64,040	11,122	7,875	6,458	2,558	41,597
February	41,697	23,267	3,605	8,390	7,704	45,324
March	45,383	3,508	4,026	11,469	8,911	21,985
April	44,511	861	4,054	2,418	4,528	81,813
May	57,294	33,370	2,061	28,971	5,120	49,595
June	20,855	-	14,285	7,235	5,919	42,837
July	21,704	26,661	5,563	3,277	3,894	45,557
August	37,813	39,268	-	11,524	12,807	48,756
September	57,474	2,173	9,577	1,894	6,146	46,964
October	50,935	6,181	5,549	12,690	12,181	47,249
November	76,311	7,066	-	654	12,480	53,074
December	<u>23,232</u>	<u>14,649</u>	<u>5,016</u>	<u>11,866</u>	<u>13,851</u>	<u>46,707</u>
	<u>541,249</u>	<u>168,126</u>	<u>61,611</u>	<u>106,846</u>	<u>96,099</u>	<u>571,458</u>

# FIVE YEAR CARGO TONNAGE



# SHIPS/BARGES CALLING AT DISTRICT FACILITIES



## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SHIPPING ACTIVITIES  
TONNAGE  
(Unaudited)1995 CARGO IMPORTS/EXPORTS  
(Tons)

<u>CARGO</u>	<u>IMPORTS</u>	<u>EXPORTS</u>	<u>TOTALS</u>
GENERAL CARGO	73,472	1,471,915	1,545,387
BULK	<u>1,657,371</u>	<u>2,516,093</u>	<u>4,173,464</u>
	<u>1,730,843</u>	<u>3,988,008</u>	<u>5,718,851</u>

FIVE YEAR CARGO  
IMPORT/EXPORT TONNAGE

	<u>IMPORTS</u>	<u>EXPORTS</u>	<u>TOTALS</u>
1991	1,733,087	3,894,404	5,627,491
1992	804,064	4,829,981	5,634,045
1993	1,630,347	3,761,594	5,391,941
1994	1,700,875	3,812,298	5,513,173
1995	1,730,843	3,988,008	5,718,851

MONTHLY CARGO TONNAGE  
SHIPS AND BARGES

<u>Month</u>	<u>Tonnage</u>	<u>Ships</u>	<u>Barges</u>
January	540,954	33	54
February	480,844	23	66
March	277,596	21	44
April	507,507	27	59
May	577,838	25	57
June	428,361	21	49
July	467,006	22	51
August	453,734	24	41
September	478,745	25	42
October	596,208	30	67
November	537,461	26	47
December	<u>372,597</u>	<u>25</u>	<u>78</u>
Totals	<u>5,718,851</u>	<u>302</u>	<u>655</u>



Table 4

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Years  
(Unaudited)

<u>Year</u>	<u>Total Tax Levy</u>	<u>Less: Cancellations and Reductions</u>	<u>Net Tax Levy</u>	<u>Less: Outstanding Delinquent Taxes</u>
1986	\$ 1,670,076	\$ 37,664	\$ 1,632,412	\$ 27,872
1987	1,907,279	12,626	1,894,653	24,053
1988	2,104,912	14,229	2,090,683	22,256
1989	2,056,252	25,162	2,031,090	14,267
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

## 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 Taxes Collected</u>	<u>Percent of Net Levy Collected</u>	<u>Percent of Delinquent Taxes to Net Levy</u>
\$ 1,604,540	98.29	1.71
1,870,600	98.73	1.27
2,068,427	98.94	1.06
2,016,823	99.30	.70
1,998,934	99.39	.61
1,042,550	99.09	.91
1,107,678	99.55	.45
1,130,133	99.34	.66
1,263,625	99.53	.47
1,273,368	99.44	.56
<hr/>	<hr/>	<hr/>

Table 5

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

<u>Year</u>	<u>Real Property</u>		<u>Personal Property</u>	
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>
1986	\$ 217,438	\$ 2,174,377	\$ 181,347	\$ 725,386
1987	214,774	2,147,738	177,592	710,368
1988	215,123	2,151,236	182,844	731,376
1989	214,559	2,145,592	194,070	776,280
1990	215,234	2,152,345	210,774	843,096
1991	215,773	2,157,727	244,216	976,863
1992	214,529	2,145,288	239,570	958,280
1993	218,346	2,183,457	245,084	980,336
1994	223,868	2,238,680	282,851	1,131,404
1995	232,181	2,321,810	276,919	1,107,676

## 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 Total Assessed to Total Estimated Actual Value</u>
<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	
\$ 42,894	\$ 285,961	\$ 441,679	\$ 3,185,724	13.9
42,740	284,933	435,106	3,143,039	13.8
41,986	279,900	439,953	3,162,512	13.9
41,570	277,133	450,199	3,199,005	14.1
40,913	272,753	466,921	3,268,194	14.3
41,435	276,232	501,424	3,410,822	14.7
40,014	266,760	494,112	3,370,328	14.7
39,754	265,027	503,184	3,428,820	14.7
40,054	267,027	546,773	3,637,111	15.0
40,860	272,400	549,960	3,701,886	14.9

Table 6

<u>Debt Payable from Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ -	\$ 3,599,975	0.8	\$ 20.36
-	2,723,674	0.6	15.52
-	1,857,115	0.4	10.86
-	887,601	0.2	5.20
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Table 7

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPUTATION OF LEGAL DEBT MARGIN  
December 31, 1995  
(Unaudited)

Net assessed value		\$ 440,449,450
Plus exempt property		<u>167,475,770</u>
Total assessed value		<u>\$ 607,925,220</u>
Debt limit - 10 percent of total assessed value		\$ 60,792,522
Amount of debt applicable to debt limit:		
Total bonded debt	\$	-
Less:		
Restricted assets available for payment of principal		<u>-</u>
Total amount of debt applicable		<u>-</u>
Legal debt margin		<u>\$ 60,792,522</u>

NOTE: 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.

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
December 31, 1995  
(Unaudited)

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to District</u>	<u>Amount Applicable to District</u>
Calcasieu Parish School District No. 31	\$ 4,095,400	100%	\$ 4,095,400
Calcasieu Parish School District No. 23	3,583,500	80%	2,866,800
Calcasieu Parish School District No. 22	29,384,306	100%	29,384,306
City of Lake Charles	145,000	100%	145,000
Calcasieu Parish School District No. 30	18,570,000	10%	1,857,000
Calcasieu Parish School District No. 28	2,025,000	10%	202,500
Calcasieu Parish School District No. 21	<u>2,930,000</u>	1%	<u>29,300</u>
	<u>\$ 60,733,206</u>		<u>\$ 38,580,306</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 Revenue</u>	<u>Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>
1986	\$ 17,310,696	\$ 8,557,589	\$ 8,753,107
1987	15,253,611	9,396,804	5,856,807
1988	19,015,699	10,333,525	8,682,174
1989	20,742,088	10,271,548	10,470,540
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	20,343,707	14,170,937	6,172,770
	<hr/>	<hr/>	<hr/>

## 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.



Table 9

<u>Principal</u>	<u>Debt Service Requirements</u>		<u>Coverage</u>
	<u>Interest</u>	<u>Total</u>	
\$ 2,570,000	\$ 1,138,556	\$ 3,708,556	236.02
2,270,000	945,260	3,215,260	182.16
2,345,000	777,076	3,122,076	278.09
1,995,000	448,626	2,443,626	428.48
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 VALUES)  
 Last Ten Years  
 (Unaudited)

<u>Year</u>	<u>District</u> <u>(4)</u>	<u>Parish</u> <u>(1)</u>	<u>School</u> <u>Districts</u>	<u>Cities</u> <u>(2)</u>	<u>Other</u> <u>(3)</u>	<u>Total</u>
1986	4.80	78.84	98.75	45.81	266.98	495.18
1987	5.68	82.29	92.50	46.06	254.99	481.52
1988	6.22	147.34	166.90	46.87	301.48	668.81
1989	5.90	145.53	167.70	46.46	274.03	639.62
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

## Notes:

- (1) Includes assessment 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 172 mills, while the average millage within the Parish is 158 mills.

