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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, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, certified and other appropriate public officials. The report is available for public inspection at the Bureau of the Legislative Auditor, or at the office of the Legislative Auditor, where appropriate, at the office of the parish clerk of court.

Release Date: APR 17 1999

LAKE CHARLES HARBOUR AND TERREBONA DISTRICT
LAKE CHARLES, LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT-
A COMPONENT UNIT OF THE STATE OF LOUISIANA
FOR THE YEAR ENDED DECEMBER 31, 1968

Prepared by the
Bureau of the Administration and Finance,
and Sales and Marketing Divisions
Lake Charles Harbor and Terrestrial District

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LAKE CHARLES PARISH AND TERMINAL DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT-
 A COMPENSATED UNIT OF THE STATE OF LOUISIANA
 December 31, 1988

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INTRODUCTORY SECTION

LAKE CHARLES BARGE AND TERMINAL DISTRICT

P. O. BOX 3753
LAKE CHARLES, LOUISIANA 70601
337-687-1661

BOARD OF COMMISSIONERS

Billery J. Langley, Jr.	President
Larry E. Johnson	Vice-President
Gene Ridgway	Treasurer
James C. Watts	Secretary
Charles K. Davidson	Assistant Secretary/Treasurer
George B. Williams	Commissioner
Donald B. Townsend	Commissioner

EXECUTIVE DIRECTOR

Edgewood M. Winters

June 3, 1999

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



Lake Charles
Harbor
& Terminal
District

641 Office Bldg 3255
Lake Charles, LA 70605
Phone 337-459-3667
Fax 337-499-3685

We are pleased to submit to you the Comprehensive Annual Financial Report of the Lake Charles Harbor & Terminal District (the District) for the year ended December 31, 1998. This report has been prepared by the District's Administration and Finance Department in accordance with generally accepted accounting principles, and the financial statements contained herein have been independently audited in accordance with applicable law and governmental auditing standards. However, the Administration and Finance Department, under the direction of the Executive Director, is responsible for both the accuracy and fairness of the presentation, including all note disclosures.

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

The report consists of three sections:

1. **Introductory Section**, including this letter of transmittal which provides an overview of the District's activities and financial operations, the Certificate of Achievement for Excellence in Financial Reporting, the District's organizational chart, and a list of principal officers.
2. **Financial Section**, including the District's general purpose financial statements and accompanying independent auditor's report on the financial statements. The notes accompanying the financial statements contained in this section provide additional supporting data, explanations and disclosures.

Blaise M. Williams
Executive Director

2. Statistical Services, including tables of summarized data showing the recent financial history of the District, demographic and economic characteristics and trends, taxation and debt service as well as other information.

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

The Lake Charles Harbor and Terminal District is a component unit of the State of Louisiana and operates a deep water port on the Calcasieu River near the Gulf of Mexico and contains 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 initiatives and future plans and other information to enable the reader to understand the nature of the entity and its operations.

ACHIEVEMENTS 1998

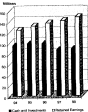
Cash and investments increased approximately 1.2 percent over 1997 from \$47,814,382 to \$48,704,628 in 1998. Cash and investments are expected to decrease during 1999 as the District ramps up its long-term capital project program. The projected positive cash flow from operations plus prior year reserves will be expended to fund this ambitious capital program.

Retained earnings increased approximately 4.2 percent from \$242,118,484 in 1997 to \$250,998,484 in 1998. Retained earnings growth is expected to continue at its current rate.

Total operating revenues increased 11.8 percent from \$14,483,964 in 1997 to \$16,318,102 in 1998. Vessel cargo service revenues increased 15.7 percent from \$12,432,794 in 1997 to \$14,329,927 in 1998. Total cargo tonnage increased 11.8 percent from 4,388,811 in 1997 to 4,922,289 in 1998.

FINANCIAL GROWTH

Cash & Investments/Retained Earnings



The Enterprise Fund showed a steady increase in 1988, reflecting the District's strong financial position. The financial statements included in the financial and statistical portions of the document show the decreased net income during 1988 resulting from an increase in operating expenses.

FUTURE GROWTH OF THE DISTRICT

The future looks bright for the District. Several major construction projects began near year end and continue to progress on schedule. As reported last year, the District signed a long-term agreement with Professional Industrial Maintenance Corp in late 1987. Wolfish International West, LLC subsequently acquired PIM. The agreement calls for \$18 million worth of improvements to the leased site. The State, District and Parish will jointly fund \$10 million, while Wolfish will fund the remaining \$8 million. Currently, a \$1.2 million contract awarded by the District to remove dirt from the site is well underway. This first phase of the project should be completed in July of 1989. Additional phases include constructing a building, stabilizing and surfacing the yard, and the construction of a warehouse. This facility would eventually employ nearly 1,000 workers.

John Charles Stover, a long time tenant of the District, just completed construction of an automated bagging facility for bulk grain products. The facility's first bagging run for a customer was successfully completed in February of this year. Total cost of the physical facility neared 20 million not counting the bagging equipment. This facility is tied in by conveyors to the District's Public Grain Elevator and will eventually be connected by conveyors to a new warehouse to be located adjacent. It is anticipated that the bagging facility will eventually create over 20 direct jobs, including the operators of the bagging facility, warehousemen, and stevedores to load the bagged cargo aboard vessels.

Phase 2 of the District's new berth and warehouse sited above is currently underway. Phase 1 consisted of clearing old structures from the site, while Phase 2 is the construction of the dock. The dock will be 250 feet long and capable of 1,000 pounds per square foot. It will become the home of the District's two shiploaders which were purchased in 1987 from the Port of Houston for \$24 million plus. Future phases include the construction of a 124,000 square foot warehouse, deepening the channel from its current project depth of 26 feet to 40 feet, and the relocation of a road.

To accommodate the additional bulk grain throughput for the bagging facility, the District is expanding its public grain elevator storage capacity by 4,000 tons at an estimated cost of \$4.5 million. The total estimated cost of this modernized project (bagging house, new berth and warehouse, additional grain silos, etc.) including the already purchased shiploaders should exceed \$24 million.

The long anticipated updating of the District's shiploader, dock, and conveyor system at Bulk Terminal No. 2 is in full swing. Contracts for the projects in the area of \$20 million were let in late 1988. The anticipated completion date of these upgrades is late in the year 2000.

The District has several other smaller projects pending or underway. Funding for all the various projects, those specifically mentioned and others, comes from many sources. The State of Louisiana through its Capital Bonding Program, Ports Vulnerability Program, and various agencies will fund approximately \$24 million of the cost. A local government entity has committed \$8 million to a project in a unified effort by the District, the Parish and the State to attract a particular industry to our area. Private sources as noted above, have or will contribute over \$14 million, and the District from reserves will fund the balance.

In September of last year, the District created a new position, hiring a Deputy Director of International Trade. The District is currently exploring new potential markets in South America with encouraging success. Commitments from companies have been made and some products from this area are anticipated shortly.

The District also has successfully initiated a container barge service between Lake Charles and Houston. The barge is expected to call on the District once a month and transport several hundred containers of goods to Houston for final shipment to foreign markets.

We are excited and look forward to the future. It is strongly felt that under the direction of the BOARD OF COMMISSIONERS and upper management that the District has positioned itself for unprecedented future growth.

ECONOMIC CONDITION AND COMMUNITY PARTICIPATION

The future economic forecast continues to look promising for the local economy. The manufacturing trade magazine "Industry Week" has ranked the Lake Charles Metropolitan Statistical Area (MSA) as the Top 25 World Class Community two years in a row. Also, a recent study of the Lake Charles (MSA), conducted exclusively of Calcasieu Parish, projects the Parish to be the second fastest growing MSA in the state (in percentage terms) over the 1990-2000 time period, adding 1,700 new jobs.

The expected growth will be spurred by an expanding petrochemical sector and especially associated with industrial construction activity. At least ten (10) chemical plants/refineries have announced multi-million dollar projects. The number of permanent, direct new jobs added to these petrochemical facilities from these expansions will not be great. However, the city will enjoy a substantial boost in industrial construction jobs.

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

DRY BULK CARGO TERMINALS

The District owns four dry bulk terminals specializing in commodities such as petroleum cobs, woodchips, barite, rutile, superphos, grains, and cement nodes. These terminals are equipped with loading and unloading facilities which include shiploaders, ship unloaders, rail car rail-cranes, 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.

As mentioned in the section titled "Future Growth of the District", there are several major capital projects underway to expand and upgrade these facilities. Funding for these projects comes from a variety of sources such as current operating income, investment income, state matching funds, parish funds, and private investor funds.

GENERAL CARGO DOCKS

The District manages diverse marine terminal facilities accommodating a wide range of cargo needs. Facilities include 835,895 square feet of cargo sheds, 13 miles of railroed tracks, docks, wharves, warehouses and sophisticated bulk terminals spread over 3,800 acres.

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

RAILROADS, HIGHWAYS AND AIRPORTS

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

The District has direct access to Interstate Highways 10 and 210 and to U.S. Highways 80, 171, and 181.

Three area airports, Lake Charles Regional Airport, Chenouet International Airport Lakeview, and Buckland Field serve the District.

SECURITY

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

FOREIGN TRADE ZONE

In 1954, the U.S. Congress passed the Foreign Trade Zone Act "to expedite and encourage foreign commerce". The District has been sited 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. Two sites are within the general cargo area of the District and these locations provide access to city, state and Federal road and highway systems. Rail access is also available and deep water is proximate to the above locations. A minor boundary modification has been made to the zone since the Foreign Trade Zone was awarded the original grant on July 27, 1955.

Two subzones also have been granted major District users, STA to Conoco, Inc. and STB to Cigo Petroleum Corporation. Cigo activated its subzone effective April 1, 1981. Conoco activated its subzone effective April 2, 1982.

The District submitted a major modification to its subzone grant in March of 1986. The application was made to include the District's Industrial Park East and the majority of the Channelt International Airport Authority. The U.S. Department of Commerce on April 7, 1986 gave approval for this boundary modification, which included 328 acres.

ADMINISTRATION

Members of the Board of Commissioners as of December 31, 1986 are as follows:

Hillary J. Langley, Jr., President
Larry E. DeHaven, Vice President
Ouis Sidman, Treasurer
James C. Mills, Secretary
Charles E. Robinson, Assistant Secretary/Treasurer
George E. Williams, Commissioner
Donald E. Diamond, Commissioner

An administrative change that transpired during 1986 was the creation of a new position, Deputy Director of International Trade Development, which was filled by Terry J. Jordan.

REPORTING ENTITY

The Lake Charles Harbor and Terminal District, created by the Louisiana Legislature in 1924 and incorporated in 1928, 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 be the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. This report includes all operations and activities of the District and includes no other agencies.

