

**LAKE CHARLES HARBOR AND TERMINAL DISTRICT
LAKE CHARLES, LOUISIANA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022**

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

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

FINANCIAL REPORT
December 31, 2022

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INTRODUCTORY SECTION

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June 27, 2023

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



**Lake Charles
Harbor
& Terminal
District**

Post Office Box 3753
Lake Charles, LA 70602
Phone 337-439-3661
Facsimile 337-493-3523

Dear Commissioners:

The Annual Comprehensive Financial Report (ACFR) of the Lake Charles Harbor and Terminal District (District) for the year ended December 31, 2022 is hereby submitted for your review. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all note disclosures, rests with the District. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and have been independently audited in accordance with generally accepted auditing standards. The purpose of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. This transmittal letter should be read in conjunction with Management's Discussion and Analysis on pages 23-33. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities and operations have been included.

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

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

Overview of the Lake Charles Harbor and Terminal District

The District is an independent political subdivision of the State of Louisiana created by action of the Louisiana Legislature in 1924 and authorized by Louisiana Revised Statutes 34:201 et seq. The District operates a deep-water port on the Calcasieu Ship Channel and encompasses 203 square miles in Southwest Louisiana. Presently, the District owns and manages five public marine terminal facilities commonly designated as the Port of Lake Charles.

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

Cargoes shipped through District facilities are classified into bulk cargoes and break-bulk cargoes. Bulk cargoes include primarily dry bulk commodities such as petroleum coke, barite, rutile, alumina trihydrate, and grains. These cargoes are generally loaded through one of the District's bulk terminals, with the most active bulk terminal being Bulk Terminal No. 1. Break-bulk cargoes are unitized cargoes such as bagged rice, lumber, logs, windmill blades and towers. Break-bulk cargoes typically move through the transit sheds, berths and warehouses in the area of the District called the City Docks.



Local Economy

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

- According to Dr. Loren Scott, economics professor emeritus, at Louisiana State University, the Lake Charles region has historically been not only the fastest growing MSA in the State of Louisiana, but often the fastest growing in the entire country. Following multiple years of disasters including COVID, hurricanes, a winter storm, and flood, Dr. Loren Scott expects the Lake Charles MSA to begin rebounding in 2023-2024. He projects Lake Charles to be the fastest growing MSA in the state over the next two years in percentage terms, and anticipates employment to grow significantly as the area continues to recover. Job growth in the area is due largely to the deep draft Calcasieu Ship Channel, the abundance of domestic natural gas and existing pipeline infrastructure.



- Lake Charles is currently the home of three riverboat casinos, two of which are located on land leased from the District. Overall, the riverboat gaming sector of Southwest Louisiana provides a total employment of approximately 4,000 employees, generates monthly average gaming revenues of approximately \$59.1 million and generates monthly average taxable sales of approximately \$13.5 million.
- During the fourth quarter of 2014, the Golden Nugget Lake Charles Casino and Resort completed construction of its riverboat casino resort and hotel on land leased from the District. The resort features 740 hotel rooms and suites, an 18-hole championship golf course, an 18,000 square-foot ballroom, a 30,000 square-foot meeting and event center, spa, pool and a number of Landry's signature restaurants. During 2018, Golden Nugget Lake Charles completed construction of a new 300 room tower.
- Pinnacle Entertainment completed construction of its riverboat casino in June of 2005 on land leased from the District. Pinnacle's hotel resort and casino, L'Auberge, is 26 stories with approximately 1,000 rooms, a 26,000 square-foot event center, spa, pool, numerous restaurants and an 18-hole championship golf course designed by Tom Fazio.
- Northrop Grumman and AAR are located at the Chennault International Airport Authority where aircraft modification and maintenance is performed. In May of 2018, Citadel Completions announced plans to invest \$17.6 million and hire approximately 250 people for an aircraft center to be located at Chennault, which will be dedicated to interior jet modifications and maintenance. ERA Helicopter and PHI, another helicopter service firm, both have locations at the Lake Charles Regional Airport.
- During 2014 Cameron LNG began construction of a new \$10 billion liquefaction export facility in Southwest Louisiana. The liquefaction project will be comprised of three-train natural gas liquefaction facilities with an export capability of 12 million tons annually. In February 2016 it was announced that Cameron LNG was applying for an expansion of the existing project, adding two additional trains and increasing the export capability to 20-22 million tons annually. Cameron LNG began operating the facility's Train 1 in May 2019 with the first shipment of LNG departing the same month, while the operation of Train 2 began in December 2019. The 3rd train of the current facility began operations in August of 2020, and plans to construct an additional train are developing.

Dry Bulk Cargo Terminals

The District owns 3 dry bulk terminals specializing in commodities such as petroleum coke, barite, rutile, aggregate, grains, and caustic soda. These terminals are equipped with loading and unloading facilities that include ship loaders, ship unloaders, rail car rollover, truck and rail hoppers, pits and chutes, conveyor systems, scales, silos and open-air storage pads. The process of repairing or replacing portions of the District's equipment due to damages caused by Hurricane Laura and Delta is ongoing.



General Cargo Docks

The City Docks area currently has 7 usable transit sheds, 10 usable warehouses and three open berths and can accommodate 12 ships in port simultaneously. The City Docks currently has approximately 1.0 million sq. ft. of usable covered storage. Post Hurricane renovations are underway at the District to update and replace multiple unusable sheds and warehouses accounting for an additional 563,000 sq. ft. of covered storage. City Docks is an intermodal facility accessible via road, rail, or water.

Cargo Diversity

During 2020, the District secured a new customer shipping lumber into City Docks from multiple European countries. From City Docks, the lumber is trucked out domestically to various suppliers. The movement of Lumber through City Docks has grown significantly in recent years and has become a notable commodity for the District.

The District also obtained a shipper of sodium hydrosulfide in 2020. The sodium hydrosulfide is trucked, or railed, into City Docks where it is stored in tanks built by the customer and subsequently shipped out via vessel.

Real Estate

The District owns approximately 5,400 acres in Southwest Louisiana. These properties include leased acreage to both traditional and non-traditional port related tenants, spoil disposal sites, and acreage available for future development. During 2022, lease revenues accounted for approximately \$20.4 million, or 47% of total District operating revenues.

Security Initiatives

The District has been awarded various security related grants by the Department of Homeland Security to assist in undertaking necessary District security initiatives. The grants have provided resources to install long-range radars and cameras at various District Terminals and along the Calcasieu River Waterway, a command and control center at City Docks which opened in 2014 and to reconfigure the front entrance at City Docks to facilitate a more efficient flow of traffic while checking TWIC cards.

Long-Term Financial Planning

Over the next five years, the District's capital budget calls for approximately \$305 million in new construction and major improvements. The funding sources for these projects will be provided primarily by grant funding, District revenues, hurricane related insurance proceeds and Federal Emergency Management Agency (FEMA) reimbursement funds. During 2013, the District issued \$39.6 million in bonds for the financing and reimbursing of the District for the costs of construction of a dock and wharf and related improvements on land owned by the District to facilitate shipping of various products as well as the construction of various capital improvements for the benefit of the District and paying the cost of issuance of the bonds.

Internal Controls

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

Budgetary Control

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




Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Lake Charles Harbor and Terminal District for its annual comprehensive financial report for the fiscal year ended December 31, 2021. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. Such reports must satisfy both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

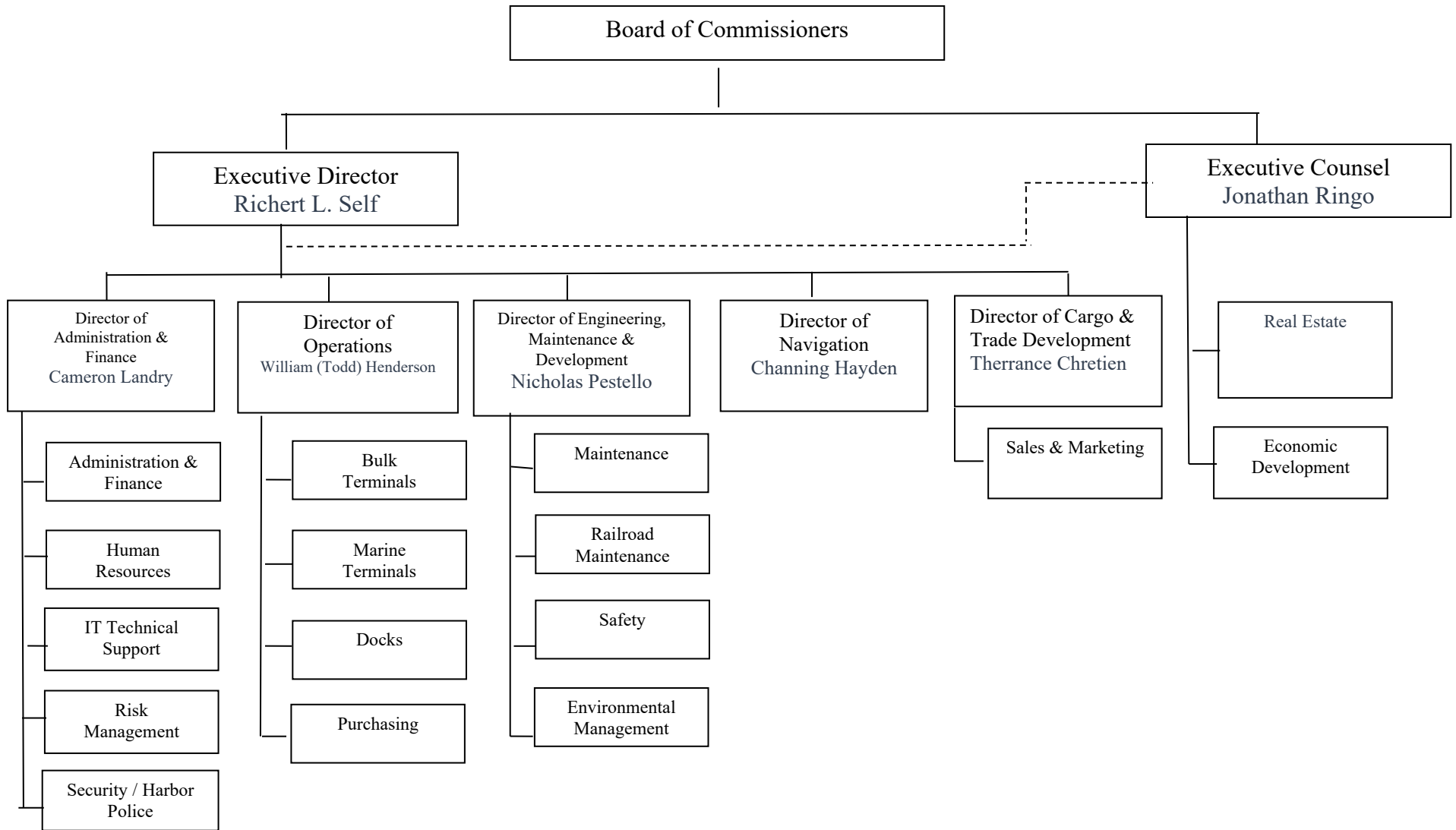


Richert L. Self
Executive Director



Cameron S. Landry
Director of Administration
and Finance







Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Lake Charles Harbor and Terminal District
Louisiana**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

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M. Keith Prudhomme Vice President
Kevin D. Guidry Secretary/Treasurer
David J. Darbone Assistant Secretary/Treasurer
Dudley R. Dixon Commissioner
Mary J. Bayles Commissioner
Carl J. Krielow Commissioner

EXECUTIVE DIRECTOR

Richert L. Self

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Lake Charles Harbor and Terminal District (District), Lake Charles, Louisiana, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Lake Charles Harbor and Terminal District, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lake Charles Harbor and Terminal District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 20 to the financial statements, in 2022 the District adopted new accounting guidance, GASBS No. 87, *Leases*, which resulted in a cumulative effect of change in accounting principle of \$16,742,176 to the December 31, 2021 net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lake Charles Harbor and Terminal's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lake Charles Harbor and Terminal District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lake Charles Harbor and Terminal District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of changes in total OPEB liability and related ratios, schedule of employer's proportionate share of net pension liability and schedule of employer's pension contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's basic financial statements. The introductory section, the budgetary comparison schedule, schedule of compensation, benefits and other payments to Executive Director, the insurance in force schedule and statistical section are presented for purposes of additional analysis and are not a required part of the

basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, schedule of compensation, benefits and other payments to Executive Director, and the insurance in force schedule are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of the Lake Charles Harbor and Terminal District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lake Charles Harbor and Terminal District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lake Charles Harbor and Terminal District's internal control over financial reporting and compliance.

Mr. Tracy Quirk - Bush

Lake Charles, Louisiana
June 27, 2023

Management's Discussion and Analysis

The following is the Lake Charles Harbor and Terminal District's Management Discussion and Analysis (MD&A) of the financial activities and performance for the year ended December 31, 2022. It provides an introduction to the District's 2022 financial statements. Information contained in this MD&A has been prepared by District management and should be considered in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Lake Charles Harbor and Terminal District exceeded its liabilities and deferred inflows of resources as of December 31, 2022 by \$320.7 million (*net position*). Net position totaled \$284.1 million as of December 31, 2021 (as restated).
- As a result of the excess revenues over expenses, the District's net position increased \$36.6 million during 2022 compared to a \$21.3 million increase during 2021.
- During 2022, operating revenues were \$43.9 million, an increase of \$5.9 million (16%) from 2021. Operating expenses were \$48.8 million, an increase of \$6.3 million (15%) compared to 2021.

Overview of the Financial Statements

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

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

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

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

The basic financial statements can be found on pages 36-42 of this report.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 43-73 of this report.