OFFICIAL  
FILE COPY  
**DO NOT SEND OUT**  
(XEROX NECESSARY  
COPIES FROM THIS  
COPY, AND PLACE  
BACK IN FILE)

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, 1995

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, 1995

TABLE OF CONTENTS

		<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
List of principal officials		4
Message from the Executive Director		5-6
Letter of transmittal		7-16
GFOA Certificate of Achievement		17
Regional location and mileage map		18
Functional organizational chart		19
 <b>FINANCIAL SECTION</b>		
	<u>Exhibit</u>	
Independent auditor's report		23
 General purpose financial statements:		
Comparative balance sheets	1	24-25
Comparative statements of revenues, expenses, and changes in equity proprietary fund type	2	26-27
Comparative statements of revenues, expenses, and changes in retained earnings-budget and actual (budgetary basis)- proprietary fund (enterprise)	3	28-29
Comparative statements of cash flows-proprietary fund	4	30-31
Notes to financial statements		32-54
 <b>STATISTICAL SECTION</b>		
	<u>Table</u>	
Summary of revenues and expenses	1	56-57
Shipping activities-bulk and general cargo	2	58-59
Shipping activities-tonnage	3	60-61
Property tax levies and collections	4	62-63
Assessed and estimated actual value of taxable property- last ten years	5	64-65
Ratio of net general bonded debt to assessed value and net bonded debt per capita-last ten years	6	66-67
Computation of legal debt margin	7	68
Computation of direct and overlapping debt	8	69
Coverage provided by net revenues for annual debt service requirements-last ten years	9	70-71
Property tax rates-direct and overlapping governments-last ten years	10	72
Demographic statistics-last ten years	11	73
Property value, construction and bank deposits- last ten years	12	74-75
Principal taxpayers in district	13	76
Miscellaneous statistics	14	77

## **INTRODUCTORY SECTION**

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

P.O. BOX 3753  
LAKE CHARLES, LOUISIANA 70602  
318-439-3661

BOARD OF COMMISSIONERS

Hillery J. Langley, Jr.	President
Larry R. DeRouen	Vice-President
George E. Williams	Treasurer
James C. Watts	Secretary
Martin W. Guillory	Assistant Secretary/Treasurer
Russell T. Tritico, Sr.	Commissioner
Donald R. Tousand	Commissioner

EXECUTIVE DIRECTOR

Ulysses J. de St. Germain, Jr.  
Glenwood W. Wiseman

May 1, 1996

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

The importance of the Lake Charles Harbor & Terminal District to the surrounding area can be gauged by its economic impact on Calcasieu Parish and the State of Louisiana. This economic impact, as summarized on the following table, can be measured by the spending, income, employment, and taxes generated by activities relating to the shipment and handling of cargo through the District.



**Lake Charles  
Harbor  
& Terminal  
District**

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

**Glenwood W. Wiseman**  
Executive Director

**ECONOMIC IMPACT**

	<u>Calcasieu Parish</u>	<u>State of Louisiana</u>
District spending	\$8 Billion	\$8.3 Billion
Total spending	\$16 Billion	\$19 Billion
Direct income	\$266 Million	\$303 Million
Total income	\$528 Million	\$694 Million
Primary jobs	6,317	7,829
Total jobs	12,566	17,943
State tax	\$55 Million	\$72 Million
Local tax	\$51 Million	\$67 Million

During the last five years, all categories above increased as follows: total spending - 159%, earnings - 87%, employment - 43%, and state and local taxes - 87%.

Leadership and guidance provided by our Board of Commissioners, plus District users, stevedoring companies, ILA members and a dedicated work force provided the foundation necessary to generate this economic impact.

The District's \$80 million Capital Projects program continued on its construction timetable to provide cargo facilities to place the District in the physical position to compete for cargo, ships and jobs into the 21st century by offering shippers State-of-the-Art facilities. Major components of the Capital Projects program include: (1) a new free-span transit warehouse and ship berth to provide over one-half mile of continuous ship berthing space and 425,000 square

feet of floor space to receive 100,000 short tons of general cargo; (2) the expansion of the public grain elevator to accommodate 25,000 tons; (3) the installation of a new ship loader and ship berth at Bulk Terminal No. 1 to improve efficiency of the terminal operation and reduce ship channel congestion; (4) the installation of a new ship berth on Contraband Bayou at City Docks; and (5) additional infrastructural improvements to existing facilities.

The Lake Charles Harbor & Terminal District continues to be the twelfth ranked port in the United States by the U.S. Army Corps of Engineers. One of the District's primary marketing goals is to maintain a diversified cargo base in order to protect its enormous economic benefit to the community. Cash flow and financial reserves remain strong and will support the Capital Projects program to accommodate growing cargo demands.



In 1996, the Board and Staff will continue to dedicate the Port's resources to building a solid foundation through cargo diversification and capital improvements to enhance its economic contributions to the community.

Sincerely,

  
Glenwood W. Wiseman



May 1, 1996

Board of Commissioners  
Citizens of the District  
Lake Charles Harbor and 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

The comprehensive annual financial report of the Lake Charles Harbor and Terminal District (the District), Lake Charles, Louisiana, a component unit of the State of Louisiana, for the year ended December 31, 1995 is submitted herewith. This report was prepared under the direction of the Executive Director by staffs of the administration and finance, and sales and marketing divisions. The Executive Director is responsible for the completeness, fairness, and accuracy of the presentation, including all disclosures.

We believe the data are 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.

This report was prepared in accordance with generally accepted accounting principles and standards of financial reporting as established by the Governmental Accounting Standards Board using guidelines as recommended by the Government Finance Officers Association of the United States and Canada.

The report consists of three sections:

1. Introductory Section, including this letter of transmittal, the Executive Director's message, 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 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 is 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.