INTERNAL CONTROL

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

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

CASH MANAGEMENT

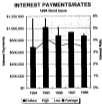
Prevailing Louisiana statutes provide the Lake Charles Harbor and Terminal District with legal authority to promulgate and implement reasonable standards for its cash management and investment operations. Subsequent to a review by a professional cash management advisory group, the District Board of Commissioners in 1996 adopted a Formal Statement of Cash Management and Investment Policy. This policy was revisited in 1994 and was extensively updated. The Administration and Finance Department reviews the statement annually and, if necessary, the District Board of Commissioners amends the policy.

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

DEBT ADMINISTRATION

Outstanding revenue bonds (certificates of indebtedness) as of December 31, 1998 totaled \$20,000,000.

On February 18, 1994, the District issued \$20,000,000 Port Improvement Revenue Bonds, Series 1994. The proceeds from these bonds are dedicated to certain capital improvements, 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, 2010. Interest is payable quarterly at a variable rate.



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

Additional costs of the bond issue are a letter of credit and a counterparty fee. Initially the letter of credit was 48 basis points annually but it was renegotiated in August of 1998 to 26 basis points annually. The counterparty fee has been unchanged since the bonds were issued and is 12 basis points. Neither of these two costs are included in the above graph.

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

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

RISK MANAGEMENT

The District continues negotiating all its leases to require substantial general liability insurance coverage by its lessors and inclusion of the District as a named insured in the lessors' 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 continuously 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.

In general, the District does not engage in risk financing activities where the risk is retained by the governmental entity (i.e., self-insurance).

YEAR 2000 COMPLIANCE

The District has addressed all significant year 2000 issues, including its business systems, processes and essential equipment, and estimates that it has completed approximately 70 percent of the work that will be required. The overall costs to prepare the District for the year 2000 are not considered material to the District's financial position or results of operation.

The District believes the risk to business disruption presented by potentially unresolved year 2000 issues is minimal. All internal systems have been subjected to review and those presenting possible year 2000 issues are being replaced or corrected. The District does not anticipate any difficulty in continuing to ship or receive products for its major customers.

The nature of the District's principal business of waterborne commerce creates an environmental of relatively low transaction volumes that can be conducted on a temporary basis with manual contingency systems. In the event of an unforeseen internal year 2000 problem, contingency plans for temporary computer system problems or outages would be utilized.

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-113, Audits of State and Local Governments. There were no federal funds expenditures in 1998.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lake Charles Harbor and Terminal District for its comprehensive annual financial report for the fiscal year ended December 31, 1997. Lake Charles Harbor and Terminal District has received a Certificate of Achievement for the last two consecutive years. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

ACKNOWLEDGMENTS

The preparation of this comprehensive annual financial report could not have been accomplished without the efficient and dedicated efforts from the staffs of administration and finance; sales and marketing; executive support and coordination; and our independent auditor, McKinley, Clark & Smith (MCS).



Glenwood S. Wiggins
Executive Director



Dan M. Padgett
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, 1997

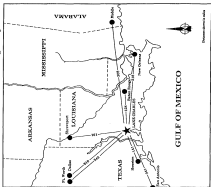
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems which, in their comprehensive annual financial reports (CAFRs) achieve the highest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



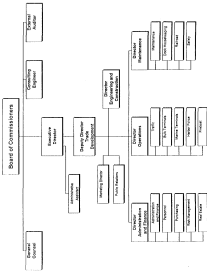
Douglas R. Hawthorth
President

Jeffrey L. Eason
Executive Director

Regional Location and Mileage Map



LAKE CHARLES HARBOR & TERMINAL DISTRICT



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FINANCIAL SECTION

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McElroy, Quirk & Burch

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William Hester/Charles J. P
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Robert W. Smith, CPA
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Blake C. Bennett, CPA

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James J. Mathews, Jr.
Robert W. Smith, CPA
William Hester/Charles J. P

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, 1998 and 1997, 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.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards and Government Auditing standards, issued by the Comptroller General of the United States. These 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.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD Technical Bulletin No-1, Disclosures About Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue. Lake Charles Harbor and Terminal District has included such disclosures in Note 12. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Lake Charles Harbor and Terminal District's disclosures with respect to the year 2000 issue made in Note 12. Further, we do not provide assurance that Lake Charles Harbor and Terminal District is or will be year 2000 ready. That Lake Charles Harbor and Terminal District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Lake Charles Harbor and Terminal District does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2002 disclosures, 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, 1999 and 1997, 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 February 28, 1999 on our consideration of the Lake Charles Harbor and Terminal District's internal control structure and on its compliance with laws and regulations. We have also issued reports dated February 28, 1999 on supplementary information and on compliance related to \$25,000,000 Lake Charles Harbor and Terminal District Port Improvement Revenue Bonds, Series 1994.

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

McCrory, Bunk & Lewis

Lake Charles, Louisiana
February 28, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE BALANCE SHEETS
 PROPRIETARY FUND
 December 31, 1998 and 1997

ASSETS	Restriction Fund	
	1998	1997
CURRENT ASSETS		
Cash and cash equivalents (Notes 1 and 4)	\$ 2,376,988	\$ 4,880,433
Investments (Notes 1 and 4)	22,328,284	22,684,287
Receivables:		
Trade (net of allowance for doubtful accounts of \$79,165 for 1998 and \$- for 1997)	2,863,277	1,818,438
Intergovernmental (Note 4)	260,000	18,080
Property taxes receivable (Notes 1 and 4)	1,248,088	1,063,172
Interest	1,880,788	874,428
Inventory (Note 1)	212,748	215,932
Prepaid expenses (Note 1)	628,282	622,862
Total current assets	<u>28,000,457</u>	<u>22,169,332</u>
RESTRICTED ASSETS		
Cash equivalents (Notes 1 and 4)	38,084	1,438,231
Investments (Notes 1 and 4)	7,424,188	8,023,888
Interest receivable	12,688	187,887
Total restricted assets	<u>7,474,960</u>	<u>9,649,996</u>
NONCURRENT ASSETS		
Investments (Notes 1 and 4)	62,844,552	70,423,880
Investments designated for scholarship endowment (Note 1)	180,822	180,822
Total noncurrent assets	<u>63,025,374</u>	<u>70,604,702</u>
FIXED ASSETS		
Property, plant and equipment (Notes 1 and 7)	252,497,812	124,262,178
Less accumulated depreciation	<u>61,202,826</u>	<u>48,421,888</u>
Net property, plant and equipment	191,294,986	75,840,290
Investment in direct financing lease (Note 8)	2,282,822	2,829,828
Fixed assets-net	<u>193,577,808</u>	<u>78,670,118</u>
OTHER ASSETS		
Municipal expense (Notes 1 and 10)	222,240	260,094
Prepaid advertising (Note 1)	187,488	219,088
Other	388,822	8,168
Total other assets	<u>798,548</u>	<u>547,350</u>
Total assets	<u>\$ 100,800,619</u>	<u>\$ 100,349,616</u>

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

LIABILITIES AND EQUITY	Retainable Fund	
	2008	2007
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ 644,614	\$ 634,800
Contracts payable	1,481,860	788,490
Accrued expenses (Notes 1 and 11)	254,150	176,684
Accrued interest payable	12,580	18,221
Deferred revenues (Note 14)	83,380	83,380
Total current liabilities (payable from current assets)	<u>2,508,324</u>	<u>2,068,223</u>
CURRENT LIABILITIES (payable from restricted assets)		
Contracts payable	-	38,820
LONG-TERM LIABILITIES		
long-term debt, less current maturities (Note 10)	28,000,000	28,000,000
Compensated absences, less current portion (Notes 1 and 11)	411,613	350,650
Deferred revenues, less current portion (Note 14)	986,354	1,860,518
Contingent liabilities (Note 15)	-	-
Total long-term liabilities	<u>29,407,967</u>	<u>29,511,168</u>
Total liabilities	<u>28,937,291</u>	<u>28,489,391</u>
EQUITY		
contributed capital (Notes 1 and 11)	24,778,718	24,714,363
Retained earnings (Notes 1 and 10):		
Reserved	7,576,291	7,576,291
Unreserved	140,873,323	139,899,393
Total retained earnings	<u>148,459,614</u>	<u>147,475,684</u>
total equity	<u>143,273,342</u>	<u>142,189,947</u>
Total liabilities and equity	<u>\$ 281,814,633</u>	<u>\$ 285,689,338</u>

Exhibit B

LAKE CHARLES HARBOR AND TERRITORIAL DISTRICT

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
SECRETARY FUND TYPE
Years Ended December 31, 1998 and 1997

	<u>Enterprise Fund</u>	
	<u>1998</u>	<u>1997</u>
Operating revenues:		
Vessel and cargo services	\$ 24,888,817	\$ 22,813,738
Rental of equipment and facilities (State F)	1,482,608	1,688,875
Other	<u>880,500</u>	<u>104,347</u>
Total operating revenues	<u>27,251,925</u>	<u>24,606,960</u>
Operating expenses:		
Personnel services	5,888,860	6,282,174
Contracted services	3,574,853	3,508,531
Supplies, maintenance and operation of facilities	4,340,218	4,375,488
Heat, light and power	481,488	470,288
Depreciation and amortization	<u>2,828,304</u>	<u>2,724,878</u>
total operating expenses	<u>17,113,723</u>	<u>17,361,369</u>
operating (loss)	<u>10,138,202</u>	<u>7,245,601</u>
Nonoperating revenues (expenses):		
Property taxes (net of tax authority's settlement and pension fund)	1,382,480	1,453,884
Intergovernmental revenue	80,808	88,342
Interest income	1,571,078	1,318,608
Net increase in the fair value of investments	388,522	903,464
Interest expense and fiscal charges	<u>(288,823)</u>	<u>(270,344)</u>
Other	<u>127,840</u>	<u>(288,823)</u>
Net nonoperating revenues	<u>2,620,815</u>	<u>2,887,131</u>
Net income	1,317,417	4,468,732
Bad depreciation on fixed assets acquired with federal and state grants	<u>884,220</u>	<u>884,808</u>
Increase in retained earnings as reported	\$ 433,197	\$ 4,468,732

Continued on next page

LAKE CHARLES ENERGY AND THERMAL DISTRICT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
 PROVISIONAL FPMO TYPE
 Years Ended December 31, 1998 and 1997
 (Continued)

	<u>Enterprise Fund</u>	
	<u>1998</u>	<u>1997</u>
Increase in retained earnings as detailed	8,978,800	4,948,380
Retained earnings-beginning of year 1997		137,438,948
Prior period adjustments: (Note 1)		
Change in method of accounting for investments		(48,277)
Correction of error in computation of arbitrage amount		<u>(188,832)</u>
Retained earnings-beginning of year as detailed	<u>142,188,886</u>	<u>137,182,387</u>
Retained earnings-end of year	<u>148,098,686</u>	<u>142,118,686</u>
Contributed capital-beginning of year (Note 19)	14,751,353	15,819,974
Add capital grants	1,823,213	1,823,268
Less adjustment of grants receivable	(260,414)	(47,518)
Less depreciation	<u>(184,303)</u>	<u>(184,663)</u>
Contributed capital-end of year	<u>14,709,849</u>	<u>14,750,161</u>
Equity-end of year	<u>\$ 162,808,535</u>	<u>\$ 156,878,847</u>