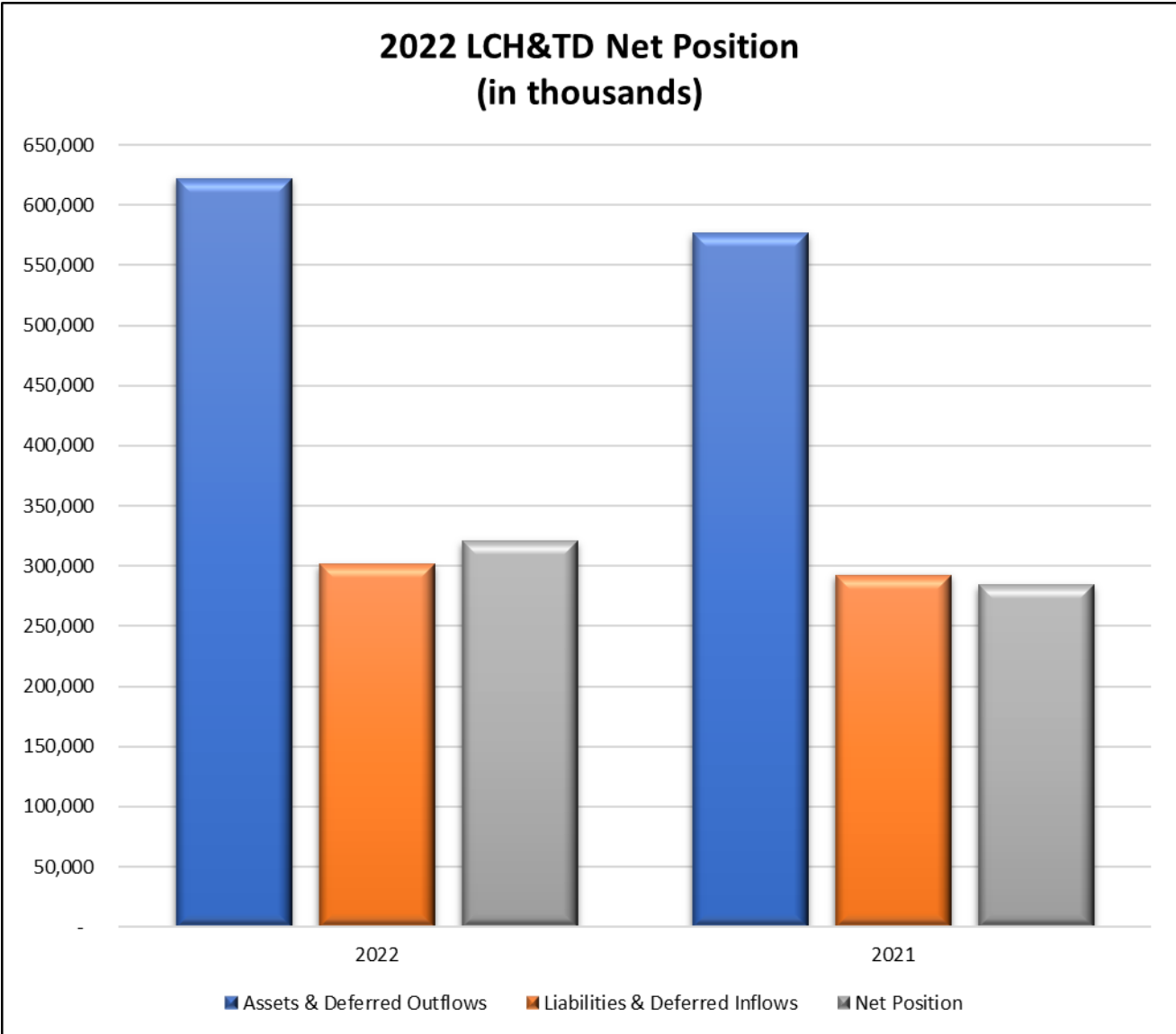
In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 75-117 of this report.

Financial Analysis of the District

The following table presents the condensed statements of fund net position as of December 31, 2022 and 2021:

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

	2022 (in thousands)	2021 (in thousands)
Current and other assets	\$ 323,039	\$ 127,216
Capital assets	293,931	264,621
Total assets	<u>616,970</u>	<u>391,837</u>
Deferred outflow of resources	<u>5,125</u>	<u>3,639</u>
Current liabilities	14,573	11,099
Non-current liabilities	120,133	113,165
Total liabilities	<u>134,706</u>	<u>124,264</u>
Deferred inflows of resources	<u>166,703</u>	<u>3,846</u>
Net position:		
Net investment in capital assets	260,357	231,695
Restricted	5,316	5,255
Unrestricted	<u>55,013</u>	<u>30,416</u>
Total net position	<u>\$ 320,686</u>	\$ 267,366
Effects of GASB 87 Implementation		<u>16,742</u>
Net position - restated for 2021		<u>\$ 284,108</u>



2022:

The assets and deferred outflows of the Lake Charles Harbor and Terminal District exceeded its liabilities and deferred inflows as of December 31, 2022 by \$320.7 million compared to \$284.1 million as of December 31, 2021 (*restated net position*).

The largest portion of the District’s net position reflects its investment in capital assets in the amount of \$260.4 million as of December 31, 2022 compared to \$231.7 million as of December 31, 2021. These capital assets include land, buildings, improvements, equipment and construction in progress, less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

The District's restricted net position of \$5.3 million as of December 31, 2022 and 2021, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$55.0 million in unrestricted net position as of December 31, 2022 to be used for commitments on construction contracts and ongoing obligations compared to \$30.4 million as of December 31, 2021.

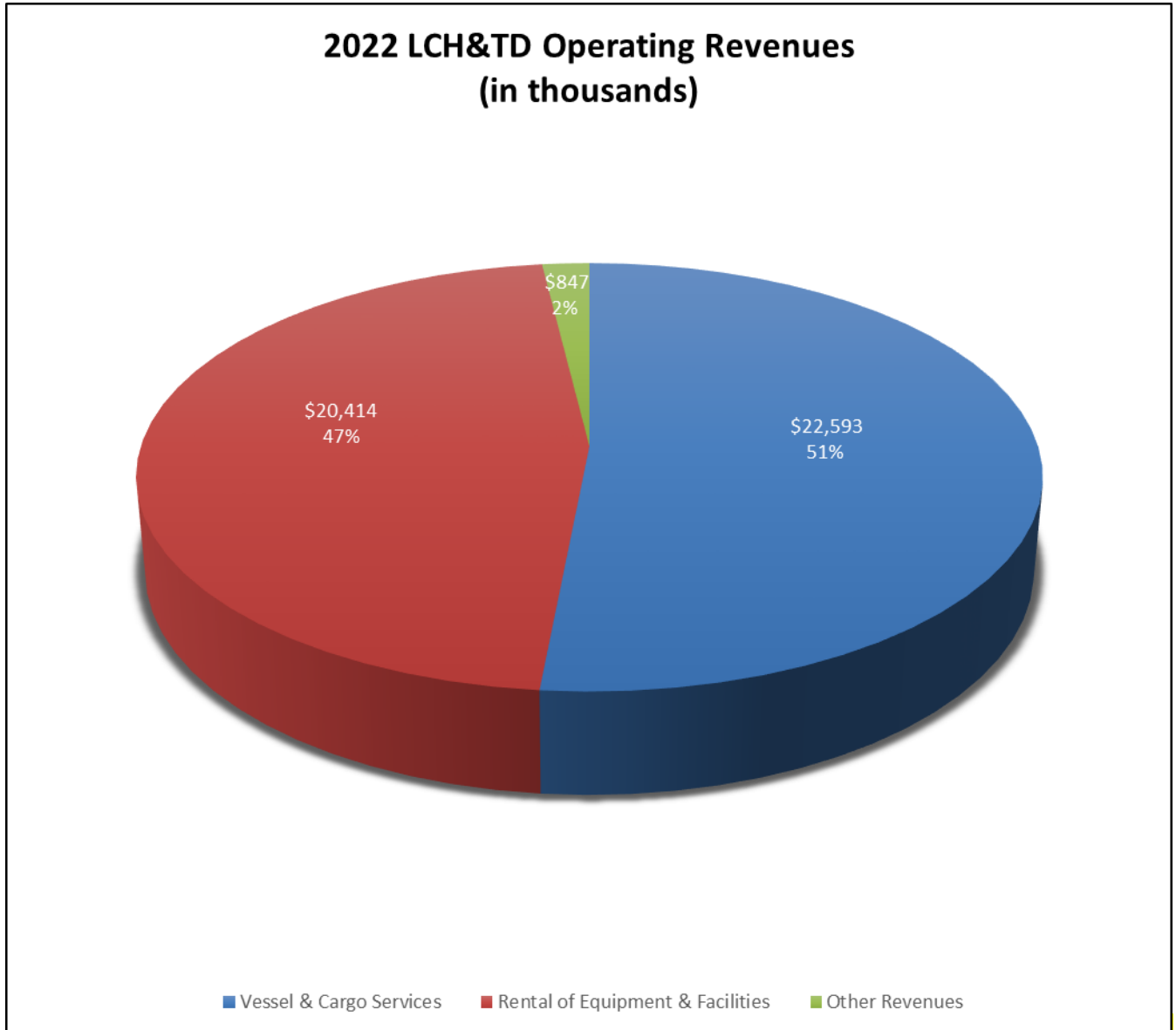
The following table shows condensed revenue and expense data for the years ended December 31, 2022 and 2021:

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

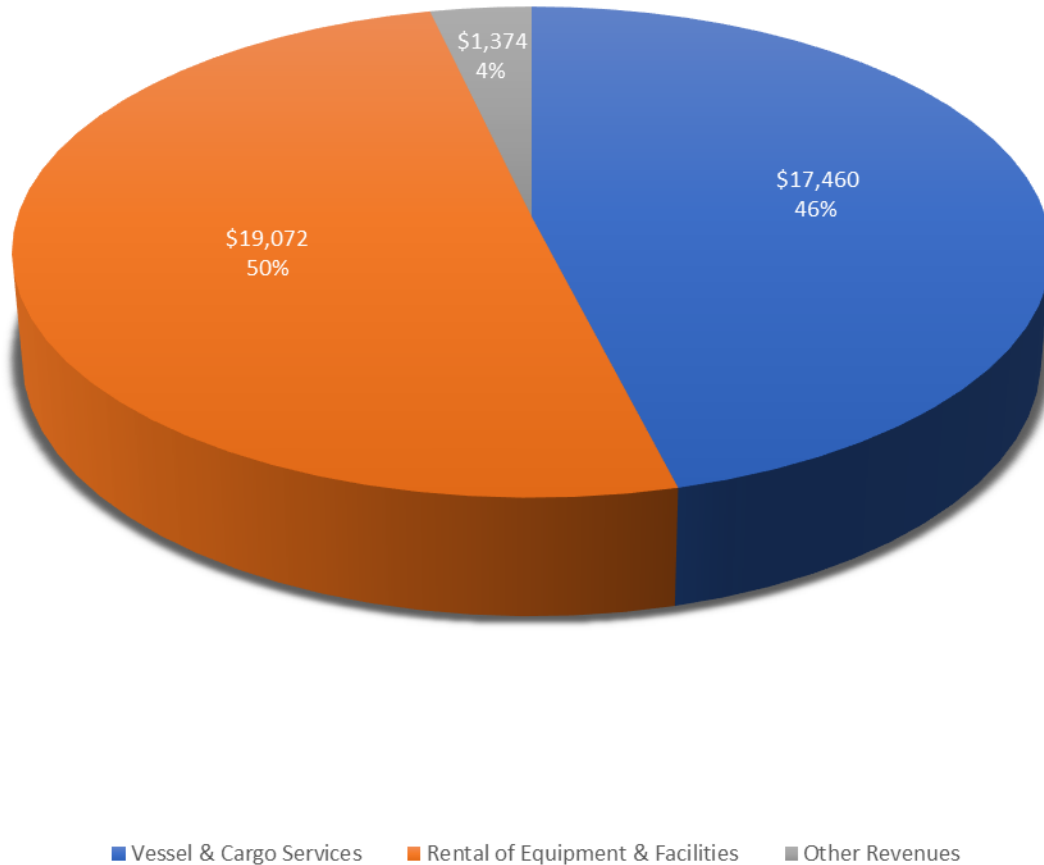
	2022	2021
Operating revenues:		
Vessel and cargo services	\$ 22,593,476	\$ 17,460,239
Rental of equipment and facilities	20,413,988	19,071,668
Other	847,130	1,373,637
Total operating revenues	43,854,594	37,905,544
Operating expenses:		
Personnel services	14,209,080	11,139,442
Contractual services	7,925,849	9,589,474
Supplies, maintenance and operation of facilities	11,340,317	7,388,205
Heat, light and power	891,292	647,614
Depreciation and amortization	14,466,973	13,744,750
Total operating expenses	48,833,511	42,509,485
Operating income (loss)	(4,978,917)	(4,603,941)
Nonoperating revenues (expenses):		
Property taxes	4,703,773	4,098,396
Intergovernmental revenue	94,248	93,720
Interest income	1,792,826	222,838
Interest expense and fiscal charges	(1,606,969)	(1,666,635)
Loss on retirement of assets	(1,952,212)	(188,336)
Loss on impairment of assets	93,707	(5,572,060)
Intergovernmental expenses	(3,115,111)	(2,429,067)
Hurricane recovery expenses	-	(2,981,292)
Settlement of claims	12,791,068	-
Insurance recoveries	220,854	25,500,000
Bad debt expense	(43,133)	-
Other	78,421	(210,000)
Net nonoperating revenues (expenses)	13,057,472	16,867,564
Net income (loss) before contributions	8,078,555	12,263,623
Capital contributions	28,499,473	9,007,096
Change in net position	36,578,028	21,270,719
Net position - beginning balance	284,107,942	246,095,045
Net position - ending balance	\$ 320,685,970	\$ 267,365,764
Effects of GASB 87 Implementation		16,742,178
Net position - restated for 2021		\$ 284,107,942

2022

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



2021 LCH&TD Operating Revenues (in thousands)

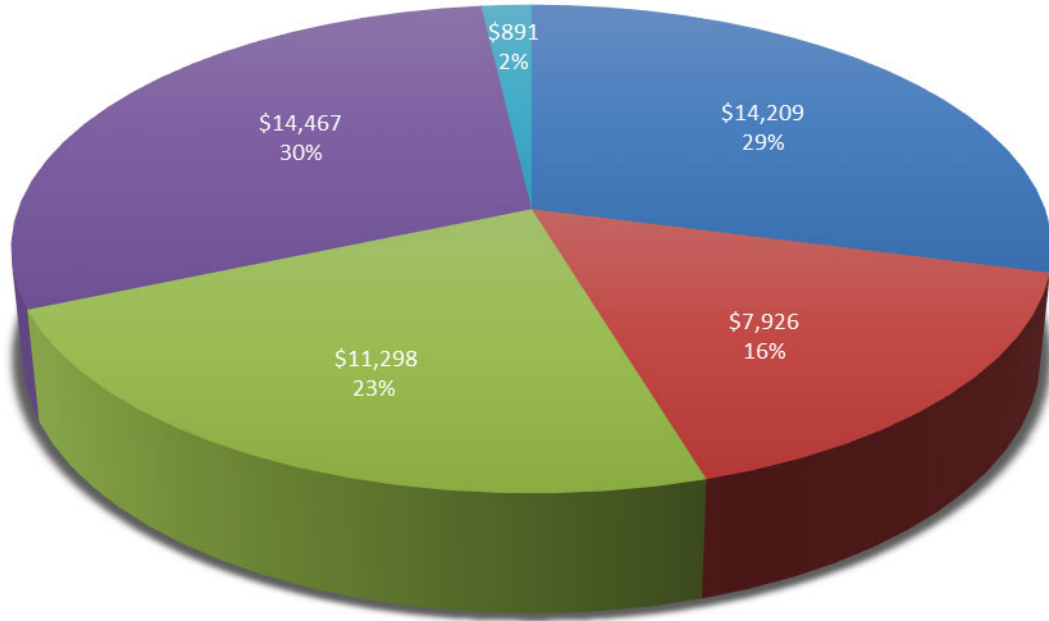


Operating Revenues

- Total operating revenues increased \$5.9 million or 16% during 2022 as compared to 2021. The increase is primarily due to increased volumes of petroleum coke, barite, lumber, and the related revenues due to continued improvements in market conditions following COVID-19 and the 2020 Hurricane season. Also, contributing to the increase in revenue is higher LNG throughput caused by the growing demand for cleaner energy sources. The final contributing factor is slightly higher headtax revenue compared to 2021, in line with pre-COVID numbers, suggesting that the local casinos have returned to normal operations.
- Partially offsetting the overall increase in revenues is the halt of wind component activity in 2022, which was a notable revenue source in 2021.