#### HIGHLIGHTS 1995

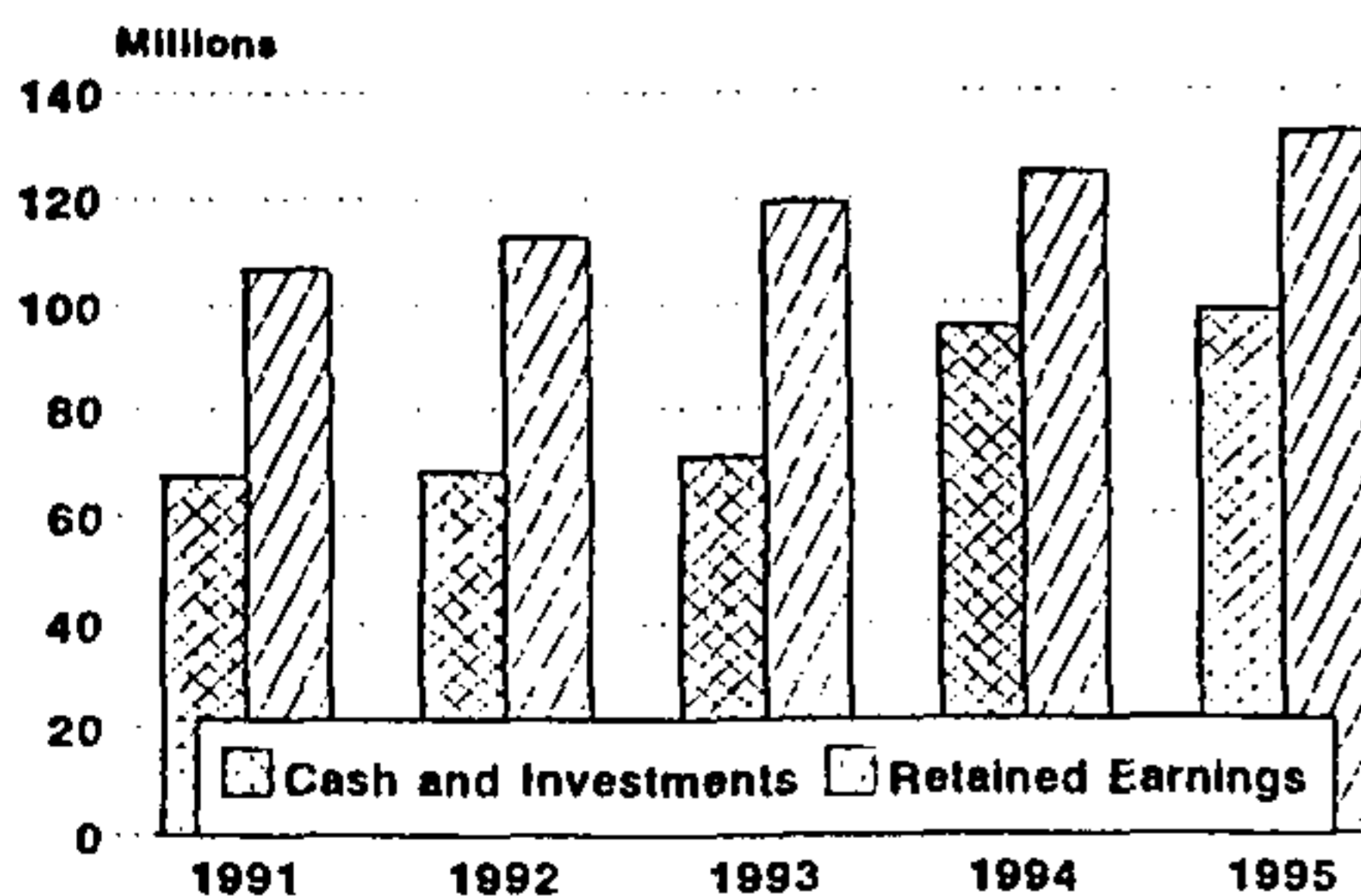
Cash and investments increased approximately 3.2 percent over 1994 from \$95,365,256 to \$98,382,213 in 1995. Cash and investments are expected to remain constant during 1996 as the District continues to expend its positive cash flow from operations and nonoperating income on infrastructure development.

Retained earnings increased approximately 5.9 percent from \$124,496,031 in 1994 to \$131,880,378 in 1995. Retained earnings growth is expected to continue at its current rate.

Total operating revenues increased 7.8 percent, from \$12,309,349 in 1994 to \$13,277,524 in 1995. Vessel cargo services revenues increased 8.1 percent, from \$10,973,446 in 1994 to \$11,857,442 in 1995. Total cargo tonnage increased 3.7 percent from 5,513,713 in 1994 to 5,718,851 in 1995.

## FINANCIAL GROWTH

### Cash & Investments/Retained Earnings



The Enterprise Fund showed a steady increase in 1995, reflecting the District's strong financial position. The financial statements included in the financial and statistical portions of this document show the increased net income during 1995 resulting from an increased yield on the District's portfolio, increased bulk volume, and reduced major repairs to the District's physical infrastructure included in the capital projects program.

## **FUTURE GROWTH OF THE DISTRICT**

One of the District's primary marketing goals has been, and is, to diversify its cargo base.

A major tenant and exporter of woodchips has located at our City Docks and signed a long-term lease for the property. Tonnage for this tenant is estimated to be 1,000,000 per year.

During December, 1995, Polycom-Huntsman, Inc. issued \$8 million in bonds to construct a plastics compounding facility in a new industrial park development on District property.

A vegetable oil packaging company completed its second full year of operation at City Docks providing over 65,000 tons of export shipments of drummed vegetable oil.

The District authorized an \$80 million capital projects program which will provide for cargo handling facilities required to place the Port in the physical position to compete for cargo, ships and jobs into the 21st century by offering shippers state-of-the-art facilities.

A brand new free-span transit warehouse and ship berth at City Docks was completed in 1995. At a cost of \$18 million dollars, this project will provide us with over a one-half mile of ship berthing space (up to five ships can be docked simultaneously). The combined capacity of transit warehouses 1, 2, 3, and the new warehouse will be 425,000 square feet of floor space capable of receiving 75,000 short tons of general cargo. This is the first of several projects underway or in their final planning stages.

Construction is almost complete on new ramps at the ends of sheds No. 3 and 4 to allow for full access of cranes and equipment from one end of City Docks to the other without the current difficulties of clearance and traffic on City Docks streets.

Another badly needed expansion is that of the public grain elevator. The existing facility has storage capacity for only 18,000 tons of bulk commodities and is too small to compete for highly desirable full vessel cargoes. However, we have obtained ports priority funding for the expansion of the elevator to accommodate 25,000 tons. Total cost will be \$4 million and completion is expected in 1997. This expansion will place our elevator in the forefront of port competition for rice and other bulk cargoes for export.

The installation of a new ship loader and the extension of the dock face at Bulk Terminal No. 1 began in 1995. Total cost is \$26.6 million. This expansion will give the Port a state-of-the-art ship loader and a two-berth facility, all designed to improve the efficiency of the terminal operation and help reduce channel congestion.

The expansion of transit shed and ship berth no. 9, as well as major structural repairs to existing berths will begin in 1996.

All the capital improvements at the Port will provide us with the facilities necessary to handle both revenue producing and labor-intensive shipments.

## **ECONOMIC CONDITION AND COMMUNITY PARTICIPATION**

The long-term outlook for the local economy is generally positive. Several of the petrochemical industries have recently announced major expansion projects in excess of \$1 billion dollars. Conoco-Pennzoil formed a joint venture expansion totaling about \$750 million. Citgo, Inc. announced an expansion of \$250 million.