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

STATE FINANCIAL REPORT AND FINANCIAL STATEMENT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NETWORTH - BARRINGE-BARRINGE
 BUDGET AND ACTUAL (UNAUDITED) BALLES - INCORPORATED FROM STATEMENTS
 YEAR ENDED DECEMBER 31, 1999 AND 1997

	1999		Variance Favorable (Disfavorable)
	Budget	Actual	
Operating revenues:			
Fuel and other services	\$ 22,445,764	\$ 22,195,827	\$ 249,937
Fuel oil equipment and facilities	2,794,763	2,442,000	352,763
Other	240,000	240,000	—
Total operating revenue	<u>25,480,527</u>	<u>24,877,827</u>	<u>602,700</u>
Operating expenses:			
Personnel services	8,014,700	8,000,480	14,220
Fuel/oil/oil services	2,215,700	2,291,174	(75,474)
Supplies, maintenance and operation	2,235,100	2,000,190	234,910
Rent, light and power	444,000	443,400	600
Depreciation and amortization	2,825,700	2,802,100	23,600
Total operating expense	<u>15,735,200</u>	<u>15,543,344</u>	<u>191,856</u>
Operating income	<u>9,745,327</u>	<u>9,334,483</u>	<u>410,844</u>
Nonoperating revenue (expense):			
Fringe benefits	1,000,000	1,000,000	—
Intergovernmental revenue	80,000	80,000	—
Interest income	5,000,000	5,570,770	(570,770)
Miscellaneous expense and fiscal charges	(1,000,000)	1,000,000	—
Other	—	(17,000)	17,000
Net nonoperating revenue	<u>4,080,000</u>	<u>4,583,770</u>	<u>(503,770)</u>
Net income (change) available	<u>\$ 1,365,327</u>	<u>\$ 4,400,700</u>	<u>\$ 3,035,373</u>
Adjustments: (Note 2)			
Adjust operating expense for amounts indicated to be paid from retained earnings		815,000	
Net increase in the fair value of investments		110,000	
Net income (change) available		5,325,700	
Add depreciation on fixed assets acquired with federal and state grants			
		204,300	
Increase in retained earnings			
		5,410,000	
Retained earnings beginning of year 1997			
After stated adjustments: (Note 2)			
(Change in amount of accounts payable investments)			
(Change in amount of assets in computation of debt/equity ratio)			
Retained earnings beginning of year as restated		<u>112,122,000</u>	
Retained earnings at end of year		<u>\$ 116,532,000</u>	

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

<u>1999</u>		
<u>Debit</u>	<u>Debit</u>	<u>Percentage Available 2001-2002-03</u>
\$ 21,766,734	\$ 21,412,734	\$ (182,000)
3,459,533	3,449,875	96,658
<u>120,000</u>	<u>120,000</u>	<u>0</u>
<u>\$4,580,533</u>	<u>\$4,580,533</u>	<u>\$0</u>
0,486,244	0,486,274	116,070
3,195,875	3,449,519	(756,644)
0,444,044	0,427,004	117,040
452,830	470,244	(17,414)
<u>1,380,000</u>	<u>1,380,000</u>	<u>0</u>
<u>\$4,358,953</u>	<u>\$4,372,041</u>	<u>(13,088)</u>
0,000,000	0,450,000	450,000
0,000,000	0,000,000	0,000,000
0,444,044	0,444,000	40,044
14,540,000	1470,000	13,070,000
<u>170,000</u>	<u>1470,000</u>	<u>(1300,000)</u>
<u>\$14,710,000</u>	<u>\$14,860,000</u>	<u>(\$150,000)</u>
<u>\$ 2,344,000</u>	<u>\$ 112,000</u>	<u>\$ 2,232,000</u>

1011,000
700,000
 4,000,000

111,000
 4,000,000
 177,434,000

 144,000
144,000
177,434,000
2,120,214,000

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS
HOSPITALARY FUND
Years Ended December 31, 1998 and 1997

	<u>Reconciliation Fund</u>	
	<u>1998</u>	<u>1997</u>
Increase (Decrease) in Cash and Cash Equivalents		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Class)	\$ 01,817,000	\$ 01,062,890
ADJUSTMENTS TO RECONCILE operating class to net cash provided by operating activities:		
Depreciation and amortization	3,828,544	3,702,876
Changes in assets and liabilities:		
Decreased decrease in customer receivables	(142,443)	321,200
Decrease in inventory	9,882	32,483
Decreased decrease in prepaid expenses and other assets	674,423	98,876
Increase (Decrease) in accounts payable and accrued expenses	(188,882)	188,877
(Decrease) in deferred revenue	668,882	(38,882)
Other		
Total adjustments	<u>3,143,554</u>	<u>4,232,661</u>
Net cash provided by operating activities	<u>4,960,554</u>	<u>5,332,674</u>
CASH FLOWS FROM HOSPITALARY FINANCING ACTIVITIES		
Property taxes collected	348,844	350,840
Operating subsidies received from other governments	<u>88,882</u>	<u>88,264</u>
Net cash provided by hospitalary financing activities	<u>437,726</u>	<u>439,104</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes collected	3,407,704	351,493
Capital grants collected	485,874	8,328,454
Payments for capital acquisitions	(7,888,581)	(23,781,877)
Interest and fiscal charges paid (net of amount capitalized)	<u>(187,882)</u>	<u>(281,872)</u>
Net cash (used in) capital and related financing activities	<u>(4,082,985)</u>	<u>(18,384,212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	38,828,882	38,888,702
Receipts of interest	8,378,700	8,442,804
Payments for investments	<u>(62,268,822)</u>	<u>(14,388,264)</u>
Net cash provided by investing activities	<u>4,938,760</u>	<u>3,943,242</u>
Net (Decrease) in cash and cash equivalents	01,416,329	(18,002,814)

(Continued on next page)

LAKE CHARLES BARRAGE AND TERMINAL DISTRICT

 COMPARATIVE STATEMENTS OF CASH FLOW
 FISCAL YEAR
 YEARS ENDED DECEMBER 31, 1988 AND 1987
 (Continued)

	<u>REVENUES YEAR</u>	
	<u>1988</u>	<u>1987</u>
Increase (decrease) in Cash and Cash Equivalents		
	(1,875,578)	(15,554,804)
Cash and cash equivalents:		
Beginning of year	<u>4,008,662</u>	<u>20,543,476</u>
End of year	<u>\$ 2,133,084</u>	<u>\$ 4,988,672</u>
Schedule of noncash investing, capital, and financing activities:		
Increase (decrease) in grants receivable	\$ 348,438	\$ 67,388
Book value of property demolished and equipment retired	(14,188)	(187,188)

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, 1988 and 1987

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 Basin in 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 34 (effective for financial statements for periods beginning after December 15, 1991) 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 Bulletin (ARB) 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 ARB 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 these estimates.

D. Budgets

Budgetary practices differ from generally accepted accounting principles (GAAP). Variances 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 operating and certain nonrecurring revenue expenses/necessary is classified as nonoperating rather than operating income (expense).

Budget amounts are as originally adopted or as amended by the Board of Commissioners. During 1998, appropriated expenses increased approximately \$45,000. 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 and U.S. Government Agency securities.

Louisiana state statutes, as stipulated in R.S. 18:1875, 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

In accordance with GASB Statement 31, Accounting and Financial Reporting for certain investments and for Mutual Investment Pools, the District has stated their investments at fair value at December 31, 1998 and 1997. Fair value was determined by obtaining "quoted" year end market prices. Cash and cash equivalents, which include cash, demand deposits, and US Government securities having an original maturity of three months or less from the date acquired are stated at amortized cost.

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 and Advertising

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

I. Restricted Assets

Certain resources are set aside for repayment of revenue bonds and general obligations 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, 1998, total interest cost incurred was \$971,487 of which \$884,268 was capitalized. During the year ended December 31, 1997, \$788,287 was capitalized. Infrastructure assets are capitalized.

NOTES TO FINANCIAL STATEMENTS

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

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

K. Compensated Absence

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 180 hours. An employee cannot be paid for any unused sick leave upon separation.

Effective July 12, 1987, 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

Restricted 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 Insurance Costs

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

NOTES TO FINANCIAL STATEMENTS

B. Cash Flow 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.

Note 2. Prior Period Adjustment

NOTE Statement 21, Accounting and Financial Reporting for Certain Investments and for Behavioral Investment Funds, became effective for financial statements for periods beginning after June 15, 1997 and requires that governmental entities report investments at fair value. Accounting changes adopted to conform to statement 21 should be applied retroactively by restating financial statements for all prior periods presented. Accordingly, the accompanying financial statements for 1997 have been restated to reflect the effect of this change in accounting method. Retained earnings at the beginning of 1997 has been adjusted (decreased \$46,819) for the effects of the restatement on prior years. Investment income for 1997 has been adjusted (increased \$174,241) to reflect the effect of this change in accounting method.

The accompanying financial statements for 1997 have been restated to correct errors in the computation of arbitrage related to the \$26,000,000 1994 Debt Improvement Revenue Bonds made during the year since issuance of the bonds. The effect of the restatement was to decrease net income \$28,817. Retained earnings at the beginning of 1997 has been adjusted (decreased \$28,817) for the effects of the restatement on prior years.

Note 3. 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 to the Budget must be approved by an affirmative vote of a majority of the Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS

Expenditures may not legally exceed budget appropriations at the Division level. During 1998, one supplementary appropriation was necessary. During 1997, several supplementary appropriations were necessary.

Note 4. Cash, Cash Equivalents and Investments

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

For reporting purposes, cash and cash equivalents include cash, demand deposits and U.S. Government Agency securities. Investments of the District include certificates of deposit, U.S. Treasury securities and U.S. Government Agency 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.