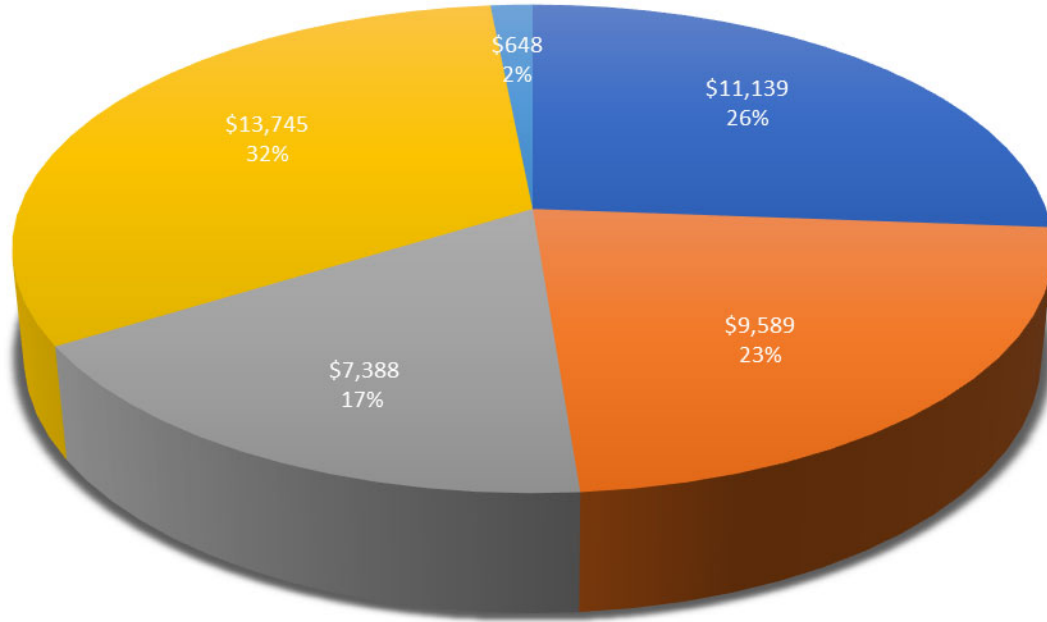
- The District's total operating revenues of \$43.9 million are the highest observed over the last 15 years.

2022 LCH&TD Operating Expenses (in thousands)



- Personnel Services
- Contract Services
- Supplies, Maintenance, and Operation of Facilities
- Depreciation & Amortization
- Heat, Light, and Power

2021 LCH&TD Operating Expenses (in thousands)



- Personnel Services
- Contract Services
- Supplies, Maintenance, and Operation of Facilities
- Depreciation & Amortization
- Heat, Light, and Power

- Total operating expenses increased \$6.3 million or 15% during 2022 as compared to 2021. The primary contributing factor is the additional expenditures necessary to continue operations due to damaged infrastructure caused by Hurricanes Laura and Delta. An additional factor resulting in an apparent increase in operating expenses is an actuarial adjustment related to GASB 68, pension expense, made in 2021 resulting in a significant decrease in personnel service expenses as compared to 2022. The final contributing factor is attributable to the completion of projects, primarily hurricane related, subsequently being capitalized resulting in a higher depreciation expense in 2022.

- Partially offsetting the increase in expenses is comparatively lower expenses associated with Hurricane related repairs in 2022. A majority of the hurricane related repairs in 2022 are linked to capital projects and subsequently will be expensed through depreciation over time.
- Net nonoperating revenues decreased \$3.8 million in 2022, compared to 2021. The net decrease is primarily due to significantly lower insurance proceeds received in 2022 as opposed to 2021, during which we received the second half of the Hurricane Laura claim payment. Also contributing to the decrease in net nonoperating revenues is higher expenses associated with the retirement of obsolete or damaged assets.
- Largely offsetting the nonoperating revenue decrease is a receipt of funds related to the resolution of an outstanding settlement. Additionally, offsetting the decrease is a lower asset impairment expense due to a majority of hurricane related impairments being accounted for in 2021.
- The District received \$28.5 million in Federal, State, and private capital contributions for the year ended December 31, 2022 compared to \$8.4 million for the year ended 2021. The capital contributions during 2022 include Southwest Louisiana Recovery funds allocated through the American Rescue Plan Act and passed down by the state, and payments received relating to the Port's hurricane recovery claim with FEMA. Additional funds to assist with specific Capital Projects were received from the Louisiana's Port Priority Program and Capital Outlay, as well as LADOTD related to the District's Rail Relocation Project in preparation for the Nelson Road Bridge Project.
- The District has also recorded a net receivable of \$16.2 million relating to hurricanes Laura and Delta as of year-end 2022 based on funds currently obligated by FEMA.
- The District's net position increased \$36.6 million during the twelve months ended December 31, 2022. The increase is partially due to higher petroleum coke, barite, lumber, and LNG tonnages and the associated revenues during 2022. Also, effecting the increase was the receipt of funds related to the resolution of an outstanding settlement. The most significant factor effecting the increase is the capital contributions which are linked to capital projects and hurricane recovery.
- Partially offsetting the overall increase in net position is the inflated expenses associated with the continuation of operations using less efficient methods as an effect of post hurricane recovery. Additionally, offsetting the increase is significantly lower insurance proceeds in 2022, compared to 2021.

Capital and Debt Administration

The District's capital assets were \$292.1 million and \$264.6 million (net of accumulated depreciation) as of December 31, 2022 and 2021, respectively. These balances include land, buildings, improvements, equipment, and construction in progress.

Major capital asset events during the year ended December 31, 2022 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2022 was \$47.9 million compared to \$25.8 million as of December 31, 2021.
- The rehabilitation of Berth 9 at the District's City Docks was completed in the third quarter of 2022.
- The rehabilitation of Sheds 16 & 17 at the District's City Docks was completed in the fourth quarter of 2022.

Additional information on the Lake Charles Harbor and Terminal District's capital assets can be found in note 9 which begins on page 55.

Lake Charles Harbor and Terminal District Capital Assets

	2022 (in thousands)	2021 (in thousands)
Land	\$ 61,239	\$ 57,127
Building and facilities	332,040	336,642
Equipment	92,442	84,028
Construction in progress	47,863	25,805
Accumulated depreciation	<u>(241,455)</u>	<u>(238,981)</u>
	<u>\$292,129</u>	<u>\$264,621</u>

Debt Administration

As of December 31, 2022, the District had \$120.1 million in non-current liabilities as compared to \$113.2 million as of December 31, 2021. Approximately 25% of the total is bonded debt and approximately 48% is due within ten years.

In 2021, the District's ratings were reviewed resulting in Standard and Poor's issuing an "AA-" rating and Moody's affirming its "A2" rating.

During 2013 the District issued \$6.9 million in Non-AMT revenue bonds and \$32.6 million in AMT revenue bonds. The bonds are limited obligations of the District payable solely from and secured by a pledge of the revenue derived from the operation of the properties and facilities maintained and operated by the District. The purpose of the bonds is for the financing and reimbursing of the District for

the costs of construction of a dock and wharf and related improvements on land owned by the District to facilitate shipping of various products as well as the construction of various capital improvements for the benefit of the District and paying the costs of issuance of the bonds.

Additional information on the District's long-term debt can be found in Note 11 which begins on page 56 of this report.

Economic Factors

The following factors were considered in preparing the District's budget for 2023:

- Continued additional capital expenditures and receipts associated with hurricane recovery.
- An increase in depreciation expense associated with the completion of multiple large capital projects.

Requests for Information

This financial report is designed to provide a general overview of the Lake Charles Harbor and Terminal District's finances. Questions concerning this report or requests for additional information should be addressed to Cameron Landry, Director of Administration and Finance, Lake Charles Harbor and Terminal District, 1611 West Sallier Street, Lake Charles, LA 70601.

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BASIC FINANCIAL STATEMENTS

Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Business-type Activities-Enterprise Funds		
	Lake Charles Harbor and Terminal District	Port Rail, Inc.	2022
ASSETS			
Current assets:			
Cash	\$ 81,292,538	\$ 1,101,154	\$ 82,393,692
Restricted cash	23,854,186	-	23,854,186
Receivables:			
Trade, net of allowance for doubtful accounts	5,372,175	130,465	5,502,640
Lease	181,324,902	-	181,324,902
Intergovernmental	18,719,262	-	18,719,262
Property taxes, net of allowance for doubtful accounts	4,556,043	-	4,556,043
Due from other funds	1,256,954	-	1,256,954
Inventory	3,551,070	-	3,551,070
Prepaid expenses	1,136,143	54,503	1,190,646
Insurance deposits	689,614	-	689,614
Total current assets	321,752,887	1,286,122	323,039,009
Capital assets:			
Right to use leased assets, net of amortization	611,013	1,191,771	1,802,784
Capital assets, net of depreciation	292,119,304	9,404	292,128,708
Total capital assets	292,730,317	1,201,175	293,931,492
Total assets	614,483,204	2,487,297	616,970,501
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to net pension liabilities	3,228,799	-	3,228,799
Deferred amounts related to OPEB	1,896,120	-	1,896,120
Total deferred outflow of resources	5,124,919	-	5,124,919

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2022</u>
LIABILITIES			
Current liabilities:			
Current maturities of long-term debt	\$ 1,513,535	\$ 217,472	\$ 1,731,007
Accounts payable	926,174	29,196	955,370
Contracts payable	4,956,454	-	4,956,454
Claims payable	480,607	-	480,607
Accrued expenses	4,098,996	27,828	4,126,824
Accrued interest payable	797,394	-	797,394
Unearned revenue	268,340	-	268,340
Due to other funds	-	1,256,954	1,256,954
Total current liabilities	<u>13,041,500</u>	<u>1,531,450</u>	<u>14,572,950</u>
Non-current liabilities:			
Compensated absences, less current portion	648,144	-	648,144
Claims payable	48,723,150	-	48,723,150
OPEB liability	7,731,027	-	7,731,027
Net pension liability	19,434,584	-	19,434,584
Unearned revenue, less current portion	11,752,709	-	11,752,709
Right to use leased asset liabilities, less current maturities	322,129	990,409	1,312,538
Long-term debt, less current maturities	30,531,375	-	30,531,375
Total non-current liabilities	<u>119,143,118</u>	<u>990,409</u>	<u>120,133,527</u>
Total liabilities	<u>132,184,618</u>	<u>2,521,859</u>	<u>134,706,477</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to Right to use leased asset liabilities	165,880,846	-	165,880,846
Deferred amounts related to OPEB liabilities	822,127	-	882,127
Total deferred inflow of resources	<u>166,702,973</u>	<u>-</u>	<u>166,702,973</u>
NET POSITION			
Net investment in capital assets	260,363,278	(6,706)	260,356,572
Restricted for debt service	5,315,904	-	5,315,904
Unrestricted	55,041,350	(27,856)	55,013,494
Total net position	<u>\$ 320,720,532</u>	<u>\$ (34,562)</u>	<u>\$ 320,685,970</u>

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

Exhibit 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2022

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2022</u>
Operating revenues:			
Vessel and cargo services	\$ 21,669,564	\$ 923,912	\$ 22,593,476
Rental of equipment and facilities	20,413,988	-	20,413,988
Other	847,130	-	847,130
Total operating revenues	<u>42,930,682</u>	<u>923,912</u>	<u>43,854,594</u>
Operating expenses:			
Personnel services	13,387,073	822,007	14,209,080
Contractual services	7,601,899	323,950	7,925,849
Supplies, maintenance and operation of facilities	11,210,718	129,599	11,340,317
Heat, light and power	884,802	6,490	891,292
Depreciation and amortization	14,240,252	226,721	14,466,973
Total operating expenses	<u>47,324,744</u>	<u>1,508,767</u>	<u>48,833,511</u>
Net operating income (loss)	<u>(4,394,062)</u>	<u>(584,855)</u>	<u>(4,978,917)</u>
Nonoperating revenues (expenses):			
Property taxes	4,703,773	-	4,703,773
Intergovernmental revenue	94,248	-	94,248
Interest income	1,792,329	497	1,792,826
Interest expense and fiscal charges	(1,606,969)	-	(1,606,969)
Loss on retirement of assets	(1,952,212)	-	(1,952,212)
Gain on impairment of assets	93,707	-	93,707
Intergovernmental expenses	(3,115,111)	-	(3,115,111)
Settlement of claims	12,791,068	-	12,791,068
Insurance recoveries	220,854	-	220,854
Bad debt expense	-	(43,133)	(43,133)
Other	78,421	-	78,421
Total nonoperating revenues	<u>13,100,108</u>	<u>(42,636)</u>	<u>13,057,472</u>
Income (loss) before capital contributions	8,706,046	(627,491)	8,078,555
Capital contributions:			
Grants	28,499,473	-	28,499,473
Change in net position	37,205,519	(627,491)	36,578,028
Net position at beginning of year, as restated	<u>283,515,013</u>	<u>592,929</u>	<u>284,107,942</u>
Net position at end of year	<u>\$ 320,720,532</u>	<u>\$ (34,562)</u>	<u>\$ 320,685,970</u>