Community events in which the District participated during 1995 included Contraband Days Festival, Martin L. King Day, and the International Rice Festival. The District continued to conduct tours and presentations for area schools and civic organizations.

## **DRY BULK CARGO TERMINALS**

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

The District either leases the dry bulk facilities to customers or has long-term operating agreements with the individual industrial users.

The District has completed its deferred maintenance program and is now focusing on preventative maintenance and infrastructure upgrade and expansion.

Funding for the projects comes from current operating income, investment income and some state matching funds.

## **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 3,600 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**

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.

The District is served by three area airports, Lake Charles Regional Airport, Chennault Industrial Airpark, and Southland Field.

## SECURITY

Because of the nature of cargoes handled by the District, the District maintains a strong security force. Harbor Police continuously man the entrance of its City Docks and patrol the area at all times. Harbor Police also monitor all vehicular traffic coming onto 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 nine sites within the 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. Five 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. Two other sites have been added to the zone since the Federal Trade Zone was awarded the original grant on July 27, 1983.

Two subzones also have been granted 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.

## ADMINISTRATION

Members of the Board of Commissioners as of December 31, 1995 are as follows:

Hillery J. Langley, Jr., President  
Larry R. DeRouen, Vice President  
George E. Williams, Treasurer  
James C. Watts, Secretary  
Martin W. Guillory, Assistant Secretary/Treasurer  
Russell T. Tritico, Sr.  
Donald R. Tousand

Administrative changes effective January 1, 1996 include the retirement of Executive Director Ulysses J. de St. Germain, Jr. and the promotion of Glenwood W. Wiseman to the position of Executive 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 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 a) the ability to impose will by 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 operations 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 Board of Commissioners in 1990 adopted a formal *Statement of Cash Management and Investment 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, 1995 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 are dedicated to certain additions, extensions and improvements to the city docks, including a new ship berth and transit shed extension at the city docks and new ship loader with conveyor system at Bulk Terminal 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.

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

Standard & Poor's Corporation rated 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 in the lessees' policy.

New leases negotiated by the District 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 governmental entity (i.e., self-insurance).

## **INDEPENDENT AUDIT**

State statutes require an annual audit by independent certified public accountants. In addition, federal funds expended by the District are subject to an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. There were no federal funds expenditures in 1995.

The accounting firm of McElroy, Quirk & Burch (APC) was selected by the office of the Legislative Auditor with the approval of the Board of Commissioners to perform these audits. The auditor's report on the component unit financial statements is included in the financial section of this report. The auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in a separate report.


## AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its component unit financial report for the fiscal year ended December 31, 1994. This is the seventh consecutive year for such an award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized component unit financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate covering the fiscal year 1995.

## 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, McElroy, Quirk & Burch (APC).

  
Gary L. Pearce, Sr.  
Director of Administration and Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lake Charles Harbor and  
Terminal District,  
Louisiana

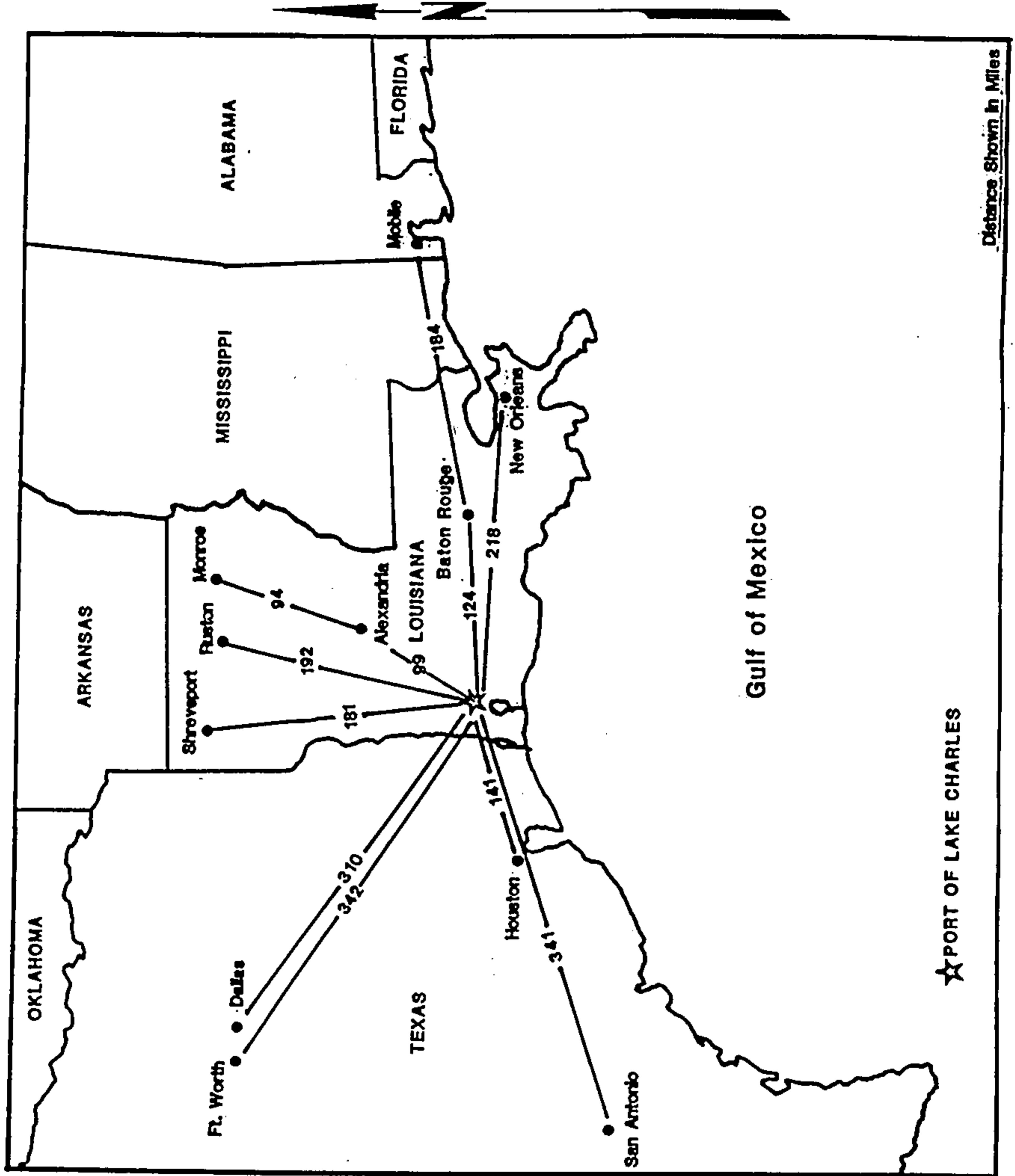
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 1994

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.