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

Investments held at December 31, 1998, consist of \$298,272 in the Louisiana Asset Management Pool, INC. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section 126.104, the investment in LAMP at December 31, 1998, is not subcategorized in the three risk categories provided by GASB Codification Section 126.104 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The

NOTES TO FINANCIAL STATEMENTS

composition is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having submitted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by these securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 180 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

The following chart presents bank balances as of December 31, 1986 and 1987. 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
	1	2	3		
December 31, 1986					
Cash and demand deposits	\$ 188,000	\$ 1,888,000	\$ -	\$ 2,076,000	\$ 2,076,000
Money market deposits		87,000		87,000	87,000
	<u>\$ 188,000</u>	<u>\$ 2,410,000</u>	<u>\$ -</u>	<u>\$ 2,410,000</u>	<u>\$ 2,410,000</u>
December 31, 1987					
Cash and demand deposits	\$ 411,000	\$ 4,410,000	\$ -	\$ 4,711,000	\$ 4,711,000
Money market deposits		2,410,000		2,410,000	2,410,000
	<u>\$ 411,000</u>	<u>\$ 6,820,000</u>	<u>\$ -</u>	<u>\$ 6,820,000</u>	<u>\$ 6,820,000</u>

NOTES TO FINANCIAL STATEMENTS

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

December 31, 1996	Category			Reported
	1	2	3	Amount - Fair Value
U.S. Treasury securities	\$ 20,127,810	\$ -	\$ -	\$ 20,127,810
U.S. Government Agencies securities	<u>65,178,838</u>	<u>-----</u>	<u>-----</u>	<u>65,178,838</u>
Total	<u>\$ 85,306,648</u>	<u>\$ -----</u>	<u>\$ -----</u>	<u>\$ 85,306,648</u>
December 31, 1997				
U.S. Treasury securities	\$ 25,587,810	\$ -	\$ -	\$ 25,587,810
U.S. Government Agencies securities	<u>61,617,838</u>	<u>-----</u>	<u>-----</u>	<u>61,617,838</u>
Total	<u>\$ 87,205,648</u>	<u>\$ -----</u>	<u>\$ -----</u>	<u>\$ 87,205,648</u>

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

	December 31,	
	1996	1997
Carrying value of bank deposits per Note 3	\$ 2,316,812	\$ 2,490,463
Carrying value of LAMP deposits per Note 3	890,270	-
Carrying value of investments per Note 3	<u>82,088,566</u>	<u>84,715,185</u>
Total	<u>\$ 85,295,648</u>	<u>\$ 87,205,648</u>

NOTES TO FINANCIAL STATEMENTS

	<u>December 31,</u>	
	<u>1988</u>	<u>1987</u>
For comparative balance sheets:		
Cash and cash equivalents	\$ 2,376,388	\$ 4,490,433
Investments-current	22,719,388	22,094,327
Cash equivalents-restricted	38,000	1,410,331
Investments-restricted	7,414,168	6,420,549
Investments-recurrent	62,846,052	59,415,919
Investments-scholarship endowment	<u>200,000</u>	<u>200,000</u>
Total	<u>\$ 98,709,996</u>	<u>\$ 97,611,559</u>

At December 31, 1988 and 1987, cash equivalents and investments were restricted as shown below:

	<u>1988</u>	<u>1987</u>
Additional security for certificates of indebtedness outstanding	\$ 1,000,000	\$ 1,000,000
Trust funds pursuant to the issuance of the 1984 Port Improvement Revenue Bonds:		
Project Fund	-	357,948
Bids Service Reserve Fund	2,227,000	2,220,000
Appropriation Reserve Fund	<u>2,227,158</u>	<u>2,228,000</u>
Total	<u>\$ 7,454,258</u>	<u>\$ 7,806,048</u>

The trust funds are more fully explained in Note 1).

During 1984, the District established a \$200,000 scholarship endowment fund, the late 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 100 percent of the repurchase agreement. The District held no repurchase agreements during 1988 and 1987.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. Property Taxes

The Lake Charles Harbor and Terminal District is authorized by Louisiana Revised Statute Number 94:209 to levy annually, when necessary, a property tax not to exceed 3.75 mills on the property subject to taxation situated within the District. All funds derived from this tax may be used for any lawful expense or purposes by the Board. The 1998 assessed millage is 3.75 mills and the 1997 assessed millage is 3.75 mills. These funds have been dedicated and obligated first in settlement of certification 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 liens attach, 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, 1998 were \$1,458,908 on property with assessed valuation totaling \$796,552,489 less exempt valuation of \$197,474,795, for a net valuation of \$599,077,694. Total taxes levied for the year ended December 31, 1997 were \$1,421,719 on property with assessed valuation totaling \$799,158,489 less exempt valuation of \$197,491,240 for a net valuation of \$601,667,249.

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 18% per annum. Reductions from tax collections for the billing and collection of taxes, totaled \$46,392 for 1998 and \$44,788 for 1997.

NOTE 4. Intergovernmental Receivable

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

	<u>1998</u>	<u>1997</u>
Capital projects-State of Louisiana Ports		
Priority Program	\$ 317,783	\$ 28,843
Capital projects-State of Louisiana	<u>42,128</u>	<u>-</u>
	<u>\$ 359,911</u>	<u>\$ 28,843</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Property, Plant and Equipment

A summary of changes in property, plant and equipment for the years ended December 31, 1988 and 1987 is as follows:

1988	Beginning of 1988	Acquisitions	Dispositions	End of 1988
Land	\$ 7,319,000	\$ 0	\$ -	\$ 7,319,000
Buildings and operating facilities	100,344,521	2,312,000	0	102,656,521
Equipment, furniture and fixtures	28,254,000	125,473	120,000	28,259,473
Construction in progress	28,112,000	7,775,000	2,112,000	33,775,000
	52,112,000	28,122,000	2,112,000	82,122,000
Less accumulated depreciation	28,421,000	1,422,000	120,421	30,063,421
Total	\$ 86,344,000	\$ 21,775,000	\$ (2,120,000)	\$ 105,999,000

1987	Beginning of 1987	Acquisitions	Dispositions	End of 1987
Land	\$ 7,319,000	\$ -	\$ -	\$ 7,319,000
Buildings and operating facilities	100,344,521	2,312,000	0	102,656,521
Equipment, furniture and fixtures	18,000,000	243,700	500,000	18,000,000
Construction in progress	28,112,000	28,333,000	28,333,000	84,778,000
	116,220,000	28,644,000	28,833,000	144,031,000
Less accumulated depreciation	28,024,000	2,722,000	2,000,000	32,746,000
Total	\$ 73,606,000	\$ 26,014,000	\$ (2,500,000)	\$ 97,120,000

Depreciation expense was \$1,419,000 for the year ended December 31, 1988 and \$2,722,000 for 1987.

Price to 1988 detailed fixed assets 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.

NOTES TO FINANCIAL STATEMENTS

Note 8. 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, 1998 and 1997 were composed of the following:

	<u>1998</u>	<u>1997</u>
Total minimum lease payments receivable	\$ -	-
Estimated unguaranteed residual value of leased properties	<u>2,082,820</u>	<u>2,082,820</u>
Total	2,082,820	2,082,820
Less unearned income	<u> </u>	<u> </u>
 Net investment in direct financing lease	 <u>\$ 2,082,820</u>	 <u>\$ 2,082,820</u>

The District had sold certificates of indebtedness in the amount of \$2,775,000 to provide funds which were used to construct the facilities leased to Crowley Maritime. In accordance with the agreement, the District sold the facilities to Crowley Maritime and financed the acquisition of the construction with the issuance of the certificates of indebtedness which were paid in full during 1998.

During 1998, Crowley Maritime entered into a new lease agreement with monthly rent payments of \$2,517 through September 30, 2000 with annual consumer price index adjustments. The five year renewal options are a part of this lease agreement. The facilities will revert to the District when Crowley Maritime vacates the property.

Note 9. Operating Leases

Leases which the District has entered into as lessee 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 noncancelable lease terms in excess of one year are as follows:

1999	\$ 797,322
2000	598,777
2001	463,791
2002	493,348
2003	527,999
After 2003	<u>2,818,281</u>
	 <u>\$ 5,231,518</u>

NOTES TO FINANCIAL STATEMENTS

Of the above, the amount of \$2,662,840 was paid in full at the inception of the lease by the lessee, and is included in deferred revenues at December 31, 1998. The amount of \$2,127,721 is included in deferred revenues at December 31, 1997.

Note 10. Unamortized Expenses

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>1998</u>	<u>1997</u>
Total expenses	\$ 438,407	\$ 438,407
Amount amortized	<u>19,732</u>	<u>38,178</u>
Unamortized at December 31	<u>\$ 418,675</u>	<u>\$ 400,229</u>
Amount shown in current assets (prepaid expenses) - to be amortized in one year	\$ 17,524	\$ 17,524
Amount shown in other assets	<u>391,151</u>	<u>382,705</u>
Total	<u>\$ 418,675</u>	<u>\$ 400,229</u>

Note 11. Compensated Absences

Compensated absences are included in personnel services expenses for 1998 and 1997. The District's liabilities for accumulated compensated absences as of December 31, 1998 and 1997 are as follows:

	<u>1998</u>	<u>1997</u>
Current liabilities-estimated to be paid within one year	\$ 45,715	\$ 39,181
Long-term liabilities	<u>814,644</u>	<u>392,481</u>
Total	<u>\$ 860,359</u>	<u>\$ 431,662</u>

NOTES TO FINANCIAL STATEMENTS

Note 12. Long-Term Debt

A summary of changes in long-term debt for the years ended December 31, 1988 and 1987 is as follows:

	Beginning Balance	Issued	Retirements	Ending Balance
1988				
Revenue bonds	\$ 25,000,000	\$ _____	\$ _____	\$ 25,000,000
1987				
Revenue bonds	\$ 25,000,000	\$ _____	\$ _____	\$ 25,000,000

Bonds payable at December 31, 1988 and 1987 are comprised of the following individual issues:

	1988	1987
Revenue Bonds:		
\$25,000,000 1988 Port Improvement Revenue Bonds, interest due in quarterly installments beginning March 1, 1988 through January 1, 2018; interest initially set at 3.00 percent variable rate adjusted weekly	\$ 25,000,000	\$ 25,000,000

The annual requirements to amortize all debt outstanding as of December 31, 1988 are as follows:

Year Ending December 31,	Principal	Interest
1988	\$ -	"
1989	1,350,000	"
1991	1,350,000	"
1992	1,350,000	"
1993	1,350,000	"
Aggregate thereafter	20,000,000	"

" Amount not calculated. Variable interest rate set by Bankers Trust of New York based on market rates of AA tax exempt bond issues, adjusted weekly. At December 31, 1988, the rate was 4.0%; for the week beginning February 22, 1988, the rate was 3.85%.

NOTES TO FINANCIAL STATEMENTS

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 26, 1984, issued \$25,000,000 Debt Improvement Revenue Bonds, Series 1984. 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 boat landing terminal of the District located on the Calumet ship channel of the Calumet River. The payment of principal and interest on the bonds is secured by a dedication and pledge of the fare, 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, 2008 and on each January 1 thereafter to and including January 1, 2018 each in the amount of \$3,200,000 plus interest. The interest rate made for the bonds is a weekly "variable rate" and the rate for the initial weekly period was set at 8.00% per annum. Interest is payable on each March 1, June 1, September 1, and December 1 of each year.