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

Exhibit 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended December 31, 2022

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 45,448,511	\$ 1,144,999	\$ 46,593,510
Payments to employees and related benefits	(12,368,983)	(822,007)	(13,190,990)
Payments to suppliers	(20,249,748)	(447,311)	(20,697,059)
Net cash provided by operating activities	<u>12,829,780</u>	<u>(124,319)</u>	<u>12,705,461</u>
NET FLOWS FROM INVESTING ACTIVITIES:			
Receipts of interest	<u>1,792,329</u>	<u>497</u>	<u>1,792,826</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Shared revenue from governmental agencies	94,248	-	94,248
Receipts from general property taxes	4,411,057	-	4,411,057
Payments to governmental agencies	(3,115,111)	-	(3,115,111)
Proceeds from settlement of claims	12,791,068	-	12,791,068
Other noncapital expenses	<u>78,421</u>	<u>-</u>	<u>78,421</u>
Net cash provided by noncapital financing activities	<u>14,259,683</u>	<u>-</u>	<u>14,259,683</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of assets	1,609	-	1,609
Capital grants received	20,563,769	-	20,563,769
Payments for capital acquisitions	(39,610,437)	-	(39,610,437)
Insurance proceeds-capital	220,854	-	220,854
Principal payments on long-term debt	(1,177,160)	-	(1,177,160)
Principal payments on lease liabilities	(341,428)	(207,347)	(548,775)
Interest and fiscal charges paid	<u>(1,627,356)</u>	<u>-</u>	<u>(1,627,356)</u>
Net cash (used for) capital and related financing acquisitions	<u>(21,970,149)</u>	<u>(207,347)</u>	<u>(22,177,496)</u>
Net increase (decrease) in cash and cash equivalents	6,911,643	(331,169)	6,580,474
Cash and cash equivalents at beginning of year	<u>98,235,081</u>	<u>1,432,323</u>	<u>99,667,404</u>
Cash and cash equivalents at end of year	<u>\$ 105,146,724</u>	<u>\$ 1,101,154</u>	<u>\$ 106,247,878</u>

(continued on next page)

Exhibit 3 (continued)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended December 31, 2022

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED BY) OPERATING			
ACTIVITIES:			
Operating income (loss)	\$ (4,394,062)	\$ (584,855)	\$ (4,978,917)
Adjustments to reconcile operating			
income (loss) to net cash provided			
by (used in) operating activities:			
Depreciation and amortization expense	14,240,252	226,721	14,466,973
(Increase) decrease in accounts receivable	(186,141)	25,164	(160,977)
(Increase) decrease in internal balance	(195,923)	195,923	-
(Increase) decrease in lease receivable	(181,324,902)	-	(181,324,902)
(Increase) decrease in inventories	(288,748)	-	(288,748)
(Increase) decrease in prepaid items	907,580	6,078	913,658
(Increase) decrease in deferred outflows of resources	(1,486,368)	-	(1,486,368)
(Decrease) increase in accounts payable and accrued expenses	(919,652)	6,650	(913,002)
(Decrease) increase in unearned revenue	1,601,773	-	1,601,773
(Decrease) increase in NP liability	5,276,717	-	5,276,717
(Decrease) increase in deferred inflows of resources	179,599,254	-	179,599,254
Total adjustments	<u>17,223,842</u>	<u>460,536</u>	<u>17,684,378</u>
Net cash provided by (used in) operating activities	<u>\$ 12,829,780</u>	<u>\$ (124,319)</u>	<u>\$ 12,705,461</u>

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

Exhibit 4

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

December 31, 2022

	<u>Calcasieu River Fund</u>
ASSETS	
Cash	\$ <u>11,114,251</u>
Total assets	<u>11,114,251</u>
NET POSITION	
Restricted for:	
Channel maintenance	<u>11,114,251</u>
Total net position	<u><u>\$ 11,114,251</u></u>

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

Exhibit 5

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended December 31, 2022

	<u>Calcasieu River Fund</u>
ADDITIONS	
Member contributions	\$ 10,000,000
Interest income	<u>59,706</u>
Total additions	10,059,706
DEDUCTIONS	
Payments for channel maintenance	<u>8,980,000</u>
Net increase in fiduciary net position	1,079,706
Net position - beginning	<u>10,034,545</u>
Net position - ending	<u>\$ 11,114,545</u>

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, 2022

Note 1. Summary of Significant Accounting Policies

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

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

- Reporting Entity

The Lake Charles Harbor and Terminal District is an independent political subdivision of the State of Louisiana and is authorized by Louisiana Revised Statutes 34:201-217. Portions of these statutes were amended and reenacted on May 29, 2003, by Act No. 149 relative to the appointment and terms of the District's Board of Commissioners; to the Board's responsibility for management of the District; and to provide for the employment of an Executive Director; and other matters.

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

GASB Statement 80 requires that primary governments present certain component unit information in a manner similar to the reporting of the primary government's balances and transactions, which is referred to as blending. This method of reporting is required if an entity is incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. Port Rail, Inc. meets this

criteria and is presented as a blended component unit of the District.

- Fund Accounting

The Lake Charles Harbor and Terminal District uses proprietary funds 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 enterprise fund types of the proprietary fund.

Fiduciary Fund - Calcasieu River Fund

In September 2020, the District entered into a cooperative endeavor agreement with the Department of Transportation and Development and the Louisiana Mid-Continent Oil and Gas Association to fulfill the duties and obligations of the non-federal sponsor of the Calcasieu River Ship Channel according to the Dredge Material Maintenance Plan dated December 10, 2010. The District is charged by the agreement with maintaining the account and providing recordkeeping for the fund.

The fund is accounted for as a fiduciary fund classified as a Private-Purpose Fiduciary Fund. It is considered a Private-Purpose Fiduciary fund because the activity is not required to be reported as a pension trust fund or an investment trust fund and is held in a trust in which the assets are dedicated to providing benefits to recipients in accordance with the benefit terms and the assets are legally protected from the creditors of the District. The financial statements of the fund are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are not reflected in the Statement of Position or the Statement of Revenues, Expenses and Changes in Fund Net Position because the resources are not available to support District operations.

- Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The District's accounts are organized into two proprietary funds including its blended component unit, Port Rail. The District's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing

services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

- Budgets

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

- Cash, Cash Equivalents, and Investments

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

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their 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.

Cash and cash equivalents, which include cash, demand deposits, and money market deposits are stated at cost.

- Receivables

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

- Property Taxes

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

- Inventories

Inventories consist of parts, supplies, and fuel and are valued at cost (first-in, first-out).

- Prepaid Expenses

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

- Restricted Assets

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

- Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Assets with an individual cost in excess of \$5,000 are generally capitalized.

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

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

- **Compensated Absences**

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

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

- **Deferred Outflows of Resources and Deferred Inflows of Resources**

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

- **Net Position Flow Assumption**

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

- Net Position

Net position is displayed in three components:

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

- Cash Flows Statement

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

- Adoption of New Accounting Principles

For the year ended December 31, 2022, the following statement was implemented: GASB Statement No. 87, Leases. This statement changed the accounting and financial reporting for leases by governments. It requires leases to recognize an intangible right to use asset and liability for leases that were previously classified as operating leases and establishes a single classification model for leases going forward.

- Right to use Assets

The District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

- Leases

The District is a lessor for noncancellable leases of District property. The District recognizes a lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. Under the lease agreements, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over life of the lease term.

The District uses the stated rate in the lease or its estimated incremental borrowing rate as the discount rate for the leases. The lease term includes the non-cancellable period of the lease.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note 2. Legal Compliance - Budget

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

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

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

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

Note 3. Cash, Cash Equivalents, and Investments

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

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

- Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States with maturities less than five years.
- United States federal instrumentalities, the principal and interest of which are fully guaranteed by the government of the United States, or United States government obligations, the principal and interest of which are guaranteed by any United States government agency or Government Sponsored Enterprise (GSE) with maturities less than five years.
- Direct security repurchase agreements of any federal book entry only securities enumerated in subparagraphs 1 and 2. "Direct security repurchase agreement," means an agreement under which the political subdivision buys, holds for a specified time, and then sells back those securities and obligations enumerated in subparagraphs 1 and 2.
- Time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal offices in the State of Louisiana, savings accounts or shares of savings and loan associations and savings banks, as defined by LA. R.S. 6:703 and as authorized by LA. R.S. 6:949, or share accounts and share certificate accounts of federally or state chartered credit unions issuing time certificates of deposit. For those funds made available for investment in time certificates of deposit, the rate of interest paid by the banks shall be established by contract between the bank and the political subdivision; however, the interest rate at the time of investment shall be a rate not less than fifty basis points below the prevailing market interest rate on direct obligations of the United States Treasury with a similar length of maturity.
- Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies and which meet the requirements of applicable state law.
- Funds invested in accordance with the provisions of subsection 4 above shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution or in any one savings and loan association, unless the uninsured portion is collateralized by the pledge of securities in the manner provided by law.
- Guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financing program for political subdivisions which financing program is approved by the State Bond Commission and offered by a public trust having the state as its beneficiary, provided further that no such investment shall be for a term longer than eighteen

months, and provided further that any such guaranteed investment contract shall contain a provision providing that in the event the issuer of the guaranteed investment contract is at any time no longer rated in either of the two highest short-term rating categories of Standard & Poor's Corporation or Moody's Investors Service, the investing unit of local government may either be released from the guaranteed investment contract without penalty, or be entitled to require that the guaranteed investment provider collateralize the guaranteed investment contract with any bonds or other obligations which as to principal and interest constitute direct general obligations of or are unconditionally guaranteed by, the United States of America, including obligations set forth in subparagraphs 1 and 2 to the extent unconditionally guaranteed by the United States of America.

- In no event will any investment be selected and utilized until the Port Director is fully convinced that the appropriate District personnel have full familiarity with the nature and nuances of the specific investment vehicle. Furthermore, the Port Director will reasonably endeavor to make available whatever professional training is necessary to assist appropriate District personnel in the performance of their cash management duties and responsibilities.
- Generally, the District will invest in "money market instruments", which shall be those allowable investments outlined in the policy (see item IV, A, 1-8). An investment plan will be developed and carried out by the Executive Director and/or his designee, which generally provides for investments with staggered maturity dates not exceeding five (5) years except in exceptional circumstances. The investment plan will provide for appropriate liquidity in accordance with the cash needs of the District while at the same time providing for an appropriate portion of the District's investment portfolio to be invested on a staggered maturity basis in accordance with policy. Quarterly reports reflecting all investments, including cost and fair value and yields shall be furnished to the Board of Commissioners.
- Other forms of investments as may be authorized by law for the investment of public funds of political subdivisions of the State of Louisiana.

As of December 31, 2022, all of the District did not hold any assets that would be classified as investments.

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

through the appropriate application of securities safekeeping procedures, which will insure the reasonable safety and integrity of all District monies.

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

For reporting purposes, cash and cash equivalents include cash and demand deposits.

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 fair value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent.

At December 31, 2022, cash equivalents and investments were restricted as shown below:

Wetlands restoration escrow accrual	\$ 33,283
Trust funds pursuant to the issuance of the 2014 Port Improvement Revenue Bonds:	
Debt Service Reserve Fund	3,302,187
Debt Service Fund	2,013,717
PRM-C&E	112,741
PRM-LTM	301,208
Settlement of Claims	13,091,050
Insurance deductible	<u>5,000,000</u>
 Total	 <u>\$ 23,854,186</u>

Note 4. Allowances for Doubtful Accounts

The changes in allowances for doubtful accounts during 2022 follow:

	<u>Property Taxes</u>	<u>Accounts Receivable</u>
Balance January 1, 2022	\$ 43,064	\$ 3,876,384
Additions	2,957	596,036
Reductions	<u>-</u>	<u>-</u>
Balance December 31, 2022	<u>\$ 46,021</u>	<u>\$ 4,472,420</u>

Note 5. Property Taxes

The Lake Charles Harbor and Terminal District is authorized by Louisiana Revised Statute Number 34:209 to levy annually, when necessary, a property tax not to exceed 2.92 mills on the property subject to taxation situated within the District. All funds derived from this tax may be used for any lawful expenses or purposes by the Board. The 2022 assessed millage is 2.48 mills.

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

Total taxes levied for the year ended December 31, 2022 were \$4,754,455 on property with assessed valuation totaling \$2,099,014,028 less exempt valuation of \$181,894,946, for a net valuation of \$1,917,119,082.

The Sheriff and Tax Collector for the Parish of Calcasieu bills and collects taxes for the District. Taxes are due and payable on or before December 31. Interest charges are assessed on delinquent taxes at a rate of 15% per annum. Deductions from tax collections, for the billing and collection of taxes, totaled \$152,411 for 2022.

Note 6. Intergovernmental Receivable

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

	<u>2022</u>
Port Priority Program	\$ 435,000
American Rescue Plan	2,113,305
FEMA Public Assistance Grant	<u>16,170,957</u>
	<u>\$ 18,719,262</u>

Note 7. Interfund Receivables and Payables

Due to/from other funds at December 31, 2022 consists of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Lake Charles Harbor and Terminal District Port Rail, Inc.	\$ 1,256,954 <u> -</u>	\$ - <u>1,256,954</u>
	<u>\$ 1,256,954</u>	<u>\$ 1,256,954</u>

The interfund balance represents a long-term loan between the funds.