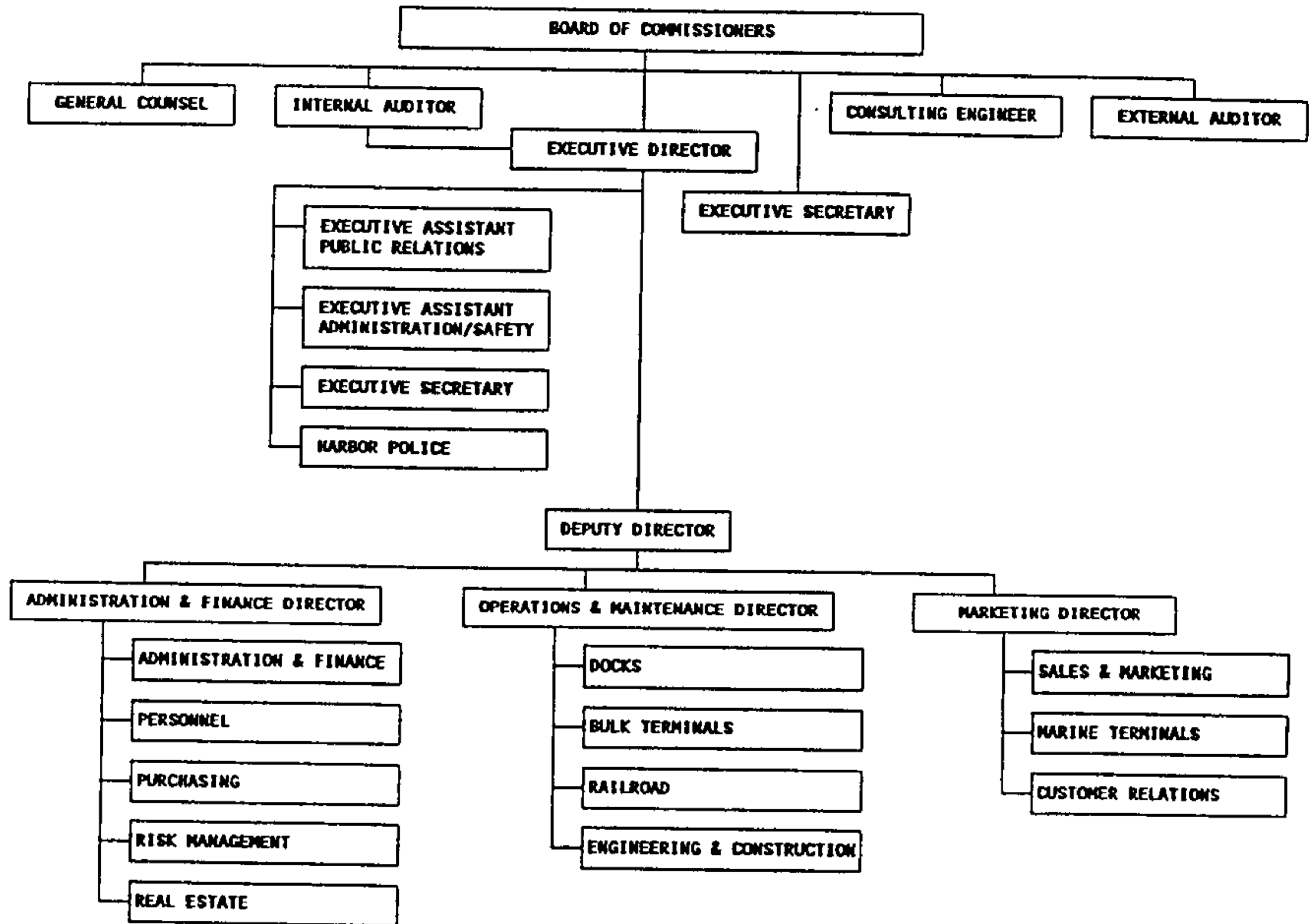
*Timothy H. Rivdan*  
President

*Jeffrey L. Esser*  
Executive Director



REGIONAL LOCATION AND MILEAGE MAP

LAKE CHARLES HARBOR AND TERMINAL DISTRICT  
ORGANIZATIONAL CHART



**FINANCIAL SECTION**

# MCELROY, QUIRK & BURCH

(A PROFESSIONAL CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 3070  
LAKE CHARLES, LOUISIANA  
70602-3070

800 KIRBY STREET  
TELEPHONE (318) 433-1063  
FAX (318) 436-6618  
H:\AUDIT\LC-HARBOR

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## 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 years ended December 31, 1995 and 1994, 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, as of December 31, 1995 and 1994, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated March 4, 1996 on our consideration of the Lake Charles Harbor and Terminal District's internal control structure and a report dated March 4, 1996 on its compliance with laws and regulations.

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.

*McElroy, Quirk & Burch*  
Lake Charles, Louisiana  
March 4, 1996

## Exhibit 1

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE BALANCE SHEETS  
 PROPRIETARY FUND  
 December 31, 1995 and 1994

ASSETS	Enterprise Fund	
	1995	1994
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 1 and 3)	\$ 9,984,085	\$ 8,821,874
Investments (Notes 1 and 3)	19,351,879	15,040,436
Receivables:		
Trade (net of allowance for doubtful accounts of \$213,815 for 1995 and \$356,098 for 1994)	1,338,225	1,392,983
Intergovernmental (Note 5)	-	223,490
Property taxes receivable (Notes 4)	1,238,644	1,237,618
Interest	1,434,065	1,292,092
Inventory (Note 1)	138,108	120,893
Prepaid expenses (Note 1)	544,425	475,403
Total current assets	34,029,431	28,604,789
<b>RESTRICTED ASSETS</b>		
Cash equivalents (Notes 1 and 3)	9,372,825	1,794,979
Investments (Notes 1 and 3)	6,011,442	17,605,974
Total restricted assets	15,384,267	19,400,953
<b>NONCURRENT ASSETS:</b>		
Investments (Notes 1 and 3)	53,361,982	51,801,993
Investments designated for scholarship endowment (Note 3)	300,000	300,000
Total noncurrent assets	53,661,982	52,101,993
<b>FIXED ASSETS</b>		
Property, plant and equipment (Notes 1 and 6)	129,167,769	122,437,544
Less accumulated depreciation	60,398,969	57,138,891
Net property, plant and equipment	68,768,800	65,298,653
Investment in direct financing lease (Note 7)	1,959,485	2,478,723
Fixed assets-net	70,728,285	67,777,376
<b>OTHER ASSETS</b>		
Unamortized expense (Note 9)	385,764	403,299
Prepaid advertising (Note 1)	322,205	363,780
Other	61,313	61,313
Total other assets	769,282	828,392
<b>Total assets</b>	<b>\$ 174,573,247</b>	<b>\$ 168,713,503</b>