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

"Project Fund" - The balance of the proceeds of the issuance and only of the bonds were deposited into this account and a "Cash of Issuance Account". The issuer shall designate the part to be deposited into the Cash of Issuance Account. Amounts deposited in the Project Fund shall be applied to the construction, acquisition, installation and equipping of the Project.

"Sinking 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

NOTES TO FINANCIAL STATEMENTS

the Bonds when due. The Trustee shall deposit all moneys due under the latter of COVENANT 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 \$4,549,400 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 \$4,549,400 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.

"Sinking 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 Sinking 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 \$1,314,000 into this account and designated it to be used for making principal payment in the year 2090.

NOTES TO FINANCIAL STATEMENTS

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 schedule in Note 12 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 primary liability of the issuer or a charge against its general credit or taxing power.

Following is a summary of port facilities revenue bonds outstanding as December 31, 1980 and 1977:

	1980	1977
Bonds Issued For:		
Reynolds Metal Company Project, Series 1981	\$ -	\$ 9,200,000
Chasco, Inc. Project, Series 1984	20,000,000	20,000,000
Cliga Petroleum Corp. Project, Series 1984	11,000,000	11,000,000
Chasco, Inc. Project, Series 1987	3,400,000	3,400,000
Reynolds Metals Company Project, Series 1979	14,000,000	14,000,000
Occidental Petroleum Corporation Project, Series 1982	7,000,000	7,000,000
Touhline L&L Company Project, Series 1982	128,000,000	128,000,000
Delprop-Harman, Inc. Project, Series 1976	8,000,000	8,000,000
Michal Industries, M.S. Project, Series 1977	28,000,000	28,000,000

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Note 14. Retirement Benefits

Defined benefit pension plans:

Plan description:

The District contributes to the Louisiana State Employees' Retirement System (LSERS). The LSERS was established on July 1, 1967, and is the administrator of a cost-sharing multiple-employer public employees retirement system. The system was established and provided for within Title 21, Subtitle 11, Chapter 1 of the Louisiana Revised Statutes (LSRS). Benefit provisions are authorized within RS 21:941-954. The LSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the LSERS, PO Box 4418, Baton Rouge, LA 70804-4418 or by calling 1-804-356-3008.

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

A member is eligible to retire after 10 years of service at age 48, 20 years at age 50, 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 5 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 (DRO). This option permits LSERS members to continue working at their state jobs for up to three years while in a retired status. DRO allows these retirees to accumulate retirement benefits in a special account for later distribution.

Funding policy:

Covered employees were required by Louisiana state statute to contribute 7.5% of their salary to the plan. The District was required by the same statute to contribute 12.4% of eligible salaries

NOTES TO FINANCIAL STATEMENTS

During the period July 1 through December 31, 1998; 124 during the period July 1, 1997 through June 30, 1998; 12.4% during the period July 1, 1996 through June 30, 1997; and 124 during the period January 1 through June 30, 1996.

The District's contributions to the Louisiana State Employees' Retirement System for each of the years ending December 31, 1998, 1997 and 1996 are presented below. These contributions are equal to the required contributions for each year.

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Employee's contributions	\$ 486,271	\$ 371,843	\$ 336,899
Employee's contributions	<u>328,887</u>	<u>312,882</u>	<u>311,813</u>
Total	<u>\$ 815,158</u>	<u>\$ 684,725</u>	<u>\$ 648,712</u>

Post-retirement benefits:

By action of the Board of Commissioners, in addition to the pension benefits described in Note 14, the District provides postretirement health care insurance benefits for retired employees. Effective with the October, 1996 premium, the District began paying the retirees' and retirees' dependents' premiums in full.

During 1998, 38 retired employees were receiving benefits under this plan. During 1997, 16 retired employees participated. These postretirement benefits are financed on a "pay-as-you-go basis" and the District recognizes the costs by expensing the annual insurance premiums. Total net cost to the District amounted to \$188,826 for 1998 and \$74,841 for 1997. The participants' share of the costs totaled \$-0- for 1998 and \$-0- for 1997.

NOTES TO FINANCIAL STATEMENTS

Deferred compensation plan:

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

During 1998, the District passed a resolution approving District matching contributions of employee contributions. Effective August 1, 1997, the District will match dollar for dollar each participating employee's contribution up to 2% of the employee's base income. The contributions for the year ended December 31, 1998 consisted of \$164,186 from employees and \$148,420 from the District. Contributions for the year ended December 31, 1997 consisted of \$78,164 from employees and \$69,461 from the District.

Note 18. Contingent Liabilities and Commitments

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance for the risks of losses to which it is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and environmental. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. During 1998, engineering studies assessed the District's estimated maximum exposure to risks of loss resulting from natural disasters. Based on this assessment, the District property and casualty blanket coverage was reduced approximately 50%.

At December 31, 1998, the District had committed approximately \$24.5 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities. Such commitments at December 31, 1997 totaled approximately \$78.800.

NOTES TO FINANCIAL STATEMENTS

Note 16. Deferred Revenues

The District has entered into several leases wherein the lessee has paid the total rentals due at the inception of the lease. Payments for the 1999 settlement of homestead exemption was received in 1998 and is shown as a deferred revenue. Details of the items comprising this account were as follows:

	Term Years	Total Rent	Deferred 12/31/98	Deferred 12/31/99
Trailside MH Land Lease	40	\$ 743,807	\$ 333,857	\$ 352,496
Trailside MH Land Lease	40	1,296,438	576,418	606,746
Half Coast Aluminum Land Lease	40	897,895	181,571	188,549
Homestead exemption settlement			28,516	30,808
Total			\$ 1,120,362	\$ 1,178,599

Note 17. Distributed Capital

Changes in contributed capital, by source, during the years ended December 31, 1998 and 1997 are presented below:

	Balance 12/31/97	1998 Changes		Balance 12/31/98
		APPLICABLE MISCELLANEOUS (2)	Depreciation	
PARISH OF LOUISIANA	\$ 8,898,983	\$ 3,833,113	\$ 628,733	\$ 13,360,829
U.S. Department of the Navy	2,618,827	-	578,100	3,196,927
SEA Grant	594,456	-	105,187	700,643
Joint Services Agreement	691,976	-	1,154	693,130
Exchange	18,714	-	496	19,210
Other Charities Contributions	162,612	112,118,612	-	-
	\$ 13,975,568	\$ 401,826	\$ 1,213,570	\$ 15,591,164

NOTES TO FINANCIAL STATEMENTS

	Balance 12/31/1988	1987 Changes		Balance 12/31/1987
		ADDITIONS \$	DEDUCTIONS	
State of Louisiana	\$ 5,427,948	\$ 1,418,948	\$ (727,288)	\$ 5,960,948
U.S. DEPARTMENT OF THE NAVY	1,519,149	-	(318,831)	1,499,897
NSA Grant	819,483	-	(339,177)	981,358
Joint Services Agreements	519,487	121 147,559	16,154	683,975
Energy	15,000	15,000	(286)	29,314
	<u>\$ 8,291,067</u>	<u>\$ 1,543,507</u>	<u>\$ (1,481,605)</u>	<u>\$ 8,352,969</u>

The Lake Charles Marine 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 1988 and 1987 additions to capital grants, State of Louisiana, show above, represents the State's share of Ports Priorities Projects; the addition, Joint Service Agreement, represents amounts due from the Calcasieu Parish Police Jury and the City of Lake Charles for infrastructure costs of the Industrial Park

Best; the additions from Energy represent grants for the industrial park. (1) Contributed capital adjustments resulted from the reduction of construction in progress incorrectly recorded during 1987. (2) Capital grants adjustments resulted from decreases in the amount of funds awarded through the Joint Service Agreement.

Note 18. Retained Earnings

Retained earnings amounted \$147,484,853 and \$143,038,787 as of December 31, 1988 and 1987, respectively. As of December 31, 1988 and 1987, retained earnings reserves had been established for the following purposes:

	1988	1987
Additional security fee certification of indebtedness outstanding	\$ 1,000,000	\$ 1,000,000
Trust funds pursuant to the issuance of the 1986 Port Improvement Revenue Bonds, Project Fund	-	143,752
Joint Service Reserve Fund	3,283,160	3,082,833
Depreciation Reserve Fund	3,263,151	3,052,848
Total	<u>\$ 7,546,311</u>	<u>\$ 7,278,433</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>1998</u>	<u>1997</u>
Long-term maintenance needs	\$ 87,800,000	\$ 87,800,000
Commitments on construction contracts	24,448,367	713,284
Scholarship endowment	300,000	300,000
Special sinking fund for debt service	1,494,007	1,294,578
Debt service	5,804,000	4,804,000

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

Note 19. Budgetary - GRAP 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 and the change in fair value of investment securities was not budgeted. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), reconciliations of resultant basis and perspective differences in net income for the years ended December 31, 1998 and 1997 are presented on the budgetary comparison statement, Exhibit 3.

Note 20. Major Customers

A significant portion of the District's operating revenue has been derived from three major customers in 1998 and 1997. Specifically,

each of the three customers accounted for 19%, 13%, and 12%, respectively in 1998;

each of the four customers accounted for 18%, 14%, and 11%, respectively in 1997;

NOTES TO FINANCIAL STATEMENTS

Trade receivables due from three customers as of December 31, 1998 and 1997 represented the following percentage of total trade receivables:

each of the three customers accounted for 24%, 0% and 25%, respectively, in 1998;

each of the two customers accounted for 38% and 14%, respectively, in 1997.

Note 21. Subsequent Events

Subsequent to year end, the District accepted the lowest responsive bid for construction of a new ship berth located on Comptondale Bayou. This consists of State Project #030-10-0002, in the amount of \$20,618,124 with \$4,089,880 to be provided through the State of Louisiana's Port Priority Program funds.

Also subsequent to year end, the District approved the purchase of approximately 214 acres of land on the Calcasieu ship channel in Calcasieu Parish, Louisiana. The contract dated February 1, 1999 stated a cost of \$524,000.

Note 22. Year 2000 Issues (Unaudited)

The District has addressed all significant year 2000 issues, including its business systems, processes and essential equipment, and estimates that it has completed approximately 90 percent of the work that will be required. The overall costs to prepare the District for the year 2000 are not considered material to the District's financial position or results of operations.