Note 8. Right to Use Leased Assets

The District has recorded a right to use lease asset. The asset is a right to use assets for leased equipment. The related lease is discussed in Note 12. The right to use lease asset is amortized on a straight-line basis over the terms of the related lease.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Right to use assets:				
Leased equipment	\$ -	\$ 2,375,161	\$ -	\$2,375,161
Less accumulated				
Amortization for:				
Leased equipment	<u> -</u>	<u>(572,377)</u>	<u> -</u>	<u>(572,377)</u>
Right to use				
leased assets, net	<u>\$ -</u>	<u>\$ 1,802,784</u>	<u>\$ -</u>	<u>\$1,802,784</u>

Note 9. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

<u>2022</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated:				
Land	\$ 57,127,415	\$ 4,111,953	\$ -	\$ 61,239,368
Construction in progress	<u>25,804,793</u>	<u>39,177,050</u>	<u>17,119,033</u>	<u>47,862,810</u>
Total capital assets not being depreciated	<u>82,932,208</u>	<u>43,289,003</u>	<u>17,119,033</u>	<u>109,102,178</u>
Capital assets being depreciated:				
Buildings and operating facilities	336,642,198	6,629,369	11,231,821	332,039,746
Equipment, furniture and fixtures	<u>84,027,925</u>	<u>10,173,868</u>	<u>1,759,523</u>	<u>92,442,270</u>
Total capital assets being depreciated	<u>420,670,123</u>	<u>16,803,237</u>	<u>12,991,344</u>	<u>424,482,016</u>
Less accumulated depreciation for:				
Buildings and operating facilities	201,727,910	9,338,577	10,577,058	200,489,429
Equipment, furniture and fixtures	<u>37,253,415</u>	<u>4,556,019</u>	<u>843,377</u>	<u>40,966,057</u>
Total accumulated depreciation	<u>238,981,325</u>	<u>13,894,596</u>	<u>11,420,435</u>	<u>241,455,486</u>
Total capital assets being depreciated, net	<u>181,688,798</u>	<u>2,908,641</u>	<u>1,570,909</u>	<u>183,026,530</u>
Total capital assets, net	<u>\$ 264,621,006</u>	<u>\$ 46,197,644</u>	<u>\$ 18,698,942</u>	<u>\$ 292,128,708</u>

Depreciation expense was \$13,894,596 for the year ended December 31, 2022.

Note 10. Leases

The District leases to others a portion of its land, property and equipment under various lease agreements. The District recognized \$15,158,749 in lease revenue and \$5,253,290 in interest revenue during the year ended December 31, 2022 related to these leases. As of December 31, 2022, the District's receivable for lease payments was \$181,324,902. Also, the District has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms.

As of December 31, 2022, the balance of deferred inflow of resources was \$165,880,846.

Future payments included in the measurement of the lease receivable as of December 31, 2022 for each of the next five fiscal years and in five-year increments thereafter are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 6,639,799	\$ 5,298,781	\$ 11,938,580
2024	6,174,430	5,109,235	11,283,665
2025	5,981,890	4,925,872	10,907,762
2026	5,717,553	4,751,837	10,469,390
2027	5,445,647	4,583,827	10,029,475
2028-2032	23,548,935	20,633,292	44,182,227
2033-2037	15,624,467	17,783,880	33,408,347
2038-2042	12,244,367	15,613,788	27,858,155
2043-2047	7,903,212	14,270,375	22,173,587
2048-2052	9,129,761	12,993,400	22,123,161
2053-2057	9,839,013	11,578,178	21,417,191
2058-2062	11,429,163	9,988,028	21,417,191
2063-2067	13,276,308	8,140,884	21,417,191
2068-2072	15,421,982	5,995,209	21,417,191
2073-2077	13,415,940	3,706,003	17,121,942
2078-2082	12,361,815	1,899,102	14,260,917
2083-2087	<u>7,170,622</u>	<u>256,901</u>	<u>7,427,523</u>
Total	<u>\$ 181,324,902</u>	<u>\$ 147,528,593</u>	<u>\$ 328,853,495</u>

Note 11. Compensated Absences

Compensated absences are included in personnel services expenses for 2022. The District's liabilities for accumulated compensated absences as of December 31, 2022 are as follows:

<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
\$ 687,366	\$ 84,070	\$ 51,275	\$ 720,161	\$ 72,016

Note 12. Noncurrent Liabilities

Bonds payable at December 31, 2022 comprised of the following:

Revenue bonds:

\$6,995,000 Lake Charles Harbor and Terminal District State of Louisiana Revenue Bonds 2013A (Non-AMT), interest is due semi-annually beginning July 1, 2013 and principal amounts are due annually beginning January 1, 2037; interest rate 4.75% for the life of the bonds maturing January 1, 2039

\$ 6,995,000

\$32,620,000 Lake Charles Harbor and Terminal District State of Louisiana Revenue Bonds 2013B (AMT), interest is due semi-annually beginning July 1, 2014 and principal amounts are due annually beginning January 1, 2018; interest rate ranging from 3% to 5.5% for the life of the bonds maturing January 1, 2037

24,560,000

Total bonds payable \$ 31,555,000

The bonds are limited obligations of the District payable solely from and secured by a pledge of the revenue derived from the operation of the properties and facilities maintained and operated by the District, including all or part of the dockage and other fees charged by the District after payment of the District's operating and maintenance costs.

The purpose of the bonds is for the financing and reimbursing of the District for the costs of construction of a dock and wharf and related improvements on land owned by the District to facilitate shipping of various products as well as the construction of various capital improvements for the benefit of the District and paying the costs of issuance of the bonds.

The bonds are subject to applicable federal arbitrage regulations.

The bonds require the District to meet a debt service coverage ratio equal to 1.25 times the current maturities of long-term debt plus interest.

Debt service requirements related to bonds outstanding as of December 31, 2022 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,205,000	\$ 1,572,194
2024	1,250,000	1,515,225
2025	1,320,000	1,444,550
2026	1,395,000	1,369,888
2027	1,470,000	1,291,100
2028-2032	8,630,000	5,155,638
2033-2037	11,055,000	2,679,181
2038-2039	<u>5,230,000</u>	<u>251,275</u>
Total	<u>\$ 31,555,000</u>	<u>\$ 15,279,051</u>

Leases

The District has entered into lease agreements to lease land and equipment as outlined below. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The lease liability is measured at a discount rate of 3%.

Future obligations over the remaining expected terms as of December 31, 2022 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 513,848	\$ 30,259	\$ 544,107
2024	499,377	18,568	517,945
2025	271,611	10,049	281,660
2026	229,698	6,462	236,160
2027	233,284	2,876	236,160
2028	<u>78,568</u>	<u>152</u>	<u>78,720</u>
Total	<u>\$ 1,826,386</u>	<u>\$ 68,366</u>	<u>\$ 1,894,752</u>

Changes in Long-Term Liabilities:

Noncurrent liabilities activity for the year ended December 31, 2022 is as follows:

	Restated January 1, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2022</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 32,720,000	\$ -	\$ 1,165,000	\$ 31,555,000	\$ 1,205,000
Premium on revenue bonds	205,694	-	12,159	193,535	12,159
Right to use leased assets liability	-	2,375,161	548,775	1,826,386	513,848
Net pension liability	14,157,867	5,276,717	-	19,434,584	-
OPEB liability	7,766,433	2,501,548	2,536,954	7,731,027	-
Compensated absences	687,366	84,070	51,276	720,160	72,016
Unearned revenue	10,419,276	15,533,940	13,932,168	12,021,048	268,340
Claims payable	48,723,150	-	-	48,723,150	-
	<u>\$114,679,786</u>	<u>\$25,771,436</u>	<u>\$18,246,332</u>	<u>\$122,204,890</u>	<u>\$ 2,071,363</u>

Note 13. Retirement Benefits

Defined benefit pension plan:

Plan Description

Substantially all employees of the Lake Charles Harbor and Terminal District are members of the statewide retirement system: Louisiana State Employees' Retirement System (LASERS). This system is a cost-sharing, multiple-employer defined benefit pension plan administered by separate boards of trustees. The State of Louisiana guarantees benefits granted by the retirement system by provisions of the Louisiana Constitution of 1974. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The system issues an annual, publicly available financial report that includes financial statements and required supplementary information for the system. The report for LASERS may be obtained at www.lasersonline.org.

Benefits Provided

Retirement benefits - LASERS

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The majority of rank and file members may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing five to ten years of creditable service depending

on their plan. Additionally, members may also choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to December 1, 2006. For members hired December 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement is ten years of service.

Deferred Retirement Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

Disability Benefits

A member of LASERS with ten or more years of credited service who becomes disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees. For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

Survivor's Benefit

Certain eligible LASERS surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of

twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

Cost of Living Increases

As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs), that are funded through investment earnings when recommended by the Board of Trustees and approved by the State of Louisiana.

Contributions

LASERS employer contribution rates are established annually under LA R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. However, all assets of each plan are used for the payment of benefits for all classes of members within each system, regardless of their plan membership. Employer contributions to LASERS were \$2,334,990 for the year ended December 31, 2022. Contribution rates for the year ended December 31, 2022 are as follows:

<u>Plan</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Employees:		
Hired before 7/1/2006	7.5%	39.50%
Hired after 6/30/2006	8.0%	39.50%
Hired after 12/31/2010	8.0%	39.50%
Hired after 7/1/2015	8.0%	39.50%
Optional Retirement Plan (ORP):		
Hired before 7/1/2006	7.5%	37.60%
Hired after 6/30/2006	8.0%	37.60%
Hazardous Duty	9.5%	45.30%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the Lake Charles Harbor and Terminal District reported a liability for LASERS of \$19,434,584 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Lake Charles Harbor and Terminal District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Lake Charles Harbor and Terminal District's proportion for LASERS was 0.25708%. This reflects a decrease for LASERS of 0.00015% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Lake Charles Harbor and Terminal District recognized pension expense, for which there were no forfeitures, of \$2,505,317.

At December 31, 2022, the Lake Charles Harbor and Terminal District reported deferred outflows of resources and deferred inflows of resources related to LASERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 53,000	\$ -
Changes in assumptions	353,343	-
Net difference between projected and actual earnings on investments	1,565,362	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	62,742	-
Employer contributions subsequent to the measurement date	<u>1,194,352</u>	<u>-</u>
Total	<u>\$ 3,228,799</u>	<u>\$ -</u>

During the year ended December 31, 2022, employer contributions totaling \$1,194,352 were made subsequent to the measurement date for LASERS. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended June 30:	
2023	\$ 1,033,728
2024	323,446
2025	(395,834)
2026	1,073,107
2027	<u>-</u>
Total	<u>\$ 2,034,447</u>

Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of LASERS employers as of June 30, 2022 are as follows:

	<u>LASERS</u>
Total pension liability	\$ 20,798,321,945
Plan fiduciary net position	<u>13,238,580,140</u>
Total net pension liability	<u>\$ 7,559,741,805</u>

The Lake Charles Harbor and Terminal District's allocation is 0.25708% of the total net pension liability for LASERS.

The total pension liabilities for LASERS in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

	<u>LASERS</u>
Actuarial cost method	Entry age normal
Expected remaining service lives	2 years
Investment rate of return	7.25% per annum, net of investment expense
Inflation rate	2.30% per annum
Projected salary increases	Regular 3%-12.8%; hazardous duty 3.6%-13.8%
Cost of living adjustments	None
Mortality	Non-disabled members - Mortality rates based on the RP-2014 Healthy Mortality Table with mortality improvement projected to using MP-2018

Mortality Improvement Scale

Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for LASERS is 8.34% for 2022.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation for LASERS as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return LASERS</u>
Cash	0.39%
Domestic equity	4.57%
International equity	5.76%
Domestic fixed income	1.48%
International fixed income	5.04%
Alternative investments	8.30%
Risk parity	N/A
Total fund	5.91%

Discount Rates

The discount rate used to measure the total pension liability for LASERS was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of LASERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following table presents the Lake Charles Harbor and Terminal District's proportionate share of the net pension liability using the discount rate of 7.25% for LASERS, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
LASERS	\$ 24,453,998	\$ 19,434,584	\$ 14,857,030

Payable to the Pension Plans

At December 31, 2022, payable to LASERS was \$330,339 for December, 2022 employee and employer legally-required contributions.

Post-retirement Benefits

By action of the Board of Commissioners, in addition to the pension benefits described in Note 18, the District provides postretirement health care insurance benefits for retired employees. In 2022, the District paid 0% of the retirees' and retirees' dependents' premiums.

During 2022, twenty (20) retired employees were receiving benefits under this plan. These postretirement benefits are financed on a "pay-as-you-go basis" and the District recognizes the cost by expensing the annual insurance premiums. Total net cost to the District amounted to \$-0- for 2022. The participants' share of the costs totaled \$117,500 for 2022.

Deferred Compensation Plan

Certain employees of Lake Charles Harbor and Terminal District participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, PO Box 94397, Baton Rouge, Louisiana 70804-9397.

The contributions for the year ended December 31, 2022 consisted of \$274,769 from the District and \$398,649 from employees.

Note 14. Risk Management

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

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

Unpaid claims, January 1, 2021	\$ 499,038
Incurred and adjusted claims	1,858,812
Claim payments	<u>(1,583,074)</u>
Unpaid claims, January 1, 2022	774,776
Incurred and adjusted claims	1,820,433
Claim payments	<u>(2,114,602)</u>
Total unpaid claims, December 31, 2022	<u>\$ 480,607</u>

The District's insurance reserves to fund future claims on deposit with the Calcasieu Parish Police Jury totaled \$689,614 in 2022.

Note 15. 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.

The District is currently involved in litigation with IFG Port Holdings, LLC in which IFG alleged breach of contract between the two parties. The Court found the District liable to IFG for losses attributable to IFG's inability to market itself as a fully operational terminal and to load larger, deeper draft cargo vessels as was intended by its original business plan. The Court ruled that IFG was entitled to treble damages under the Louisiana Unfair Trade Practices Act. After the submission of damage and fee calculations by the parties, the Court entered supplemental Reasons for Judgment and a final judgment against the Port in excess of \$124 million.

The District will appeal the judgment and exhaust all of its legal options to overturn the outcome.

Based on the information as it currently stands, the liability is neither "probable" or "remote". As such, the District has recorded its best estimate of liability of \$48,723,150 as a claim payable on the Statement of Net Position. As noted above, it is reasonably possible that total exposure to loss could be in excess of \$124 million.

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

At December 31, 2022, the District had committed approximately \$37.9 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities.

Note 16. Unearned Revenue

	Unearned 12/31/22
PRM site-C&E	\$ 83,465
PRM site-LTM	301,208
Wetland restoration	32,976
Unearned grants	10,863,257
Unearned rent not subject to GASB 87	<u>740,143</u>
Total	<u>\$ 12,021,049</u>

Note 17. Major Customers

A significant portion of the District's operating revenue has been derived from one major customer that accounted for 12% of the District's operating revenue in 2022.

A significant portion of the District's accounts receivable has been derived from three customers that accounted for 42% of total trade receivables outstanding at December 31, 2022.

Note 18. Other Postemployment Benefits Other than Pensions (OPEB)

Plan Description

The District provides certain continuing health care benefits for its retired employees. The District's OPEB Plan is an Agent Multiple Employer Defined Benefit Healthcare Plan administered by the Calcasieu Parish Police Jury. The contribution requirements of the retirees and the participating employees are established in the annual operating budget and may be amended

in the subsequent year by District management. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Benefits Provided

Employees are eligible for retiree health benefits if they are enrolled in the District's health plan at the time of retirement. For coverage under the plan, retirees pay 100% of the blended active premium. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly.