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



LIABILITIES AND EQUITY	Enterprise Fund	
	1995	1994
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ 358,721	\$ 220,335
Contracts payable	300,963	60,466
Current maturities of long-term debt (Note 11)	-	495,000
Accrued expenses (Notes 1 and 10)	432,939	365,618
Accrued interest payable	92,014	95,573
Deferred revenues (Note 15)	111,516	95,082
Total current liabilities (payable from current assets)	<u>1,296,153</u>	<u>1,332,074</u>
CURRENT LIABILITIES (payable from restricted assets)		
Contracts payable	<u>642,335</u>	<u>1,031,884</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities (Note 11)	25,000,000	25,000,000
Compensated absences, less current portion (Notes 1 and 10)	287,115	284,876
Deferred revenues, less current portion (Note 15)	1,193,403	1,259,086
Contingent liabilities (Note 14)	-	-
Total long-term liabilities	<u>26,480,518</u>	<u>26,543,962</u>
Total liabilities	<u>28,419,006</u>	<u>28,907,920</u>
EQUITY		
Contributed capital (Note 16)	<u>14,273,862</u>	<u>15,309,552</u>
Retained earnings (Note 17):		
Reserved	14,741,932	18,369,069
Unreserved	117,138,447	106,126,962
Total retained earnings	<u>131,880,379</u>	<u>124,496,031</u>
Total equity	<u>146,154,241</u>	<u>139,805,583</u>
Total liabilities and equity	<u>\$ 174,573,247</u>	<u>\$ 168,713,503</u>

## Exhibit 2

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN EQUITY  
PROPRIETARY FUND TYPE

Years Ended December 31, 1995 and 1994

	<u>Enterprise Fund</u>	
	<u>1995</u>	<u>1994</u>
Operating revenues:		
Vessel and cargo services	\$ 11,857,442	\$ 10,973,446
Rental of equipment and facilities (Note 8)	1,268,743	1,276,313
Other	<u>151,339</u>	<u>59,590</u>
Total operating revenues	<u>13,277,524</u>	<u>12,309,349</u>
Operating expenses:		
Personnel services	4,657,268	4,366,914
Contractual services	2,289,773	2,090,978
Supplies, maintenance and operation of facilities	3,400,714	3,776,662
Heat, light and power	453,304	428,340
Depreciation and amortization	<u>3,267,835</u>	<u>3,059,637</u>
Total operating expenses	<u>14,068,894</u>	<u>13,722,531</u>
Operating (loss)	<u>(791,370)</u>	<u>(1,413,182)</u>
Nonoperating revenues (expenses):		
Property taxes (net of tax assessor's settlement and pension fund)	1,245,660	1,243,421
Intergovernmental revenue	822,931	1,069,873
Direct financing lease	24,021	79,500
Interest income	5,483,187	3,685,499
Interest expense and fiscal charges	(356,597)	(214,019)
Other	<u>(254)</u>	<u>(1,149)</u>
Net nonoperating revenues	<u>7,218,948</u>	<u>5,863,125</u>
Net income	6,427,578	4,449,943
Add depreciation on fixed assets acquired with federal and state grants	<u>956,770</u>	<u>942,625</u>
Increase in retained earnings	7,384,348	5,392,568

(continued on next page)

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN EQUITY  
PROPRIETARY FUND TYPEYears Ended December 31, 1995 and 1994  
(Continued)

	<u>Enterprise Fund</u>	
	<u>1995</u>	<u>1994</u>
Increase in retained earnings	7,384,348	5,392,568
Retained earnings-beginning of year	<u>124,496,031</u>	<u>119,103,463</u>
Retained earnings-end of year	<u>131,880,379</u>	<u>124,496,031</u>
Contributed capital-beginning of year (Note 16)	15,309,552	16,169,209
Add capital grants	-	349,949
Less adjustment of grants receivable	(78,920)	(266,981)
Less depreciation	<u>(956,770)</u>	<u>(942,625)</u>
Contributed capital-end of year	<u>14,273,862</u>	<u>15,309,552</u>
Equity-end of year	<u>\$ 146,154,241</u>	<u>\$ 139,805,583</u>

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

## Exhibit 3

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
 BUDGET AND ACTUAL (BUDGETARY BASIS) - PROPRIETARY FUND (ENTERPRISE)  
 Years Ended December 31, 1995 and 1994

	1995		Variance Favorable (Unfavorable)
	Budget	Actual	
Operating revenue:			
Vessel and cargo services	\$ 11,244,002	\$ 11,857,442	\$ 613,440
Rental of equipment and facilities	1,361,147	1,268,743	(92,404)
Other	76,892	151,339	74,447
Total operating revenue	<u>12,682,041</u>	<u>13,277,524</u>	<u>595,483</u>
Operating expenses:			
Personnel services	4,867,894	4,657,268	210,626
Contractual services	1,802,712	2,270,631	(467,919)
Supplies, maintenance and operation	2,844,238	2,990,190	(145,952)
Heat, light and power	480,542	453,304	27,238
Depreciation and amortization	3,671,665	3,267,835	403,830
Total operating expenses	<u>13,667,051</u>	<u>13,639,228</u>	<u>27,823</u>
Operating (loss)	<u>(985,010)</u>	<u>(361,704)</u>	<u>623,306</u>
Nonoperating revenue (expenses):			
Property taxes	1,100,000	1,245,660	145,660
Intergovernmental revenue	816,250	822,931	6,681
Direct financing lease	28,633	24,021	(4,612)
Interest income	4,058,351	5,483,187	1,424,836
Interest expense and fiscal charges	(321,169)	(356,597)	(35,428)
Uncollectible revenue	-	98,017	98,017
Other	-	(4,004)	(4,004)
Net nonoperating revenue	<u>5,682,065</u>	<u>7,313,215</u>	<u>1,631,150</u>
Net income (budget basis)	<u>\$ 4,697,055</u>	<u>6,951,511</u>	<u>\$ 2,254,456</u>
Adjustments: (Note 18)			
Adjust operating expenses for amounts budgeted to be paid from retained earnings		<u>(523,933)</u>	
Net income (GAAP basis)		6,427,578	
Add depreciation on fixed assets acquired with federal and state grants		<u>956,770</u>	
Increase in retained earnings		7,384,348	
Retained earnings-beginning of year		<u>124,496,031</u>	
Retained earnings at end of year		<u>\$ 131,880,379</u>	

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

1994		
<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
\$ 11,734,019	\$ 10,973,446	\$ (760,573)
683,209	1,276,313	593,104
38,352	59,590	21,238
<u>12,455,580</u>	<u>12,309,349</u>	<u>(146,231)</u>
4,326,450	4,366,914	(40,464)
1,900,782	2,042,604	(141,822)
3,109,416	3,050,191	59,225
401,853	428,340	(26,487)
<u>3,101,330</u>	<u>3,059,637</u>	<u>41,693</u>
<u>12,839,831</u>	<u>12,947,686</u>	<u>(107,855)</u>
<u>(384,251)</u>	<u>(638,337)</u>	<u>(254,086)</u>
1,000,000	1,243,421	243,421
1,088,500	1,069,873	(18,627)
79,500	79,500	-
3,050,000	3,685,499	635,499
(79,501)	(214,019)	(134,518)
-	(129,571)	(129,571)
-	(185,714)	(185,714)
<u>5,138,499</u>	<u>5,548,989</u>	<u>410,490</u>
<u>\$ 4,754,248</u>	4,910,652	<u>\$ 156,404</u>
	<u>(460,709)</u>	
	4,449,943	
	<u>942,625</u>	
	5,392,568	
	<u>119,103,463</u>	
	<u>\$ 124,496,031</u>	

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUND  
 Years Ended December 31, 1995 and 1994