STATISTICAL SECTION
(UNAUDITED)

Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
SUMMARY OF REVENUES AND EXPENSES
Years Ended December 31, 1988 through 1992
(Continued)

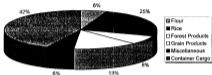
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
OPERATING REVENUES					
Charges for services	\$ 10,332,683	\$ 10,894,486	\$ 11,128,746	\$ 12,268,310	\$ 12,268,310
Rentals	1,664,622	1,688,024	1,464,884	1,449,365	1,449,365
Fines	115,528	108,792	62,822	148,489	148,489
Total	<u>12,112,833</u>	<u>12,691,302</u>	<u>12,656,452</u>	<u>13,866,164</u>	<u>13,866,164</u>
OPERATING EXPENSES					
General and administrative	1,851,218	2,228,717	2,762,593	3,144,782	3,144,782
Maintenance and operation of facilities	5,193,134	4,132,084	7,905,873	8,499,322	8,499,322
Depreciation	<u>2,229,644</u>	<u>2,673,532</u>	<u>2,599,563</u>	<u>2,874,812</u>	<u>2,874,812</u>
Total	<u>9,273,996</u>	<u>9,034,333</u>	<u>13,268,029</u>	<u>14,518,916</u>	<u>14,518,916</u>
Income (loss) from operations	2,838,837	1,825,138	(711,577)	(652,752)	(652,752)
NONOPERATING REVENUES (EXPENSES) - NET					
	<u>1,181,622</u>	<u>1,656,648</u>	<u>1,746,322</u>	<u>1,818,153</u>	<u>1,818,153</u>
Net Income	<u>\$ 4,020,459</u>	<u>\$ 5,447,454</u>	<u>\$ 1,633,853</u>	<u>\$ 1,184,600</u>	<u>\$ 1,184,600</u>

Table 3

1993	1994	1995	1996	1997	1998
\$ 11,769,864	\$ 10,973,466	\$ 13,887,442	\$ 12,329,108	\$ 12,423,718	\$ 14,899,817
2,369,297	3,275,313	3,269,763	3,693,842	3,495,879	3,493,489
<u>946,372</u>	<u>53,330</u>	<u>153,333</u>	<u>221,452</u>	<u>358,367</u>	<u>248,585</u>
<u>26,284,312</u>	<u>12,383,387</u>	<u>13,273,926</u>	<u>28,274,508</u>	<u>18,482,956</u>	<u>26,313,182</u>
2,827,732	3,549,816	3,412,455	3,329,405	3,495,827	3,496,482
8,392,456	8,644,876	8,398,484	8,411,707	18,827,348	18,908,456
<u>3,338,348</u>	<u>3,843,827</u>	<u>3,282,823</u>	<u>3,345,373</u>	<u>3,733,878</u>	<u>3,823,368</u>
<u>13,814,322</u>	<u>12,732,131</u>	<u>14,598,884</u>	<u>24,285,487</u>	<u>17,346,833</u>	<u>18,218,182</u>
467,949	11,433,383	676,376	11,865,947	13,682,931	21,917,680
<u>8,358,472</u>	<u>8,863,329</u>	<u>7,218,368</u>	<u>8,593,668</u>	<u>7,687,314</u>	<u>7,818,621</u>
<u>\$ 8,318,468</u>	<u>\$ 8,842,334</u>	<u>\$ 6,843,533</u>	<u>\$ 8,378,688</u>	<u>\$ 8,334,741</u>	<u>\$ 8,118,921</u>

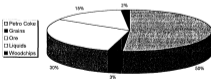
GENERAL CARGO

Total Short Tons 1998 - 1,334,796



BULK CARGO

Total Short Tons 1998 - 5,804,589



LAKS CHARLES HARBOR AND TERMINAL DISTRICT

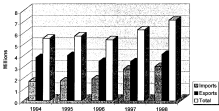
SHIPPING ACTIVITIES
HULK AND GENERAL CARGO
(Round off)1948 MONTHLY HULK CARGO
(Tons)

Month	Petroleum	Grain	Iron	Subsidiary	Wood
	Tons	Tons	Tons	Tons	Tons
January	172,985	8,182	298,243	52,496	22,588
February	218,148	-	300,173	55,859	-
March	148,238	28,288	131,893	4,824	22,812
April	222,823	-	390,716	68,880	-
May	227,827	2,795	261,713	24,228	-
June	269,810	18,529	242,128	204,868	-
July	372,162	5,223	122,888	71,888	-
August	188,482	22,222	171,881	92,568	-
September	288,882	28,882	142,882	2,882	-
October	228,878	-	128,828	2,788	48,882
November	288,288	48,288	128,288	122,222	-
December	222,222	1,822	28,482	122,222	-
	<u>2,582,222</u>	<u>182,222</u>	<u>2,722,222</u>	<u>812,222</u>	<u>22,222</u>

1948 MONTHLY GENERAL CARGO
(Tons)

Month	Iron	Flour	Forest Products	Grain Products	Steel	Containers
	Tons	Tons	Tons	Tons	Tons	Tons
January	28,882	12,872	12,982	482	7,282	48,222
February	28,882	8,882	7,882	8,282	8,872	25,882
March	48,222	8,882	8,882	28,882	2,812	21,812
April	22,882	2,222	18,222	8,222	7,222	41,812
May	28,882	2,222	2,422	2,422	8,212	22,882
June	22,222	2,222	18,222	7,822	8,222	48,222
July	22,882	2,222	18,882	22,222	8,422	22,222
August	28,882	2,222	2,222	7,222	2,222	44,222
September	28,222	8,222	822	14,222	12,222	48,222
October	28,222	4,422	12,222	22,222	8,222	28,222
November	28,878	12,788	8,882	28,882	8,222	22,222
December	22,222	12,222	-	22,222	12,222	28,222
	<u>282,222</u>	<u>72,222</u>	<u>182,222</u>	<u>122,222</u>	<u>82,222</u>	<u>222,222</u>

FIVE YEAR CARGO TONNAGE



SHIPS / BARGES CALLING AT DISTRICT FACILITIES

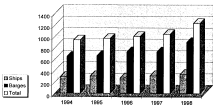


Table 3

LEAF COUNCIL HARBOR AND TERMINAL DISTRICT

SHIPPING ACTIVITIES
TODAY
(Continued)1994 CARGO IMPORTS/EXPORTS
(Tons)

<u>CARGO</u>	<u>IMPORTS</u>	<u>EXPORTS</u>	<u>TOTAL</u>
GENERAL CARGO	129,037	3,309,789	3,438,826
WHEAT	3,809,883	3,809,883	7,619,766
	<u>3,938,920</u>	<u>7,119,672</u>	<u>11,058,592</u>

FIVE YEAR CARGO
IMPORT/EXPORT TONNAGE

	<u>IMPORTS</u>	<u>EXPORTS</u>	<u>TOTAL</u>
1989	3,789,839	3,802,388	7,592,227
1990	3,729,843	3,999,899	7,729,742
1991	3,938,834	3,478,813	7,417,647
1992	3,833,789	3,409,333	7,243,122
1993	3,838,827	4,188,789	8,027,616

MONTHLY CARGO TONNAGE
IMPORTS AND EXPORTS

<u>Month</u>	<u>Tonnage</u>	<u>Imports</u>	<u>Exports</u>
January	571,863	28	543
February	479,424	25	454
March	468,259	29	439
April	542,893	28	514
May	548,237	23	525
June	791,880	30	761
July	889,483	43	846
August	548,236	27	521
September	548,237	28	520
October	522,839	38	484
November	729,831	28	701
December	588,826	24	564
Total	<u>7,138,885</u>	<u>333</u>	<u>682</u>

Table 4

LAKE CHARLE HURON AND TERMINAL DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years
(Unaudited)

Year	Total Tax Levy	Less: Cancellations and Reductions	Net Tax Levy	Less: Outstanding Delinquent Taxes
1987	\$ 2,656,852	\$ 25,153	\$ 2,631,699	\$ 24,267
1988	2,627,893	15,894	2,611,999	22,895
1989	2,627,793	19,973	2,607,820	9,589
1990	2,138,718	26,880	2,111,838	3,866
1991	2,165,285	27,853	2,137,432	7,555
1992	2,385,535	15,810	2,369,725	6,855
1993	2,329,250	9,700	2,319,550	7,299
1994	2,372,890	17,772	2,355,118	7,855
1995	2,421,729	9,979	2,411,750	24,750
1996	2,459,999	12,288	2,447,711	26,529

Notes:

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

<u>Net Total Income Collected</u>	<u>Percent of Net Levy Collected</u>	<u>Percent of Delinquency Taxes to Net Levy</u>
\$ 1,818,828	99.39	.70
1,898,028	99.39	.61
1,842,888	99.39	.91
1,167,678	99.38	.68
1,136,338	99.38	.68
1,893,688	99.38	.87
1,373,388	99.48	.84
1,347,888	99.48	.95
1,587,088	99.38	1.84
1,421,688	99.17	1.83

Table 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

(Last Ten Years

Immediated)

(In Thousands)

YEAR	Real and Public Home Property				Personal Property	
	Assessed Values				Assessed Value	Estimated Actual Value
	Total Real and Mobile Home	Homestead Exempt	Net Real and Mobile Home	Estimated Actual Value		
1988	\$ 214,559	\$ 501,482	\$ 212,877	\$ 1,128,778	\$ 194,070	\$ 778,280
1989	216,224	503,354	212,888	1,128,888	218,778	845,894
1991	218,773	503,807	213,744	1,127,488	244,228	976,885
1992	214,528	503,798	215,733	1,107,328	218,078	958,280
1993	218,480	505,488	214,223	1,148,328	248,088	988,228
1994	223,868	507,207	218,962	1,144,428	282,882	1,122,484
1995	225,590	508,512	221,878	1,188,908	276,828	1,107,478
1996	228,827	525,207	227,828	1,178,228	290,228	1,182,228
1997	227,278	523,218	224,288	1,142,888	218,848	1,242,278
1998	228,128	528,888	221,228	1,217,228	218,888	1,282,888

Notes:

- (1) Louisiana state law establishes all assessment distinctions.
- (2) Real property is assessed 81: 188 - land, improvements and buildings
Commercial: 158 - land, 188 - improvements and buildings
Personal: 288
- (3) Public Utilities are assessed by Louisiana Tax Commission 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>	
\$ 41,578	\$ 277,133	\$ 346,517	\$ 2,382,103	15.97%
46,814	273,759	344,548	2,394,455	14.99%
41,435	274,212	339,396	2,385,555	14.74%
46,814	269,797	335,315	2,322,947	14.72%
39,784	269,828	339,873	2,387,893	14.72%
46,894	247,827	438,542	2,469,843	17.14%
46,468	272,468	446,448	2,496,774	14.59%
56,463	253,447	437,599	2,390,519	14.64%
46,119	257,463	515,119	2,352,404	14.34%
41,262	279,492	329,994	2,299,379	14.24%

Table 4

LAKE CHARLES PARISH AND TERRITORIAL DISTRICT

STATUS OF NET GENERAL BONDED DEBT
 TO APPRAISED VALUE AND NET BONDED DEBT PER CAPITA
 Last Ten Years
 (Detailed)

Year	Appraised Value (\$100,000,000)	Assessed Value (in Thousands)	Net Bonded Debt	Debt per Available Cap Per Capita
1980	170,866	\$ 480,198	\$ 2,000,000	\$ 1,147,000
1981	170,500	484,910	1,990,000	1,140,000
1982	168,000	501,400	-	-
1983	168,000	494,110	-	-
1984	171,000	504,000	-	-
1985	172,000	502,000	-	-
1986	174,000	507,000	-	-
1987	175,000	490,000	-	-
1988	180,000	500,000	-	-
1989	179,000	508,000	-	-

Notes:

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

Table 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 1998

(In thousands)

Net assessed value		\$ 518,984,838
Non exempt property:		
Homestead exemption (1)	\$ 128,808,188	
Business exempt property (2)	<u>88,108,648</u>	<u>187,374,798</u>
Total assessed value		<u>\$ 398,328,412</u>
Debt limit - 10 percent of total assessed value		\$ 72,838,842
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>\$ 72,838,842</u>

- NOTE: (1) In the State of Louisiana, the first \$75,000 of a homeowner's primary residence is exempt from property tax. This is referred to as a "Homestead Exemption".
- (2) Under specific conditions, businesses can qualify for a ten year property tax exemption. The State grants this as an economic incentive for companies to locate or expand their business in Louisiana.
- (3) The \$25,000,000 Port Improvement Revenue Bonds, Series 1994 are not general obligation bonds secured by the imposition of ad valorem property tax approved by a vote of the electors of the District.