Employees Covered by Benefit Terms

The December 31, 2022 total OPEB liability was determined using the January 1, 2022 actuarial valuation that included the following employees covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>100</u>
Total	<u><u>133</u></u>

Total OPEB Liability

The District's total OPEB liability of \$7,731,027 was measured at December 31, 2022 and was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability in January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified.

- Inflation rate was 2.3%
- Salary increase rate was 3.0%
- Discount rate was 3.72% net of expenses. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.
- Health care cost trend rate

Short-term trend rate for no Medicare retirees starts off at 6.2%, and at 6.1% for Medicare retirees and reflects the repeal of the ACA Excise Tax.

- Mortality rate

Pre-retirement: PUB-2010 General Employees Amount Weighted Mortality Table projected with Mortality Improvement Scale MP-2021 on a generational basis.

Post-retirement: PUB-2010 General Retirees, contingent survivors, and Disabled Retirements Amount-Weighted Mortality Table projected with Mortality Improvement Scale MP-2021 on a generational basis.

Changes in the Total OPEB Liability

Balance at December 31, 2021	<u>\$ 7,766,433</u>
Change for the year:	
Service cost	275,244
Interest cost	163,488
Effect of economic/demographic gains or losses	493,952
Effect of assumptions changes or inputs	(756,212)
Benefit payments	<u>(211,878)</u>
Net changes	<u>(35,406)</u>
Balance at December 31, 2022	<u>\$ 7,731,027</u>

Sensitivity Analysis

Sensitivity of the total OPEB liability to changes in the discount rate - The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate.

	1% Decrease <u>(2.72%)</u>	Current Discount Rate <u>(3.72%)</u>	1% Increase <u>(4.72%)</u>
Total OPEB liability	<u>\$ 9,019,042</u>	<u>\$ 7,731,027</u>	<u>\$ 6,707,139</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate - The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare trend rates.

	<u>1% Decrease</u>	Current Healthcare Cost <u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>6,633,999</u>	\$ <u>7,731,027</u>	\$ <u>9,109,278</u>

For the year ended December 31, 2022, the District recognized OPEB expense of \$772,726. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ (161,487)	\$ 992,754
Changes in assumptions	<u>(660,640)</u>	<u>903,366</u>
Total	<u>\$ (822,127)</u>	<u>\$ 1,896,120</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended December 31:	
2023	\$ 333,994
2024	343,903
2025	283,924
2026	150,959
2027	(31,143)
Thereafter	<u>(7,644)</u>
	<u>\$ 1,073,993</u>

Note 19. Conduit Debt Obligations

To further economic development, the District has issued bonds that provide capital financing to private-sector entities for the acquisition and construction of industrial and commercial facilities. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private sector entities on the underlying mortgage or promissory notes. In addition, no commitments beyond the collateral, the payments from the private-sector entities and maintenance of the tax-exempt status of the conduit debt obligation were extended by the District for any of those bonds. At December 31, 2022, the bonds have an aggregate outstanding principal amount payable of \$324 million.

Note 20. Restatement of Net Position

The beginning net position for the Lake Charles Harbor and Terminal District fund, as reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position, has been restated to reflect the following adjustments:

Balance at December 31, 2021	\$ 266,772,837
Implementation of GASB 87 Leases	<u>16,742,176</u>
Balance at January 1, 2022, as Restated	<u><u>\$ 283,515,013</u></u>

Note 21. Subsequent Events

The District entered into a contract, subsequent to year end, with Alfred Palma LLC to construct a new warehouse at City Docks for \$31.1 million.

Subsequent events have been evaluated through June 27, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
 Years Ended December 31, 2018 through 2022
 (Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 275,244	\$ 261,057	\$ 208,652	\$ 141,889
Interest on total OPEB liability	163,488	161,028	149,927	175,619
Effect of plan changes	-	-	-	-
Effect of economic/ Demographic gains or losses	493,952	-	1,061,007	-
Effect of assumption changes or inputs	(756,212)	124,255	859,297	1,011,023
Benefit payments	<u>(211,878)</u>	<u>(227,867)</u>	<u>(186,886)</u>	<u>(225,911)</u>
Net change in total OPEB liability	(35,406)	318,473	2,091,997	1,102,620
Total OPEB liability, beginning	7,766,433	7,447,960	5,355,963	4,253,343
Total OPEB liability, ending (a)	7,731,027	7,766,433	7,447,960	5,355,963
Covered-employee payroll	6,411,475	7,759,133	7,981,333	8,102,608
Total OPEB liability as a % of covered payroll	120.58%	100.00%	93.32%	66.10%

The schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

	<u>2018</u>
\$	168,071
	167,600
	-
	(586,452)
	(97,297)
	<u>(203,427)</u>
	(551,505)
	4,804,848
	4,253,343
	7,944,224
	53.54%

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
 OF NET PENSION LIABILITY
 Years Ended December 31, 2014 Through 2022

<u>Plan Year</u>	<u>Employer Proportionate % of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of It's Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
LASERS:					
2022	0.25708%	\$ 19,434,584	\$ 5,752,216	337.9%	63.7%
2021	0.25723%	14,157,867	6,102,288	232.0%	72.8%
2020	0.26445%	21,871,824	6,443,249	339.5%	58.0%
2019	0.31373%	22,729,472	6,600,274	344.4%	62.9%
2018	0.33629%	22,934,736	6,348,680	361.3%	64.3%
2017	0.34087%	23,993,259	6,329,316	379.1%	62.5%
2016	0.32847%	25,793,355	5,968,274	432.2%	57.7%
2015	0.31313%	21,297,567	5,935,106	358.8%	62.7%
2014	0.31758%	19,857,745	5,611,145	353.9%	65.0%

This schedule will contain ten years of historical information once such information becomes available.

The amounts presented have a measurement date of the plan year end.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
 Years Ended December 31, 2014 Through 2022

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Employer's Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percent of Covered Payroll</u>
LASERS:					
2022	\$ 2,334,990	\$ 2,334,990	\$ -	\$ 5,729,711	40.8%
2021	2,405,733	2,405,733	-	5,929,713	40.6%
2020	2,543,027	2,543,027	-	6,275,868	40.5%
2019	2,576,699	2,576,699	-	6,549,254	39.3%
2018	2,469,497	2,469,497	-	6,510,947	37.9%
2017	2,304,479	2,304,479	-	6,249,062	36.9%
2016	2,287,025	2,287,025	-	6,266,472	36.5%
2015	2,190,378	2,190,378	-	5,908,712	37.1%
2014	1,998,527	1,998,527	-	5,857,444	34.1%

This schedule will contain ten years of historical information once such information becomes available.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2022

PENSION - LASERS

Changes to benefit terms:

There were no changes in benefit terms for the measurement period ending June 30, 2022.

Changes of Assumptions:

Investment rate of return changed from 7.40% to 7.25%

Expected long-term rate of return changed from 7.61% to 8.34%

OPEB

Changes to benefit terms:

There were no changes in benefit terms for the measurement period ending December 31, 2022.

Changes of assumptions;

Discount rate changed from 2.06% to 3.72%

Accumulated assets:

There were no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 72.

SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
 Year Ended December 31, 2022

	2022			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Operating revenue:				
Vessel and cargo services	\$ 15,575,681	\$ 15,575,681	\$ 21,669,564	\$ 6,093,883
Rental of equipment and facilities	17,762,628	17,762,628	20,413,988	2,651,360
Other	892,500	892,500	847,130	(45,370)
Total operating revenue	<u>34,230,809</u>	<u>34,230,809</u>	<u>42,930,682</u>	<u>8,699,873</u>
Operating expenses:				
Personnel services	12,010,654	12,010,654	13,387,073	(1,376,419)
Contractual services	8,314,145	8,314,145	7,601,899	712,246
Dredging	1,500,000	1,500,000	1,500,000	-
Supplies, maintenance and operation of facilities	6,332,198	6,332,198	9,710,718	(3,378,520)
Heat, light and power	671,786	671,786	884,802	(213,016)
Depreciation and amortization	14,891,754	14,891,754	14,240,252	651,502
Total operating expenses	<u>43,720,537</u>	<u>43,720,537</u>	<u>47,324,744</u>	<u>(3,604,207)</u>
Operating income (loss)	<u>(9,489,728)</u>	<u>(9,489,728)</u>	<u>(4,394,062)</u>	<u>5,095,666</u>
Nonoperating revenue (expenses):				
Property taxes	4,329,000	4,329,000	4,703,773	374,773
Intergovernmental revenue	90,000	90,000	94,248	4,248
Interest income	300,000	300,000	1,792,329	1,492,329
Interest expense and fiscal charges	(1,627,595)	(1,627,595)	(1,606,969)	20,626
Loss on retirement of assets	(68,000)	(68,000)	(1,952,212)	(1,884,212)
Loss on impairment of assets	-	-	93,707	93,707
Hurricane recovery expense	-	-	-	-
Intergovernmental expense	(3,167,000)	(3,167,000)	(3,115,111)	51,889
Settlement of claims	-	-	12,791,068	12,791,068
Insurance recoveries	-	-	220,854	220,854
Other	(40,000)	(40,000)	78,421	118,421
Net nonoperating revenue (expenses)	<u>(183,595)</u>	<u>(183,595)</u>	<u>13,100,108</u>	<u>13,283,703</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
 Year Ended December 31, 2022
 (Continued)

	2022			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Net income (loss) before contributions (budget basis)	<u>\$ (9,673,323)</u>	<u>\$ (9,673,323)</u>	8,706,046	<u>\$ 18,379,369</u>
Capital contributions			<u>28,499,473</u>	
Net income (GAAP basis)			37,205,519	
Net position, beginning of year as restated			<u>283,515,013</u>	
Net position, end of year			<u>\$ 320,720,532</u>	

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
 PAYMENTS TO EXECUTIVE DIRECTOR
 Year Ended December 31, 2022

Agency Head Name: Richert L. Self, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 230,006
Retention bonus	11,500
Benefits - insurance	8,067
Benefits - retirement (LASERS)	97,879
Benefits - deferred compensation	13,500
Car allowance	14,316
Travel	5,503

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF INSURANCE IN FORCE

December 31, 2022

Insurance policies in force as of December 31, 2022:

<u>Policy Type</u>	<u>Policy Number</u>	<u>Policy Provider</u>	<u>Policy Period</u>
Business travel	ETB-101464	Hartford	10/3/21-10/3/24
Commercial automobile	PEA000538401	Hudson Insurance Company	10/1/22-10/1/23
Crime	CCP005316001	The Fidelity and Deposit Co. of Maryland	10/1/22-10/1/25
Equipment breakdown coverage	BME15P32387ATIL-22	Travelers Property Casualty Company	1/1/22-1/1/23
General liability	B5JH31908	Atlantic Specialty Insurance Company	10/1/22-10/1/23
Bumbershoot	MASILNW00099322	Starr Indemnity & Liability Company	10/1/22-10/1/23
Bumbershoot	QL22XSIM14506	QBE International Market/ QBE Insurance Co.	10/1/22-10/1/23
Inland marine equipment floater	RRP1365-17	Evanston Insurance Company	10/1/22-10/1/23
Maritime employers liability	BOUM-A-22-1372	StarNet Insurance Co.	10/1/22-10/1/23
Police professional liability	PPL095020204	Indian Harbor Insurance Company	6/18/22-6/18/23
Pollution liability	PEC0060366	Indian Harbor Insurance Company	11/26/21-11/26/24
Primary property	SM0763022	Lloyd's of London	1/1/22-1/1/23
Primary property	PW0425622	Lloyd's of London	1/1/22-1/1/23
Excess property	PW0427122	Lloyd's of London	1/1/22-1/1/23
Public officials' liability	POLO954719-02	Indian Harbor Insurance Company	10/1/22-10/1/23
Railroad liability	RRNY962030-3	Liberty Mutual Insurance	10/1/22-10/1/23
Excess railroad protection	US00112930LI22A	Indian Harbor Insurance Company	10/1/22-10/1/23
Terrorism	US00115024SP22A	Indian Harbor Insurance Company	1/1/22-1/1/23
Workers compensation	100510-D	Louisiana Worker Compensation Corporation	6/18/22-6/18/23
Health care	Self-insured with CPPJ	Stop loss carrier through CPPJ	1/1/22-1/1/23

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STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
2013	\$ 233,191	\$ 42,601	\$ 30,282	\$ 306,074
2014	235,682	31,286	39,300	306,268
2015	248,191	20,793	26,505	295,489
2016	262,894	13,886	21,302	298,082
2017	262,508	12,178	27,022	301,708
2018	264,253	5,152	34,985	304,390
2019	259,324	5,221	39,509	304,054
2020	236,636	5,238	4,221	246,095
2021	231,695	5,225	30,415	267,365
2022	260,357	5,316	55,013	320,686

Table 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY OF REVENUES AND EXPENSES
Last Ten Fiscal Years
(Unaudited)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
OPERATING REVENUES				
Charges for services	\$ 20,221,173	\$ 21,848,099	\$ 19,429,820	\$ 21,060,478
Rentals	12,198,732	11,541,637	16,025,616	18,305,150
Other	<u>767,285</u>	<u>659,246</u>	<u>875,513</u>	<u>1,492,785</u>
Total	<u>33,187,190</u>	<u>34,048,982</u>	<u>36,330,949</u>	<u>40,858,413</u>
NONOPERATING REVENUES				
Property taxes	2,870,308	3,038,377	3,286,210	3,476,800
Intergovernmental revenue	90,947	90,289	90,441	86,901
Interest income	212,199	215,918	307,442	403,205
Insurance recoveries	-	-	-	-
Other income	-	-	<u>6,968</u>	<u>607</u>
Total	<u>3,145,890</u>	<u>3,173,454</u>	<u>3,351,552</u>	<u>3,966,919</u>
OPERATING EXPENSES				
General and administrative	10,932,884	11,649,140	10,769,611	12,638,544
Maintenance and operation	11,886,163	16,143,187	8,690,191	12,773,160
Depreciation	<u>11,530,355</u>	<u>13,177,135</u>	<u>14,011,819</u>	<u>14,781,219</u>
Total	<u>34,349,402</u>	<u>40,969,462</u>	<u>33,471,621</u>	<u>40,192,923</u>
NONOPERATING EXPENSES				
Interest expense and fiscal charges	546,445	34,177	18,697	66,241
Intergovernmental expense	-	167,545	4,044,732	3,200,140
Other expenses	<u>132,457</u>	<u>1,651,772</u>	<u>85,665</u>	<u>72,027</u>
Total	<u>678,902</u>	<u>1,853,494</u>	<u>4,149,094</u>	<u>3,338,408</u>
Net income (loss) before contributions	<u>1,332,340</u>	<u>(5,422,422)</u>	<u>2,394,934</u>	<u>1,294,001</u>
Capital contributions				
Federal government	2,638,179	-	-	548,000
State government	1,852,485	5,520,418	4,357,112	362,221
Other	<u>830,757</u>	<u>96,780</u>	<u>4,100,000</u>	<u>338,000</u>
Total capital Contributions	<u>5,321,421</u>	<u>5,617,198</u>	<u>8,457,112</u>	<u>1,298,221</u>
Change in net assets	<u>\$ 6,653,761</u>	<u>\$ 194,776</u>	<u>\$ 10,852,046</u>	<u>\$ 2,592,222</u>