	<u>Enterprise Fund</u>	
	<u>1995</u>	<u>1994</u>
Increase (Decrease) in Cash and Cash Equivalents		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (791,370)	\$ (1,413,182)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,267,835	3,059,637
Changes in assets and liabilities:		
Decrease in customer receivables	54,758	668,174
(Increase) in inventory	(17,215)	(15,595)
(Increase) in prepaid expenses and other assets	(35,224)	(430,306)
Increase (decrease) in accounts payable and accrued expenses	207,946	(8,701)
(Decrease) in deferred revenue	(49,249)	(66,680)
Other	-	453
Total adjustments	<u>3,428,851</u>	<u>3,206,982</u>
Net cash provided by operating activities	<u>2,637,481</u>	<u>1,793,800</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property taxes collected	712,354	548,280
Operating subsidies received from other governments	88,200	91,198
Tax receipts collected by other governments	<u>734,731</u>	<u>978,675</u>
Net cash provided by noncapital financing activities	<u>1,535,285</u>	<u>1,618,153</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Property taxes collected	532,280	597,746
Payments received on direct financing lease	543,259	559,461
Capital grants collected	144,570	4,946,617
Proceeds of bond issue	-	25,000,000
Payments for capital acquisitions	(6,887,288)	(11,768,938)
Principal repayments	(495,000)	(480,000)
Interest and fiscal charges paid	(334,844)	(106,779)
Payments for debt issue expense	-	(436,407)
Net cash provided by (used in) capital and related financing activities	<u>(6,497,023)</u>	<u>18,311,700</u>

(continued on next page)

## LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUND  
 Years Ended December 31, 1995 and 1994  
 (Continued)

	<u>Enterprise Fund</u>	
	<u>1995</u>	<u>1994</u>
Increase (Decrease) in Cash and Cash Equivalents		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments	46,723,122	65,307,495
Receipts of interest	5,229,274	2,814,747
Payments for investments	<u>(40,888,082)</u>	<u>(98,973,893)</u>
Net cash provided by (used in) investing activities	<u>11,064,314</u>	<u>(30,851,651)</u>
Net increase (decrease) in cash and cash equivalents	8,740,057	(9,127,998)
Cash and cash equivalents:		
Beginning of year	<u>10,616,853</u>	<u>19,744,851</u>
End of year	<u>\$ 19,356,910</u>	<u>\$ 10,616,853</u>
Schedule of noncash investing, capital, and financing activities:		
Increase in grant receivable from the State of Louisiana	\$ -	\$ 349,949
Adjustments of grants receivable	(78,920)	(266,981)
Book value of property demolished and equipment retired	(254)	(1,149)

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 1995 and 1994

Note 1. Nature of Business and 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.

A. 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 a) the ability to impose will by 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.



## NOTES TO FINANCIAL STATEMENTS

### B. Fund Accounting

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

### C. Basis of Accounting

The accounting 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 all 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 30, 1989, would not apply unless adopted by GASB.

## NOTES TO FINANCIAL STATEMENTS

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.

Certain reclassifications have been made to the 1994 financial statements to be in conformity with the 1995 method of presentation.

### D. 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 expenses for repairs and uncollectible revenue are classified as nonoperating rather than operating expenses.

Budget amounts are as originally adopted or as amended by the Board of Commissioners. All budgetary appropriations lapse at the end of each year. Encumbrance accounting is not used.

### E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, U.S. Government Agencies securities and repurchase agreements.

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.

## NOTES TO FINANCIAL STATEMENTS

Investments are stated at cost or amortized cost, which approximates market. Discounts and premiums on the purchase of investments are amortized over the life of the investment remaining from the date of purchase to the date of maturity.

### F. Property Taxes

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

### G. Inventories

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

### H. Prepaid Expenses

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

### I. 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.

### J. 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, 1995, total interest cost incurred was \$460,798 of which \$423,518 was capitalized. During the year ended December 31, 1994, \$129,413 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.

NOTES TO FINANCIAL STATEMENTS

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

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

K. 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.

L. 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.

M. Bond Issuance Costs

Bond issuance costs are recorded as deferred charges and are amortized over the term of the bonds using a method which approximates the effective interest method.

N. 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Legal Compliance - Budget

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

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

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

Expenditures may not legally exceed budget appropriations at the division level. During 1995 and 1994, several supplementary appropriations were necessary.

### Note 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, U.S. Government Agencies securities, and repurchase agreements. 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.

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.

NOTES TO FINANCIAL STATEMENTS

The following chart presents bank balances as of December 31, 1995 and 1994. 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.

	Bank Balances			Total Bank Balances	Carrying Amount
	Category 1	Category 2	Category 3		
December 31, 1995					
Cash and demand deposits	\$12,563,117	\$ -	\$ -	\$12,563,117	\$12,356,909
December 31, 1994					
Cash and demand deposits	\$ 3,730,359	\$ -	\$ -	\$ 3,730,359	\$ 3,516,169

Following are investments and repurchase agreements 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			Carrying Amount	Market Value
	1	2	3		
December 31, 1995					
Repurchase agreements	\$ 7,000,000	\$ -	\$ -	\$ 7,000,000	\$ 7,013,057
U.S. Treasury securities	46,665,994	-	-	46,665,994	47,317,188
U.S. Government Agencies securities	32,359,310	-	-	32,359,310	32,640,229
Total	\$ 86,025,304	\$ -	\$ -	\$ 86,025,304	\$ 86,970,474
December 31, 1994					
U.S. Treasury securities	\$ 68,523,162	\$ -	\$ -	\$ 68,523,162	\$ 66,387,887
U.S. Government Agencies securities	23,325,925	-	-	23,325,925	22,855,958
Total	\$ 91,849,087	\$ -	\$ -	\$ 91,849,087	\$ 89,243,845

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:

	<u>December 31,</u>	
	<u>1995</u>	<u>1994</u>
Carrying value of bank deposits per Note 3	\$ 12,356,909	\$ 3,516,169
Carrying value of investments per Note 3	<u>86,025,304</u>	<u>91,849,087</u>
Total	<u>\$ 98,382,213</u>	<u>\$ 95,365,256</u>

	<u>December 31,</u>	
	<u>1995</u>	<u>1994</u>
Per comparative balance sheets:		
Cash and cash equivalents	\$ 9,984,085	\$ 8,821,874
Investments	72,713,861	66,842,429
Cash equivalents-restricted	9,372,825	1,794,979
Investments-restricted	6,011,442	17,605,974
Investments-scholarship endowment	<u>300,000</u>	<u>300,000</u>
Total	<u>\$ 98,382,213</u>	<u>\$ 95,365,256</u>

At December 31, 1995 and 1994, cash equivalents and investments were restricted as shown below:

	<u>1995</u>	<u>1994</u>
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:		
Project Fund	8,940,634	13,193,384
Cost of Issuance Account	-	66,338
Debt Service Reserve Fund	2,721,835	2,570,645
Depreciation Reserve Fund	<u>2,721,799</u>	<u>2,570,586</u>
Total	<u>\$ 15,384,268</u>	<u>\$ 19,400,953</u>

The trust funds are more fully explained in Note 11.

## NOTES TO FINANCIAL STATEMENTS

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.