LAKE CHARLES PARISH AND WESTLAKES DISTRICT

COMPARISON OF DIRECT AND OVERLAPPING DIST
 December 31, 1999
 (Unaudited)

Jurisdiction	Net Jobe Substantiated	Percentage Applicable to District	Amount Applicable to District
Columbus Parish School District (BLL)	\$ 3,385,000	80%	\$ 2,708,000
Columbus Parish School District No. 20	3,782,327	100%	3,782,327
Columbus Parish School District No. 23	3,139,210	80%	2,511,368
Columbus Parish School District No. 25	24,545,000	100%	24,545,000
Columbus Parish School District No. 28	30,268,000	10%	3,026,800
Columbus Parish School District No. 28	3,915,000	10%	391,500
Columbus Parish School District No. 21	3,200,000	1%	32,000
City of Westlake	3,828,000	100%	3,828,000
City of Lake Charles	3,600,000	100%	3,600,000
City of Lake Charles	9,800,000	100%	9,800,000
Columbus Parish Police Jury	<u>21,840,000</u>	50%	<u>10,920,000</u>
	<u>1,072,880,327</u>		<u>2,28,720,327</u>

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

Table 5

LARRY CHARLES BRADON AND TERRITORIAL DISTRICT

 COVERAGE PROVIDED BY NET REVENUES FOR
 ANNUAL DEBT SERVICE REQUIREMENTS
 Last Ten Years
 (Continued)

Year	Gross Revenue	Operating Expenses	Net Revenue Available for Debt Service
1989	\$ 28,782,888	\$ 28,271,848	\$ 511,040
1990	22,628,723	22,602,368	26,355
1991	28,426,566	22,628,688	5,797,878
1992	28,818,864	24,525,316	4,293,548
1993	28,579,812	22,824,822	5,754,990
1994	28,387,642	22,724,198	5,663,444
1995	28,883,322	24,376,827	4,506,495
1996	21,228,847	22,286,887	(1,058,040)
1997	22,828,288	22,546,928	281,360
1998	28,628,288	28,224,128	404,160

Notes:

- (i) Gross revenue included operating and nonoperating revenues of the District.
- (ii) Operating expenses included items directly associated with the District's primary activities.
- (iii) Only general obligation debt is included in this table.

debt service requirements			
Principal	Interest	Total	Coverage
\$ 1,095,000	\$ 448,026	\$ 2,443,026	\$ 838.48
1,439,000	382,888	3,099,888	857.34
1,455,000	388,350	3,043,350	847.30
600,000	388,312	799,312	607.80
600,000	347,290	747,290	773.83
480,000	328,413	688,413	763.38
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Table 10

LAKE CHARLES HARBOUR AND TERMINAL DISTRICT
PROPERTY TAX RATES - DISTRICT AND OVERLAPPING GOVERNMENTS
OPER SINCE ASSESSED VALUES
Last Ten Years
(Continued)

Year	District	Parish	School	Cities	Other	Total
	(1)	(2)	Districts	(3)	(4)	Millage Rate (5)
1988	5.88	145.50	187.78	40.40	234.85	629.41
1990	5.56	149.82	184.38	42.53	232.54	642.23
1991	2.48	149.52	185.48	41.82	232.27	641.59
1992	2.90	154.55	157.89	43.85	236.44	635.63
1993	2.82	166.82	148.82	43.52	232.83	642.87
1994	2.82	166.54	188.75	42.84	237.88	651.53
1995	2.82	134.87	181.78	42.84	231.82	633.92
1996	2.74	134.57	171.85	37.84	228.81	648.83
1997	2.74	132.89	145.87	38.85	236.85	632.37
1998	2.74	132.58	85.82	38.84	232.51	642.37

Notes:

- (1) Includes assessment of all work whose boundaries fell partially or totally within the District
- (2) Includes assessment of all cities whose boundaries fell partially or totally within the District (Lake Charles, Sulphur and Westlake)
- (3) Includes all other assessments whose boundaries fell partially or totally within the District (Water, Grading, Fire protection, etc.)
- (4) Lake Charles Harbor and Terminal District
- (5) The Lake Charles Harbor and Terminal District's boundaries overlap into several Orleans parishes, water, grading, 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 232 mills, while the average millage within the Parish is 187 mills.

LAKE CHARLES BASIN AND TERMINAL DISTRICT

DEMOGRAPHIC STATISTICS
Last Ten Years
(Rounded)

Year	(1) Population	(2) Per Capita Income	(3) Median Age	Education	(5) School Enrollment	Unemployment Rate Percent
				Level 25 Years of Formal Education		
1989	178,544	\$ 12,281	30.6	"	32,969	7.1
1990	172,989	14,422	30.8	"	32,052	7.9
1991	168,134	15,488	30.3	"	32,443	8.4
1992	168,444	16,584	31.1	"	32,832	8.8
1993	172,989	16,484	30.9	"	32,584	7.8
1994	172,989	17,222	30.2	"	32,222	7.4
1995	174,089	17,189	30.5	"	32,222	6.2
1996	174,189	18,222	30.8	"	32,543	6.3
1997	180,389	18,981	30.9	"	32,453	6.6
1998	179,489	20,222	31.3	"	32,389	4.3

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 1998 census the education level was 12.8 for persons 25 years old and above.

Table 12

LAKE CHARLES BORROW AND TERMINAL DISTRICT
PROPERTY VALUE, CONSTRUCTION AND BARR DEPOSIT
Last Ten Years
Unaudited

YEAR	Commercial Construction		Residential Construction	
	Number of Units	Value*	Number of Units	Value
1969	136	\$ 12,243,873	800	\$ 3,713,648
1970	293	28,423,543	743	3,264,748
1971	283	32,316,188	853	3,825,559
1972	270	23,884,893	693	4,848,637
1973	286	58,234,516	713	4,138,435
1974	314	21,849,875	823	4,887,188
1975	393	47,431,873	853	4,834,327
1976	313	37,833,118	788	4,868,568
1977	323	62,881,814	718	4,768,683
1978	444	28,747,773	958	5,489,388

Notes: (1) Includes all loans in the City of Lake Charles.

(2) Assessed value - estimated value available.

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

Bank Deposits (\$)	Furniture Value*	
	Taxable	Non-taxable
\$ 1,388,384,808	\$ 348,807,280	\$ 103,882,710
1,388,808,808	388,888,880	103,383,380
1,488,808,808	388,388,880	103,003,380
1,488,808,808	388,388,880	103,728,880
1,388,813,808	488,888,880	103,388,380
1,388,888,808	488,888,880	108,088,880
1,488,888,808	488,388,880	108,388,380
1,488,888,808	588,388,880	108,588,880
1,488,888,808	588,388,880	108,588,880

Table 23

LAKS CUNEIFY HARBOR AND TERMINAL DISTRICT

PRINCIPAL INDUSTRIES IN DISTRICT

December 31, 1959

(Thousands)

Tenancy	Type of Business	1959 Assessed Valuation	Percentage of Total Assessed Valuation
CUMCO, Inc.	Refinery	\$ 49,044,710	5.19%
BPB Industries, Inc.	Chemical plant	34,029,570	4.95
Carolina Vista Chemical Company	Chemical plant	28,358,700	3.80
Cytex Petroleum	Refinery	18,324,500	2.43
Dell South Telecommunications	Telephone company	15,828,310	1.95
Metall USA, Inc.	Chemical plant	13,471,500	1.82
AKSO Chemical Co.	Chemical plant	12,488,410	1.71
Energy Gulf States, Inc.	Electrical company	9,352,870	1.26
Playtex Lake Charles, Inc.	Gassing	7,922,500	1.07
Hibernia National Bank	Bank	8,724,700	1.17
		<u>\$ 100,432,800</u>	<u>100.00%</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Table 14

MICROFILMED STATISTICS
December 31, 1999
Finalized!

DATE OF INCORPORATION: 1838	NUMBER OF EMPLOYEES: 127	
FORM OF GOVERNMENT: Political subdivision of State of Louisiana	AIRIAL CLEARANCE: Highways I-210 Bridge	170 Feet 105 Feet
GEOGRAPHICAL LOCATION: Latitude 29 19' North Longitude 90 15' West 32 Miles inland from Gulf of Mexico	NAVIGATION: Sea level to 20 feet	
TEMPERATURE: 77.6 maximum average 63.7 minimum average 71.2 mean Average yearly rainfall 53.55 inches	TIDAL INFORMATION: Mean tide level Extreme range Neap tides Spring tides	1.0 feet 2.0 feet 0.5 feet 0.5 feet 0.5 feet 0.5 feet
GENERAL CRUDD FACILITIES: 815,000 sq. feet of tank and sheds 800,000 sq. feet of warehouse (available for lease)	PRINCIPAL CARGO: Flour Rice Soybeans Other grains Wood chips Bale	Petroleum coke Petroleum products Bale Fertilizers Lime/wood/inspiration
PUBLIC DOCKS: Dry cargo Bulk materials Bulk materials Open berth Crane elevators Liquid bulk	11 - City docks 1 - Bulk Terminal No. 3 - Bessie/Bluff 1 - Bulk Terminal No. 4 - Westlake 1 - City docks 1 - City docks 2 - City docks	

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

**REPORTS ON
COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING, SUPPLEMENTARY INFORMATION,
COMPLIANCE RELATED TO \$25,000,000
LAKE CHARLES HARBOR AND TERMINAL DISTRICT
PORT IMPROVEMENT REVENUE BONDS, SERIES 1994,
AND COMMUNICATION TO OVERSIGHT GROUP
YEAR ENDED DECEMBER 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the media, or released, sent and other appropriate public officials. The report is available for public inspection at the District Office of the Legislative Auditor General, where appropriate, at the office of the parish clerk of court.