Table 2

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 23,097,333	\$ 24,157,645	\$ 22,198,001	\$ 17,890,360	\$ 17,460,239	\$ 22,593,476
17,284,286	17,375,854	17,564,904	17,671,565	19,071,668	20,413,989
<u>2,330,980</u>	<u>918,468</u>	<u>549,400</u>	<u>623,105</u>	<u>1,373,637</u>	<u>847,130</u>
<u>42,712,599</u>	<u>42,451,967</u>	<u>40,312,305</u>	<u>36,185,030</u>	<u>37,905,544</u>	<u>43,854,595</u>
3,633,932	3,777,885	4,099,984	4,328,175	4,098,396	4,703,773
90,978	90,927	92,011	93,417	93,720	94,248
653,401	1,598,483	1,687,068	507,332	222,838	1,792,826
-	-	-	24,500,000	25,500,000	220,854
<u>13</u>	<u>-</u>	<u>500</u>	<u>2,001</u>	<u>14,495</u>	<u>12,869,489</u>
<u>4,378,311</u>	<u>5,467,295</u>	<u>5,879,563</u>	<u>4,930,925</u>	<u>29,929,449</u>	<u>19,681,190</u>
13,625,954	12,983,636	13,135,358	11,606,078	10,995,784	14,073,151
13,489,026	13,145,919	13,925,833	12,859,193	17,768,951	20,293,387
<u>15,243,144</u>	<u>15,504,901</u>	<u>15,379,123</u>	<u>15,120,974</u>	<u>13,744,750</u>	<u>14,466,973</u>
<u>42,358,124</u>	<u>41,634,456</u>	<u>42,440,314</u>	<u>39,586,245</u>	<u>42,509,485</u>	<u>48,833,511</u>
38,792	35,601	1,741,834	1,709,702	1,666,635	1,606,969
696,354	4,145,753	1,345,417	6,923,559	2,429,067	3,115,111
<u>45,859</u>	<u>33,879</u>	<u>213,119</u>	<u>57,276,952</u>	<u>8,966,183</u>	<u>1,901,639</u>
<u>781,005</u>	<u>4,215,233</u>	<u>3,300,370</u>	<u>65,910,213</u>	<u>13,061,885</u>	<u>6,623,719</u>
<u>3,951,781</u>	<u>2,069,573</u>	<u>451,184</u>	<u>(64,380,503)</u>	<u>12,263,623</u>	<u>8,078,555</u>
612,596	2,627,000	1,347,873	6,421,173	9,007,096	17,152,953
-	-	-	-	-	11,346,520
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>612,596</u>	<u>2,627,000</u>	<u>1,347,873</u>	<u>6,421,173</u>	<u>9,007,096</u>	<u>28,499,473</u>
<u>\$ 4,564,377</u>	<u>\$ 4,696,573</u>	<u>\$ 1,799,057</u>	<u>\$ (57,959,330)</u>	<u>\$ 21,270,719</u>	<u>\$ 36,578,028</u>

Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

VESSEL AND CARGO REVENUES
Last Ten Fiscal Years
(Unaudited)

	<u>Dockage</u>	<u>Wharfage</u>	<u>Storage</u>	<u>Cargo Handling</u>
2013	\$ 3,211,844	\$ 935,797	\$ 774,980	\$ 15,298,552
2014	3,295,026	1,021,629	736,383	16,795,061
2015	3,585,324	690,862	523,500	14,630,134
2016	4,515,802	1,344,410	687,236	14,513,031
2017	4,518,677	2,594,057	399,424	14,475,272
2018	4,565,193	1,381,942	507,466	16,183,901
2019	3,984,542	1,605,190	382,430	14,330,119
2020	3,267,834	1,676,633	355,021	9,905,899
2021	3,286,574	2,984,510	403,313	8,960,678
2022	5,275,602	3,313,010	691,945	12,389,007

SHIPPING ACTIVITIES
TONNAGE
(Unaudited)2022 CARGO IMPORTS/EXPORTS
(Tons)

<u>Cargo</u>	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
General cargo	360,438	38,546	398,984
Bulk	<u>1,279,184</u>	<u>14,598,683</u>	<u>15,877,867</u>
Totals	<u><u>1,639,622</u></u>	<u><u>14,637,229</u></u>	<u><u>16,276,851</u></u>

Table 3

<u>Total Vessel & Cargo Revenue</u>	<u>Per Ton Dockage</u>	<u>Per Ton Wharfage</u>	<u>Per Ton Storage</u>	<u>Per Ton Cargo Handling</u>	<u>Per Ton Vessel & Cargo Revenue</u>
\$ 21,209,754	\$ 0.75	\$ 0.28	\$ 0.13	\$ 3.68	\$ 4.84
20,221,173	0.78	0.23	0.19	3.74	4.94
21,848,099	0.82	0.26	0.18	4.20	5.46
19,429,820	0.74	0.14	0.11	3.02	4.01
21,060,479	0.85	0.25	0.13	2.74	3.98
21,987,430	0.90	0.52	0.08	2.88	4.37
22,638,503	1.05	0.32	0.12	3.71	5.18
20,302,282	1.08	0.30	0.10	3.89	5.51
15,205,387	1.08	0.16	0.12	3.28	5.04
15,635,075	1.22	0.20	0.15	3.32	5.79

TEN YEAR CARGO
IMPORT/EXPORT TONNAGE

	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
2013	1,925,255	2,768,300	4,693,555
2014	1,884,513	2,861,121	4,745,634
2015	2,311,474	3,114,870	5,426,344
2016	2,500,662	2,587,962	5,088,624
2017	2,858,435	2,226,021	5,084,456
2018	2,208,079	2,735,848	4,943,927
2019	1,950,624	3,917,633	5,868,257
2020	1,910,340	9,256,106	11,166,446
2021	1,563,547	13,230,309	14,793,856
2022	<u>1,639,622</u>	<u>14,637,229</u>	<u>16,276,851</u>
Totals	<u>20,752,551</u>	<u>57,335,399</u>	<u>78,087,950</u>

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Table 4

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TAX REVENUES FOR BUSINESS TYPE ACTIVITIES

Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

<u>Fiscal Year Ended</u>	<u>Property Tax</u>	<u>Revenue Sharing</u>	<u>Total</u>
2013	\$ 2,870,308	\$ 90,947	\$ 2,961,255
2014	3,038,377	90,289	3,128,666
2015	3,286,210	90,441	3,376,651
2016	3,476,800	86,901	3,563,701
2017	3,633,932	90,978	3,724,910
2018	3,777,885	90,927	3,868,812
2019	4,099,984	92,011	4,191,995
2020	4,328,175	93,417	4,421,592
2021	4,098,396	93,720	4,192,116
2022	<u>4,703,773</u>	<u>94,248</u>	<u>4,798,021</u>
	<u>\$ 37,313,840</u>	<u>\$ 913,879</u>	<u>\$ 38,227,719</u>

Table 5

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Fiscal Year Ended December 31	Real Property		Personal Property	Less: Tax Exempt Real Property
	Residential Property	Public Services	Other	
2013	\$ 434,915,448	\$ 92,404,154	\$ 675,091,568	\$ 154,001,091
2014	457,811,629	89,267,193	708,325,803	153,576,143
2015	512,094,719	88,527,727	734,831,111	154,218,082
2016	565,197,708	97,297,921	767,660,812	155,264,877
2017	591,940,193	102,601,952	790,775,605	156,396,254
2018	789,379,338	105,384,463	819,945,096	210,766,093
2019	810,592,733	115,556,182	947,337,404	229,916,623
2020	761,899,775	144,278,346	1,088,542,851	205,545,222
2021	865,455,272	110,316,294	979,223,058	246,925,281
2022	896,232,367	97,254,652	1,078,974,258	255,352,451

All property assessments are made by the Calcasieu Parish Tax Assessor.

Table 5

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value Percentage of Actual Value</u>
\$ 1,202,411,170	2.53	\$10,547,466,404	11.40%
1,255,404,625	2.53	11,517,473,633	10.90%
1,335,453,557	2.53	12,840,899,577	10.40%
1,430,156,441	2.53	14,593,433,071	9.80%
1,485,317,750	2.53	15,634,923,695	9.50%
1,714,708,897	2.53	18,638,151,054	9.20%
1,873,486,319	2.53	22,041,015,518	8.50%
1,994,720,972	2.48	25,249,632,557	7.90%
1,954,994,624	2.48	17,455,309,143	11.20%
2,072,461,277	2.48	18,840,557,064	11.00%

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Fiscal Year	Lake Charles Harbor and Terminal District		Calcasieu Parish School Board		
	Operating Millage	Total	General Fund	Debt Service Funds	Total
2013	2.53	2.53	18.04	22.60	40.64
2014	2.53	2.53	18.04	22.20	40.24
2015	2.53	2.53	18.04	22.20	40.24
2016	2.53	2.53	17.23	21.00	38.23
2017	2.53	2.53	17.23	21.00	38.23
2018	2.53	2.53	17.23	29.85	47.08
2019	2.53	2.53	17.23	42.10	59.33
2020	2.48	2.48	17.00	37.00	54.00
2021	2.48	2.48	17.00	31.50	48.50
2022	2.48	2.48	17.00	21.30	38.30

Data source: Calcasieu Parish Assessor

Table 6

Calcasieu Parish				City of Lake Charles			Total Direct & Overlapping Rates
Parish Police Jury	Special Districts	Airport Harbor & Terminal	Total	General & Special Revenue Funds	Debt Service Fund	Total	
34.01	41.09	8.14	83.24	15.35	0.00	15.35	141.76
34.78	41.17	8.14	84.09	15.35	0.00	15.35	142.21
35.46	43.25	8.19	86.90	15.35	0.00	15.35	145.02
34.29	41.65	8.58	84.52	15.23	0.00	15.23	140.51
34.29	41.23	8.58	84.10	15.23	0.00	15.23	140.09
34.29	43.40	8.58	86.27	15.23	0.00	15.23	151.11
34.09	43.05	8.58	85.72	15.23	0.00	15.23	162.81
34.51	43.07	8.45	86.03	15.05	0.00	15.05	157.56
36.51	42.67	8.45	87.63	15.12	0.00	15.12	153.73
36.41	36.75	8.45	81.61	15.12	0.00	15.12	137.51

Table 7

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Taxpayer	Type of Business	2022		
		Assessed Valuation 2022	Rank	Percentage of Total Valuation
Phillips 66 (formerly Conoco)	Refinery	\$ 203,307,858	1	9.81%
CITGO Petroleum Corporation	Refinery	91,396,940	2	4.41%
SASOL North America, Inc	Chemical plant	74,604,921	3	3.60%
Eagle US 2 LLC	Chemical plant	73,867,830	4	3.56%
Lake Charles LNG	LNG	60,650,110	5	2.93%
Golden Nugget	Hotel & casino	47,733,930	6	2.30%
Excel Paralubes	Lubricants	38,001,840	7	1.83%
Pinnacle Entertainment	Hotel & casino	32,544,420	8	1.57%
Equistar Chemicals	Chemical plant	30,129,400	9	1.45%
Westlake Chemical*	Chemical plant	27,470,870	10	1.33%
Entergy Gulf States, Inc.	Electric Co.			
Axial Corporation	Chemical plant			
R S Cogen, LLC	Power plant			
WPT Corporation	Chemical plant			
Totals		<u>\$ 679,708,119</u>		<u>32.80%</u>

Data source: Calcasieu Parish Assessor

* Westlake Chemical acquired Axiall (formerly PPG) in 2016

Table 7

<u>2013</u>		
<u>Assessed Valuation 2013</u>	<u>Rank</u>	<u>Percentage of Total Valuation</u>
\$ 85,085,130	1	7.08%
43,088,330	3	3.58%
35,275,340	7	2.93%
36,991,810	6	3.08%
41,295,060	4	3.43%
17,202,350	10	1.43%
73,974,390	2	6.15%
38,480,600	5	3.20%
20,765,460	8	1.73%
<u>17,644,110</u>	9	<u>1.47%</u>
<u>\$ 409,802,580</u>		<u>34.08%</u>

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Table 8

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TOP CUSTOMERS

For the Current Year and Nine Years Ago
(Unaudited)

<u>Customer</u>	<u>2022</u>		<u>2013</u>	
	<u>Revenue</u>	<u>Percent of Operating Revenue</u>	<u>Revenue</u>	<u>Percent of Operating Revenue</u>
Citgo Petroleum Corporation	\$ 5,245,536	12.05%	\$ 7,759,899	23.24%
Golden Nugget	3,969,213	9.12%		
Pinnacle Entertainment	3,507,905	8.06%	2,903,293	8.69%
Phillips 66	3,384,885	7.78%	2,243,080	6.72%
Cameron LNG	3,289,520	7.56%		
Halliburton Industrial	2,996,860	6.89%	1,923,360	5.76%
Driftwood LNG	<u>1,861,481</u>	<u>4.28%</u>		
	<u>\$ 24,255,399</u>	<u>67.23%</u>	<u>\$ 14,829,632</u>	<u>44.41%</u>

Table 9

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Fiscal Year Ended December 31	Total Tax Levy	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2013	\$ 3,042,451	\$ 2,468,068	81.12%
2014	3,176,191	2,302,726	72.50%
2015	3,378,726	2,578,993	76.33%
2016	3,618,328	2,932,887	81.06%
2017	3,757,905	2,821,222	75.07%
2018	3,940,313	3,470,481	88.08%
2019	4,337,428	3,456,368	79.69%
2020	4,553,726	3,891,423	85.46%
2021	4,448,623	3,275,957	73.64%
2022	4,741,178	3,446,297	72.69%