### Note 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 1995 assessed millage is 2.92 mills and the 1994 assessed millage is 2.92 mills. These funds have been dedicated and obligated first to retirement of certificates of indebtedness issued by the District. Any excess funds may be used for any lawful purpose.

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

Total taxes levied for the year ended December 31, 1995 were \$1,286,115 on property with assessed valuation totaling \$607,925,220 less exempt valuation of \$167,475,770, for a net valuation of \$440,449,450. Total taxes levied for the year ended December 31, 1994 were \$1,283,535 on property with assessed valuation totaling \$602,548,580 less exempt valuation of \$162,982,450 for a net valuation of \$439,566,130.

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 \$40,459 for 1995 and \$40,114 for 1994.



NOTES TO FINANCIAL STATEMENTS

Note 5. Intergovernmental Receivable

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

	<u>1995</u>	<u>1994</u>
Capital projects-State of Louisiana Ports Priority Program	<u>\$ -</u>	<u>\$ 223,490</u>

Note 6. Property, Plant and Equipment

A summary of changes in property, plant and equipment for the years ended December 31, 1995 and 1994 is as follows:

<u>1995</u>	<u>Beginning of Year</u>	<u>Net Additions</u>	<u>End of Year</u>
Land	\$ 7,283,653	\$ -	\$ 7,283,653
Buildings and operating facilities	83,621,382	11,219,712	94,841,094
Equipment, furniture and fixtures	18,248,820	68,174	18,316,994
Construction in progress	<u>13,283,689</u>	<u>(4,557,661)</u>	<u>8,726,028</u>
	122,437,544	<u>\$ 6,730,225</u>	129,167,769
Less accumulated depreciation	<u>57,138,891</u>		<u>60,398,969</u>
Total	<u>\$ 65,298,653</u>		<u>\$ 68,768,800</u>
 <u>1994</u>			
Land	\$ 7,283,653	\$ -	\$ 7,283,653
Buildings and operating facilities	78,436,760	5,184,622	83,621,382
Equipment, furniture and fixtures	17,833,066	415,754	18,248,820
Construction in progress	<u>7,072,523</u>	<u>6,211,166</u>	<u>13,283,689</u>
	110,626,002	<u>\$ 11,811,542</u>	122,437,544
Less accumulated depreciation	<u>54,363,364</u>		<u>57,138,891</u>
Total	<u>\$ 56,262,638</u>		<u>\$ 65,298,653</u>

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was \$3,267,835 for the year ended December 31, 1995 and \$3,059,637 for 1994.

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.

Note 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, 1995 and 1994 were composed of the following:

	1995	1994
Total minimum lease payments receivable	\$ -	\$ 501,047
Estimated unguaranteed residual value of leased properties	1,959,485	2,000,000
Total	1,959,485	2,501,047
Less unearned income	-	22,324
Net investment in direct financing lease	\$ 1,959,485	\$ 2,478,723

The District has 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 has sold the facilities to Crowley Maritime and has financed the acquisition of the construction with the issuance of the certificates of indebtedness which were paid in full during 1995.

Subsequent to year end, Crowley Maritime entered into a new lease agreement with monthly rent payments of \$9,367 through September 30, 2000. Two five year renewal options are a part of this lease agreement. The facilities will revert to the District when Crowley Maritime vacates the property.

NOTES TO FINANCIAL STATEMENTS

Note 8. Operating Leases

Other 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 noncancellable lease terms in excess of one year are as follows:

1996	\$	749,034
1997		812,420
1998		803,786
1999		699,007
2000		584,420
After 2000		<u>3,021,337</u>
		<u>\$ 6,670,004</u>

Of the above, the amount of \$1,259,085 was paid in full at the inception of the lease by the lessee, and is included in deferred revenues at December 31, 1995. The amount of \$1,324,767 is included in deferred revenues at December 31, 1994.

Note 9. Unamortized Expense

The District incurs certain expenses in connection with the issuance of certificates of indebtedness and revenue bonds. These expenses are being amortized over fifteen and twenty-five years, which are the terms of the bonds. Details of the balances are as follows:

	<u>1995</u>	<u>1994</u>
Total expense	\$ 668,465	\$ 668,465
Less amount amortized	<u>265,166</u>	<u>239,854</u>
Unamortized at December 31	<u>\$ 403,299</u>	<u>\$ 428,611</u>
Amount shown in current assets (prepaid expenses)-to be amortized in one year	\$ 17,535	\$ 25,312
Amount shown in other assets	<u>385,764</u>	<u>403,299</u>
Total	<u>\$ 403,299</u>	<u>\$ 428,611</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Compensated Absences

Compensated absences are included in personal services expenses for 1995 and 1994. The District's liabilities for accumulated compensated absences as of December 31, 1995 and 1994 are as follows:

	<u>1995</u>	<u>1994</u>
Current liabilities-estimated to be paid within one year	\$ 31,902	\$ 31,653
Long-term liabilities	<u>287,115</u>	<u>284,876</u>
Total	<u>\$ 319,017</u>	<u>\$ 316,529</u>

Note 11. Long-Term Debt

A summary of changes in long-term debt for the years ended December 31, 1995 and 1994 is as follows:

<u>1995</u>	<u>Beginning Balance</u>	<u>Issues</u>	<u>Maturities</u>	<u>Ending Balance</u>
Revenue bonds	<u>\$ 25,495,000</u>	<u>\$ -</u>	<u>\$ 495,000</u>	<u>\$ 25,000,000</u>
<u>1994</u>				
Revenue bonds	<u>\$ 975,000</u>	<u>\$ 25,000,000</u>	<u>\$ 480,000</u>	<u>\$ 25,495,000</u>

Bonds payable at December 31, 1995 and 1994 are comprised of the following individual issues:

	<u>1995</u>	<u>1994</u>
<u>Revenue Bonds:</u>		
\$5,775,000 1980 Certificates of Indebtedness due in annual installments of \$480,000 to \$495,000 commencing in 1984 through September 1, 1995; interest at 9 3/4 percent	\$ -	\$ 495,000
\$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	<u>25,000,000</u>	<u>25,000,000</u>
Total	<u>\$ 25,000,000</u>	<u>\$ 25,495,000</u>

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all debt outstanding as of December 31, 1995 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
1996	\$ -	\$ *
1997	-	*
1998	-	*
1999	-	*
2000	1,250,000	*
Aggregate thereafter	23,750,000	*

\* 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, 1995, the rate was 5.1%; for the week beginning March 4, 1996, the rate was 3.25%.

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

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 moneys 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.

## NOTES TO FINANCIAL STATEMENTS

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 - Moneys on deposit in the Interest Account shall be applied to pay interest on the Bonds when due. Moneys on deposit in the Principal Account shall be applied to pay principal of the Bonds when due. The Trustee shall deposit all moneys drawn under the Letter of Credit to pay principal of and interest on the Bonds directly in the Letter of Credit Account. Such moneys 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.

"Depreciation Reserve Fund" - The District has deposited \$2,500,000 Depreciation Reserve Fund requirement into this account. Moneys in this account shall be transferred to the Project Fund to the extent of any insufficiency in the moneys on deposit in the Project Fund for the purpose of completing the acquisition, construction, installation and equipping of the Project. After the completion date, moneys 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. Moneys 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.