Release Date

Lake Charles Harbor and Terminal District

December 31, 1994

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

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, a component unit of the State of Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated February 18, 1999.

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

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Charles Harbor and Terminal District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting could not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that could be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control structure and its operation that we have reported to the management of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, in a separate letter dated February 28, 1999.

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.

McCrory, Riviere & Smith

Lake Charles, Louisiana
February 28, 1999

McELROY, QUIRK & BURCH

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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, 1999, and have issued our report thereon dated February 26, 2000. These general purpose financial statements are the responsibility of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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, Davis & Louch

Lake Charles, Louisiana
February 26, 1938

LAKE CHARLES MARSH AND TERMINAL DISTRICT

SCHEDULE OF SUPPLEMENTARY INFORMATION
 YEAR ENDED DECEMBER 31, 1999

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

Vendor & Explanation	<u>Amount</u>	
Dr. Darryl Merkel Marketing plan Cost/benefit analysis-economic benefit	\$	7,558 3,500
Center for Management Development Marketing plan		2,383
Douglas W. Mitchell, Ph.D. Cost/benefit analysis-economic benefit		3,890
Lake Charles Stevedores, Inc. Consulting fees		3,580

Payments to member of the board of commissioners for per diem payments or compensation for services on the board.

None

(continued on next page)

LARRY CHARLES HARRIS AND TERMINAL ILLNESS

SCHEDULE OF SUPPLEMENTARY INFORMATION
 Year Ended December 31, 1998
 (Continued)

Insurance policies in force as of December 31, 1998:

<u>Policy Provider</u>	<u>Policy Number</u>	<u>Policy Type</u>	<u>Policy Period</u>
Asbestos Indemnity Company	807004818	Commercial auto	10/1/98-8/30/99
Underwriters at Lloyd's, London	109811580	General liability	10/1/98-10/1/99
College Insurance Co.	900801041	Public official liability	12/31/98-12/31/99
Great American Indemnity Company	029-17763	Marine insurance	10/1/98-10/1/99
General Star AG	880-98003	Commercial Umbrella	12/31/98-12/31/99
Water Quality Insurance Syndicate	0512-07	Pollution liability	10/1/98-10/1/99
Steadfast Insurance Company	002101600-00	FELA	10/1/98-10/1/99
American International Health Insurance Company	9058410088	Workers compensation insurance	1/15/98-1/15/99
Bartford Life & Accident Insurance Co.	878100488	Group business travel	10/1/98-10/1/99
The Fidelity and Deposit Co. of Maryland	002981043	Employee dishonesty bond	10/13/98-10/13/00
PROTECTION Mutual Insurance Company	780801-00	Business property	10/1/98-10/1/99

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Charles J. McElroy, CPA 1970-1975
David J. Reynolds, CPA 1976-1989
David J. Burch, CPA 1991-1993

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

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, a component unit of the State of Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated February 26, 1999.

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

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

The DISTRICT has complied with SECTION 8.02(b) Insurance of the amended and Restated Trust Indenture between Lake Charles Harbor and Terminal District and Citizens National Bank of Lake Charles, as Trustee, dated as of January 3, 1994, \$25,000,000 Lake Charles Harbor and Terminal District Port Improvement Revenue Bonds, Series 1994, as required by paragraph 3 of this Section 8.02(b), a listing of all policies carried by the District as of December 31, 1998 as included in the supplementary information section of these reports. All insurance premiums upon the insurance policies to which reference is herein before made have been paid.

Mr. Larry Duick & Son

Lake Charles, Louisiana
February 24, 1999

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William A. Williams, CPA

Charles E. Mathews, CPA (1976-1997)
David J. Mathis, CPA (1991-1993)
David W. Smith, CPA (1991-1993)

COMMUNICATION WITH OVERSIGHT GROUP

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, a component unit of the State of Louisiana, as of and for the year ended December 31, 1998. 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. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit of the financial statements, we considered the 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. These 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 significant 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, 1998 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.

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

Consultation with other accountants.

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

Major issues discussed with management prior to opinion.

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 in performing our 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 thereto.

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.

Mr. Christy Owens & Son
Lake Charles, Louisiana
February 26, 1999

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MEMBER FINANCIAL

MR. GEORGE W. WATSON, Executive Director
and the Board of Directors
Lake Charles Harbor and Terminal District
Lake Charles, LA 70601

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, a component unit of the State of Louisiana, as of and for the year ended December 31, 1999. We have issued our report thereon dated February 22, 2000. In connection with that audit, we present the following comments and suggestions for your consideration. Each of these matters was discussed with the Director of Administration and Finance and his comments are included.

INTERNAL CONTROL REVIEW - AND DOCUMENTATION:

CAPITALIZATION OF ASSETS:

It was noted that Project 94-CID-18 appeared to be substantially complete as of 8-18-99 but \$4,988,385.35 remained in the construction in progress account rather than as a capital asset. The assets should be capitalized when substantially complete and placed into service. We recommend monitoring of construction in progress projects with review at an appropriate level of management to ensure inclusion in the proper classification as the project progresses.

Management comments:

Procedures are being implemented to facilitate the flow of information, about the completion of capital projects, from the engineers to the accounting department. These procedures should improve the timeliness of entries to close out construction in progress, to record the assets in the appropriate accounts, and to begin recording depreciation, as required.

LEASE DATABASE:

Because of the number of leases in effect, the complexity of the leases, and the variety of information, dates, periods that must be tracked regarding such leases, we suggest management consider establishing a more structured database, including policies and procedures, to assist management of the leases. This database should satisfy the compliance monitoring/reporting of lease types and activities. It should be well planned to facilitate the daily management of the lease activity and serve as a source of concise summary data from the actual lease contracts. The database should be updated and reviewed frequently for completeness and could be used as a management planning and analytical tool.

Procedures regarding lease renewals, particularly "CPI" rate adjustments for leases, were discussed in the prior year and we suggested using a tracking method to avoid missing important date specific events. A tracking method has been developed and implemented by the real estate department and could be integrated into the database discussed above.

Management Comments:

With the installation of a local Area Network (LAN) at the District and an upgrade of basic computer programs (Microsoft Office), an upgrade of the existing database will be designed and made accessible to various in-house users. It is the goal of management that the database address several areas including but not limited to:

1. Lease
2. Lease address
3. Site description
4. Effective date
5. Expiry/term date
6. Term
7. Renewal options
8. Rental rate
9. Rate adjustment (index, CPI, etc.)
10. Criteria to determine lease type and activities

INCOMPATIBLE DUTIES:

Our review of incompatible responsibilities as it relates to segregation of duties revealed several areas management should revisit to strengthen and improve internal control. These areas were discussed with the Director of Administration and Finance and with the Accounting Manager. A prior year suggestion, this continues to be an area requiring further consideration.

Management comments:

This area is currently under review to determine how duties can better be distributed to meet the District's needs and strengthen internal control.

OVERTIME:

During 1987 it was noted that overtime appeared to be unusually high. We revisited overtime in 1988 and noted that some areas showed improvements while others continued to appear high. As suggested in the prior year, we recommend that management review those areas in order to determine if overtime is the most functionally expedient and economical management of personal time.

Management comments:

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

INTERNET/COMPUTER USE POLICY:

During early 1988, the District installed an upgraded computer network system and provided Internet access at multiple terminals throughout the District. We suggest management adopt an administrative policy regarding employee use of the District owned computers and the use of the Internet via District owned computers. Each employee who utilizes a computer and who may access the Internet should be provided this policy statement, and should furnish a statement to management that they are aware of the policy and will comply with its requirements.

Management comments:

A policy currently exists and will be reviewed for possible changes in light of the District's new computer system. Any such changes will be written and adopted during 1988.

PURCHASE REQUESTS/FORM PROCESSING:

As discussed in the 1987 management letter, regarding the purchase requisition processing system, we noted that it is within the capability of the purchasing department to change historical data entries for purchase orders. This includes vendor number, address, and virtually all data except the item/amount purchased. This condition continued to exist

during 1978. We suggest management review these systems to determine if changes are required to strengthen internal controls in this area.

Management comments:

This problem is a programming problem. It is being discussed with the District's outside programmer to determine the cost/benefit of correcting the problem. The District continues to monitor this area and provide instructions in order to minimize the possibility of this error occurring.

OTHER YEAR ISSUES:

Other comments and suggestions, not previously discussed, included in our letter to the Executive Director as a result of our audit of the general purpose financial statements of the District for the year ended December 31, 1977 are presented below:

Retirement of assets:

We suggest better documentation as to the authorization for disposition of retired fixed assets. As commended by management in the prior year, the use of a "Retirement of Fixed Assets" form was implemented, periodic field inventories of fixed assets were performed during the year, and reporting by supervisors to accounting of changes in fixed asset items was improved.

Travel expense policy and documentation:

A number of immaterial instances of noncompliance with District travel policy related to gratification and use of District vehicles were noted. The District's policy regarding gratification was changed to allow slightly higher gratuities in certain cities when entertaining current or potential customers. Additionally, employees were reminded, when using District credit cards for the purchase of fuel, to identify the vehicle being refueled and themselves on the charge slip. Our testing identified no noncompliance with these policies.

District vehicles:

We noted there was no formalized policy for the documentation of the use of District vehicles. Documentation of the use of District vehicles was discontinued during 1978 by the use of a log book for each vehicle. A formalized policy regarding the use of District vehicles was adopted in March, 1979.

Data entry consistency:

Relevant information such as the name and date of personnel entering data in the computer system was not consistently noted on certain authorization forms. This inconsistency in documentation was noted

and corrected for the 1987 records. Personnel were made aware of the oversight and were provided additional instructions, as necessary. Our procedures identified no such inconsistencies during 1988.

Cancellation of ship arrivals:

As indicated in the 1987 Management Letter, suggestions regarding cancellation of berth applications cancellations were implemented during 1988.

Corrected invoices:

This comment concerned the documentation changes resulting from invoices CMC had been reviewed for corrections. Management developed a form to address the issue and implemented its use during 1988.

Backup of traffic computer files:

We noted in the prior year CMC certain computer files in the traffic Department were not adequately backed up. This condition continued through 1988. However, as previously discussed, management is in the process of upgrading the computer network system and this should adequately address the backup requirements of the traffic Department.

If you have any questions about any of these matters, we would like to discuss them. Please do not hesitate to contact us. We appreciate the cooperation extended to us by District staff during the audit and look forward to working with you in the future.

McClary, Davis & Burch

Lake Charles, Louisiana
February 24, 1989