Data source - Calcasieu Parish Tax Collector

Table 9

Collections in Subsequent Years	<u>Total Collections to Date</u>	
	<u>Amount</u>	<u>Percentage of Levy</u>
\$ (16,857)	\$ 2,451,211	80.57%
3,908	2,306,634	72.62%
5,283	2,584,276	76.49%
6,009	2,938,896	81.22%
7,600	2,828,822	75.28%
(1,849)	3,468,632	88.03%
11,351	3,467,719	79.95%
105,529	3,996,952	87.77%
1,039,427	4,315,384	97.00%
1,011,093	4,457,390	94.01%

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Table 10

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

RATIOS OF OUTSTANDING DEBT
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Business Type Activities		Gross Revenues	Percentage of Personal Income	Per Capita ¹
	Bonds and Certificates of Indebtedness				
2013	\$	39,935,423	\$ 33,187,190	0.94%	207.17
2014		39,905,808	34,048,982	0.84%	205.18
2015		39,138,649	36,330,949	0.81%	198.47
2016		38,206,490	40,858,413	0.76%	187.96
2017		37,239,331	42,712,599	0.73%	182.28
2018		36,232,172	42,451,967	0.69%	178.97
2019		35,175,013	40,312,305	0.65%	173.18
2020		34,067,854	36,185,030	0.60%	166.45
2021		32,925,694	37,905,544	0.57%	161.95
2022		31,748,535	43,854,595	0.46%	154.84

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

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

Table 11

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

REVENUE BACKED DEBT COVERAGE
Last Ten Fiscal Years
(Unaudited)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Gross revenues	\$ 36,360,644	\$ 37,400,534	\$ 40,015,649	\$ 44,825,332
One time revenues	-	-	-	-
One time expenses	-	-	-	-
Deductible operating expenses	<u>22,277,602</u>	<u>27,803,150</u>	<u>19,481,105</u>	<u>25,385,463</u>
Net revenues available	<u>14,083,042</u>	<u>9,597,384</u>	<u>20,534,544</u>	<u>19,439,869</u>
Current maturities long-term debt	767,199	767,159	920,000	955,000
Certificates of indebtedness	17,455	-	-	-
Interest expense	<u>546,445</u>	<u>2,047,646</u>	<u>1,882,138</u>	<u>1,845,338</u>
CMLTD plus interest expense	<u>1,331,019</u>	<u>2,814,805</u>	<u>2,802,138</u>	<u>2,800,338</u>
Debt service coverage ratio	10.58	3.41	7.33	6.94

Table 11

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 45,981,007	\$ 46,400,120	\$ 44,296,149	\$ 38,430,982	\$ 66,009,348	\$ 62,611,371
-	-	-	24,500,000	25,500,000	13,011,923
-	-	-	81,566,952	8,741,688	1,858,505
<u>26,494,054</u>	<u>29,116,142</u>	<u>27,133,350</u>	<u>87,044,781</u>	<u>38,470,027</u>	<u>38,058,108</u>
<u>19,486,953</u>	<u>17,283,978</u>	<u>17,162,799</u>	<u>8,453,153</u>	<u>10,781,009</u>	<u>13,399,850</u>
955,000	1,045,000	1,095,000	1,130,000	1,165,000	1,205,000
-	-	-	-	-	-
<u>1,807,138</u>	<u>1,731,263</u>	<u>1,688,712</u>	<u>1,653,925</u>	<u>1,615,175</u>	<u>1,572,194</u>
<u>2,802,138</u>	<u>2,776,263</u>	<u>2,783,712</u>	<u>2,783,925</u>	<u>2,780,175</u>	<u>2,777,194</u>
6.95	6.23	6.17	3.04	3.88	4.82

Table 12

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 135,641	\$ 140,898	\$ 148,967	\$ 158,542
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 135,641</u>	<u>\$ 140,898</u>	<u>\$ 148,967</u>	<u>\$ 158,542</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

Legal Debt Margin Calculated for Fiscal Year 2022

Assessed value

Add back: Exempt real property
 Total assessed value

Debt limit (10% of total assessed value)

Total restricted assets available for principal payment

Legal capacity of Lake Charles Harbor and Terminal District

Note:

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

Table 12

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 164,171	\$ 192,547	\$ 210,340	\$ 220,027	\$ 220,192	\$ 232,781
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 164,171</u>	<u>\$ 192,547</u>	<u>\$ 210,340</u>	<u>\$ 220,027</u>	<u>\$ 220,192</u>	<u>\$ 232,781</u>
0%	0%	0%	0%	0%	0%

\$ 2,072,461,277

255,352,451
2,327,813,728

232,781,373

31,748,535

201,032,838

Table 13

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>
2013	192,768	\$ 4,532,746,752	\$ 23,514
2014	194,493	4,756,434,080	24,456
2015	197,204	4,802,903,420	24,355
2016	203,274	5,041,545,664	24,802
2017	204,296	5,108,421,480	25,005
2018	202,445	5,250,896,170	25,937
2019	202,330	5,396,482,728	26,672
2020	204,676	5,659,517,832	27,651
2021	203,310	5,780,461,438	28,432
2022	205,035	6,858,975,965	33,453

Data sources:

Louisiana Department of Education
Calcasieu Parish Police Jury

Table 13

<u>Median Age</u>	<u>Average ACT Score Core</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
36	20.4	32,563	6.5
36	20.4	32,563	6.5
36	18.7	30,488	5.9
36	19.7	32,565	5.4
37	19.5	32,748	4.8
36	20.0	32,946	4.0
36	19.8	32,932	4.8
36	19.3	32,946	4.3
36	19.2	31,592	10.1
36	18.6	27,584	7.6

Table 14

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Employers	Type of Business	2022 Number of Employees	2013 Number of Employees
Calcasieu Parish School Board	Education	4,999+	5,640
Lake Charles Memorial Health System	Health care	2,600+	1,194
Turner Industries	Fabrication	2,100+	1,650
Westlake Chemical	Basic chemical plant	2,000+	1,190
Golden Nugget	Gaming	1,700+	-
Pinnacle Entertainment	Gaming	1,600+	1,308
Christus St. Patrick Hospital	Health care	1,000+	939
Calcasieu Parish Sheriff's Office	Police protection	930+	-
City of Lake Charles	Government	850+	1,093
Brock Services, LLC	Fabrication	-	2,000
Isle of Capri	Gaming	-	1,155
Total		N/A	16,569

Source: City of Lake Charles

*Westlake Chemical acquired Axial (formerly PPG) in 2016

Table 15

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Function	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Board of Commissioners	7	7	7	7	7	7	7	7	7	7
Executive	2	2	2	2	3	3	3	3	3	2
Administrative	13	13	13	13	13	14	13	13	13	13
Legal	3	3	3	3	3	3	3	3	2	2
Engineering	3	3	3	3	3	3	2	2	2	2
Sales and Marketing	2	2	2	2	2	2	2	2	2	2
Navigation and Security	16	17	16	17	19	20	20	24	23	18
Traffic	2	2	2	1	1	1	1	1	1	1
Safety	2	2	3	3	1	1	1	0	0	0
Maintenance	24	24	25	26	26	26	25	26	25	26
Operation	<u>48</u>	<u>47</u>	<u>44</u>	<u>42</u>	<u>44</u>	<u>46</u>	<u>43</u>	<u>41</u>	<u>40</u>	<u>39</u>
Total	<u>122</u>	<u>122</u>	<u>120</u>	<u>120</u>	<u>122</u>	<u>126</u>	<u>119</u>	<u>122</u>	<u>118</u>	<u>112</u>

Source: Various District departments

Table 16

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Function	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Transit sheds - square feet	1,221,760	1,221,760	1,221,760	1,056,840
Warehouses - square feet	520,400	520,400	520,400	520,400
Docks - number amount:				
Dry cargo	11	11	11	10
Bulk materials	3	3	3	3
Open berth	1	1	1	2
Grain elevator	1	1	1	1
Track - miles	39	39	39	39

Sources: Various District departments

Table 16

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1,056,840	1,056,840	1,056,840	1,056,840	1,056,840	949,355
520,400	520,400	520,400	520,400	520,400	630,400
10	10	10	10	10	9
3	3	3	3	3	3
2	2	2	2	2	3
1	1	1	1	1	1
39	39	39	39	39	39

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

**UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS**

YEAR ENDED DECEMBER 31, 2022

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

LAKE CHARLES, LOUISIANA

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Lake Charles Harbor and Terminal District (the District), Lake Charles, Louisiana as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Lake Charles Harbor and Terminal District, Louisiana's basic financial statements, and have issued our report thereon dated June 27, 2023.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lake Charles Harbor and Terminal District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report On Compliance and Other Matters

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

Purpose of This Report

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

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

Mr. Tracy Quil + Bank

Lake Charles, Louisiana
June 27, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lake Charles Harbor and Terminal District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lake Charles Harbor and Terminal District's major federal programs for the year ended December 31, 2022. Lake Charles Harbor and Terminal District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lake Charles Harbor and Terminal District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*,

Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lake Charles Harbor and Terminal District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lake Charles Harbor and Terminal District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lake Charles Harbor and Terminal District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lake Charles Harbor and Terminal District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lake Charles Harbor and Terminal District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis,

evidence regarding Lake Charles Harbor and Terminal District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Lake Charles Harbor and Terminal District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lake Charles Harbor and Terminal District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of Lake Charles Harbor and Terminal District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Lake Charles Harbor and Terminal District's basic financial statements. We issued our report thereon dated June 27, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

This report is intended solely for the information and use of the members of the Lake Charles Harbor and Terminal District, management and federal awarding agencies and pass-through entities and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

McClary Quil & Beach

Lake Charles, Louisiana
June 27, 2023

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 December 31, 2022

<u>Grant Type</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. Department of Homeland Security			
Passed Through Louisiana Office of Homeland Security and Emergency Preparedness:			
Disaster Grants Public Assistance:			
Hurricane Laura	97.036	DR-4559	\$ 5,210,982
Total U.S. Department of Homeland Security			<u>5,210,982</u>
U.S. Department of Treasury			
Passed Through Louisiana Office of the Treasury:			
Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027		10,632,071
Total U.S. Department of Treasury			<u>10,632,071</u>
Total Federal Expenditures			<u>\$ 15,843,053</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2022

Note A: Scope of Audit - The audit was performed pursuant to the *Single Audit Act of 1996* and the Uniform Guidance.

Summary of Significant Accounting Policies - The Schedule of Expenditures of Federal Awards has been prepared on the full accrual basis of accounting used by the District in its preparation of its financial statements.

Note B: Expenditures reported in the Schedule of Expenditures of Federal Awards cannot be traced directly to the expenses reported in the District's Annual Comprehensive Financial Report (ACFR), which is bound separately. According to the 2022 Compliance Supplement, nonfederal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when (1) FEMA has approved the nonfederal entity's PW and (2) the nonfederal entity has incurred the eligible expenditures. The District's 2022 SEFA contains no expenditures which were incurred and reported prior to 2022.

Note C: Indirect Cost Rate

The District elected to use the 10 percent de minimis indirect cost rate allows

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes X No

Significant deficiency identified not
Considered to be material weakness? Yes X None reported

Noncompliance material to financial statements
noted Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified? Yes X No

Significant deficiency identified not
Considered to be material weakness? Yes X None reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the Uniform
Guidance? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds (ARPA)

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2022

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings to report.

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

No findings to report.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2022

SECTION III- FINANCIAL STATEMENT FINDINGS

No Prior Year Findings

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the Lake Charles Harbor and Terminal District
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas of Lake Charles Harbor and Terminal District (the District) identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. The District's management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) *Written Policies and Procedures*

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

i. Budgeting, including preparing, adopting, monitoring, and amending the budget.

No exceptions noted.

- ii. Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions noted.

- iii. Disbursements**, including processing, reviewing, and approving.

No exceptions noted.

- iv. Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exceptions noted.

- v. Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

No exceptions noted.

- vi. Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exceptions noted.

- vii. Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exceptions noted.

- viii. Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, and (4) required approvers of statements, and (5) monitoring card usage (e.g. determining the reasonableness of fuel card purchases).

No exceptions noted.

- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

No exceptions noted.

- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No exceptions noted.

- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exceptions noted.

- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions noted.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws or other equivalent document.

No exceptions noted.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

No exceptions noted.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exceptions noted.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exceptions noted.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged).

No exceptions noted.

- ii. Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged).

No exceptions noted.

- iii. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5):

No exceptions noted.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- i. Employees responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

- iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions noted.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions is (are) not responsible for collecting cash, unless another employee/official verifies the reconciliation.

No exceptions noted.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was in force during the fiscal period.

No exceptions noted.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

i. Observe that receipts are sequentially pre-numbered.

No exceptions noted.

ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

iii. Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions noted.

v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

5) Non-Payroll Disbursements (excluding credit card purchases/payments, travel reimbursements, and petty-cash purchases)

A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

No exceptions noted.

B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase.

No exceptions noted.

- ii. At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

No exceptions noted.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exceptions noted.

- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions noted.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exceptions noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No exceptions noted.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder.

No exceptions noted.

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions noted.

7) Travel and Expense Reimbursement

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii).

No exceptions noted.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

8) Contracts

A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions noted.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- iii. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment: and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval).

No exceptions noted.

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

9) Payroll and Personnel

A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions noted.

B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:

- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

No exceptions noted.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials:

No exceptions noted.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records:

No exceptions noted.

- iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee/officials' authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

No exceptions noted.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, and workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

10) Ethics

- A. Using the five randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain ethics documentation from management and:

- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.

No exceptions noted.

- ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable:

No exceptions noted.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exceptions noted.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

N/A – No bonds or debt instruments issued during the fiscal period.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants):

No exceptions noted.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

No misappropriations of assets during the fiscal period.

- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds:

No exceptions noted.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the procedure and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

No exceptions noted.

- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

No exceptions noted.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements.

No exceptions noted.

- ii. Number of sexual harassment complaints received by the agency.

No exceptions noted.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred.

No exceptions noted.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action.

No exceptions noted.

- v. Amount of time it took to resolve each complaint.

No exceptions noted.

We were engaged by the Lake Charles Harbor and Terminal District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Lake Charles Harbor and Terminal District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Mr. Tracy Quil & Benek

Lake Charles, Louisiana
June 27, 2023